

EFFECTIVE OCIO OVERSIGHT

**Benefits of Using an
Independent Consultant**

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EXECUTIVE SUMMARY

An institution working through its board, investment and finance committees and staff has a significant challenge in meeting their fiduciary role and responsibilities in overseeing the selection and monitoring of their OCIO provider. This is becoming more difficult given the growth in the number of firms providing OCIO services and the complexity of their solutions.

In other papers, we explored the importance of [starting with the end in mind](#) with upfront information gathering and goal setting, [defining the search process](#), and weighing the specifics of the definition and [implementation of the investment approach](#). We also considered some [practical applications](#) that can contribute significantly to the effectiveness of the process.

Now, let's consider the benefits of hiring someone to assist your institution with this important, but complex process.

WHY HIRE SOMEONE FOR SOMETHING I COULD POTENTIALLY DO MYSELF?

Here are several benefits from hiring a consultant to lead the process.

Independence and Objectivity

The consultant should bring a lack of conflict or bias to doing the search. There are various relationships that likely exist that inherently create the potential for a conflict of interest. The consultant should stand above that and retain its ability to steer the institution through the process and to making a decision on its merits, and not because of political considerations.

- The institution itself already has relationships with banks and asset managers. It likely has a relationship with a consultant for its retirement program. These firms may also provide OCIO services.
- The various individuals involved in the oversight may be employed as and/or have relationships individually with brokers, asset managers, banks and other service providers that they would recommend for OCIO consideration.
- Considering the OCIO services these various firms are able to provide is ok, but that review should not be clouded by the political considerations of these other relationships that exist.
- Additionally, consulting firms with asset management or broker/dealer subsidiaries likely also provide OCIO services. These firms may provide OCIO search services in addition to their OCIO capabilities. This too is inherently a conflict of interest.
- Wherever these overlapping relationships exist, there is the potential for revenue sharing and referral bonuses for cross-selling.
- **A consultant that is independent of these relationships and is being paid solely for its search services without other sources of revenue sharing brings a much-needed level of objectivity.**

Expertise

A consultant experienced in the OCIO field brings a level of knowledge of the firms, services and fees available in the marketplace. Paired with their familiarity of the institution, the consultant can match the institution with firms that are most likely to be aligned with the institution's goals.

- **A consultant will have a database of firms it has already done due diligence on.** Equipped with this the consultant can identify a modest sized group of firms the institution can explore more deeply in an efficient manner.
- When an additional firm is identified as a prospect, often by an insider who has a relationship with them, **an RFI is useful to gather some initial information** about them before deciding whether to include in the full RFP.



Re-purpose Internal Resources

Since one of the primary goals of the institution is likely to free-up its internal resources, a consultant can take on the time and effort required of a search process. This allows internal parties to focus on strategic oversight of the endowment and other institutional purposes.

- An RFI or RFP typically lasts 2 – 6 months. It involves information gathering and analysis, coordinating finalist meetings, and leading institutional analysis and decision-making. It also includes contracting, developing a transition plan and establishing an investment policy statement.
- It's very likely a consultant has the flexibility and skill set to facilitate all this compared to the competing workloads of internal parties.

Single Project v. On-going Relationship

A consultant may be engaged on a project or on-going basis as best fits the institution's needs.

- An RFI or RFP is usually viewed as a project. Once completed and assets transitioned to the OCIO, the consultant is no longer engaged.
- The institution still retains a fiduciary duty to oversee the OCIO. This involves usually quarterly reports and at least semi-annual meetings. A consultant could be engaged to participate in those meetings to lead the institution in its on-going review of the execution by the OCIO.
- A consultant could also be involved in periodic reviews, such as annual board meetings, to provide macro level, strategic oversight of the OCIO, such as review of the investment policy statement and presentation of trends in the marketplace.
- A good consulting relationship is viewed as a valuable partner to the institution, its various constituents and to the OCIO.

CONCLUSION

An independent, objective and experienced consultant can lead an institution through this important, but complex oversight process. This in turn frees-up the institution to focus its valuable and limited resources elsewhere, and to have a high-level of confidence in the decision-making. This serves the institution to improve the management of its fiduciary roles and be the best stewards of its valuable assets.

PlanPILOT's OCIO search service embodies:

- Independent, conflict-free advice
- Extensive experience
- Broad database of providers
- Excellence in execution
- Exceptional due diligence
- High recommendation



Let PlanPILOT guide you through the time and effort-consuming process of selecting or evaluating an OCIO provider.

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