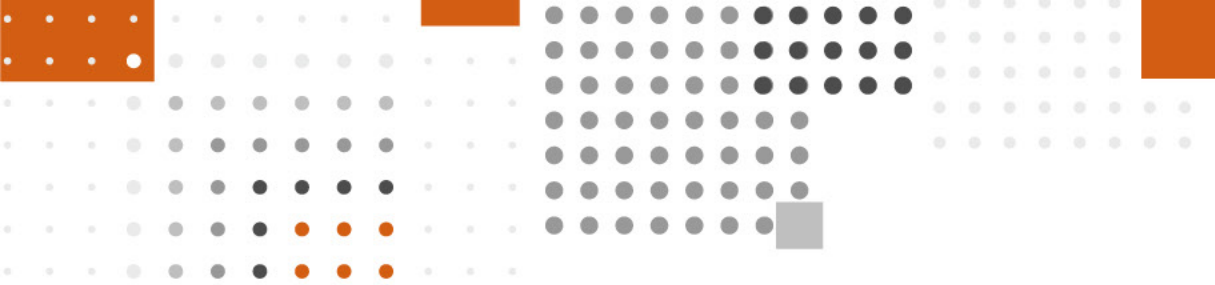


**CASE STUDY****ONGOING OCIO  
OVERSIGHT**



## EXECUTIVE SUMMARY

While we can and need to discuss many OCIO-related topics, a picture is worth a thousand words so to speak. Our goal is to make this complex subject easier to understand and implement.

In this case study, we provide the objectives, actions and outcomes of a real-life client in addressing ongoing oversight of their OCIO management. As you read further, the client had an existing provider and desired to do due diligence, consider additional investment and service options, and benchmark fees. The client was successful in this process as you will see below.

## THE CLIENT

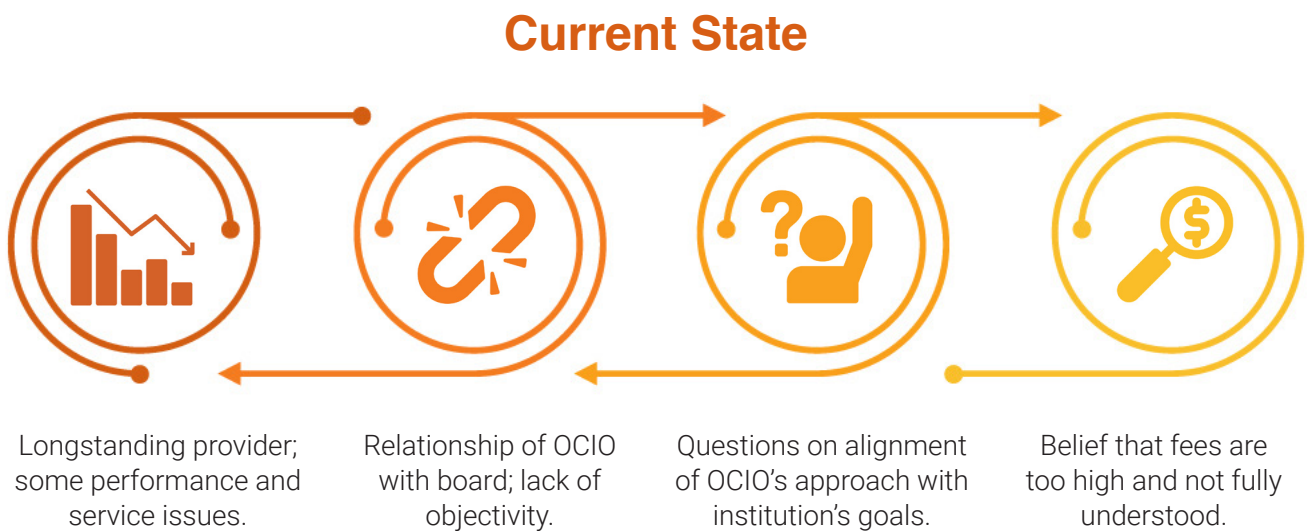
The client is a midwestern higher education institution with a midsize endowment. These pools serve the important purposes of supporting scholarships, faculty chairs and other campus projects.

## THE CHALLENGE

The client currently had an OCIO provider in place for several years, but there were concerns over performance and servicing. Given its current allocation and the market environment, there were questions about the role of alternatives and private / illiquid investments in managing the return and risk profile to the institution's goals. The client determined it had the need to perform due diligence by benchmarking the current provider versus competitive firms. Negotiating preferred pricing and having full transparency over fees was also needed. Each of these was intended to improve fiduciary governance and be better stewards of these highly important assets.

## GOVERNANCE

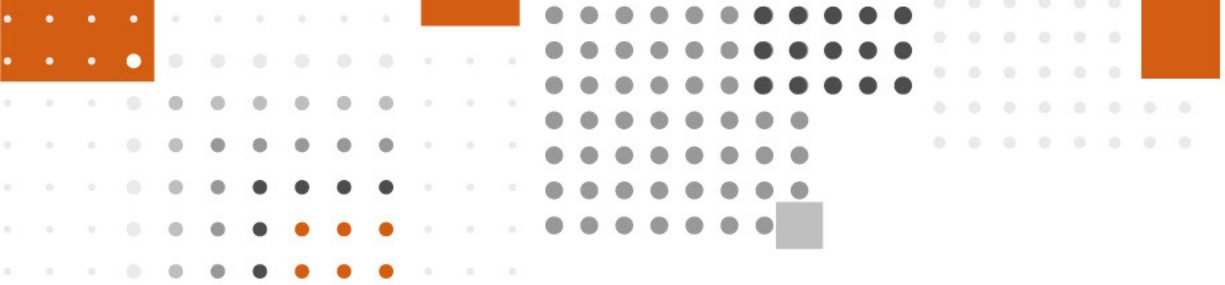
An institution working through its board, investment and finance committees, and finance and development staff has a significant challenge in meeting their fiduciary role and responsibilities in overseeing their OCIO provider. Good stewardship of these asset pools can lead to better donor relations and development opportunities.



## Objectives

- ✓ Assess expected returns and risk management of asset allocation and mix on spending policy
- ✓ More formal, objective due diligence
- ✓ Benchmarking of services and fees
- ✓ Hire consultant to lead review





## INVESTMENTS & FEES

OCIO due diligence and implementation is becoming more challenging given the growth in the number of firms providing OCIO services and the complexity of their solutions. The charges for such services often involve multiple levels of fees, some of which may not be readily apparent. Asset allocation decisions affect the return and risk profiles predominantly, but the implementation of these decisions is where the rubber meets the road.

### Current State



Emphasis on active management; missing benefits of passive.



Broad use of alternatives; uncertain benefit of illiquid assets.



Risk management concerns; impact on spending policy unknown.



Lack of transparency on fees; too high?

### Objectives

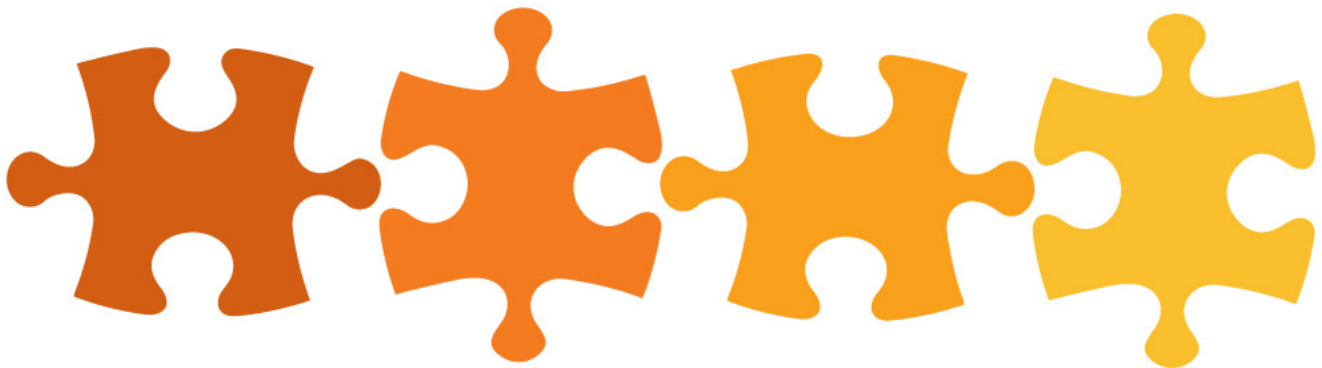
- ✓ Review and simplify investment structure; evaluate resulting return and risk profile
- ✓ Thoughtful approach to alternatives, especially illiquid assets
- ✓ More use of passive vehicles to manage risks and costs
- ✓ Establish appropriate fees with full transparency



## PROCESS & OUTCOMES

Now let's take a look at what happened leading to a constructive outcome for the client.

### Actions



Completed goals and objectives questionnaire; establish game plan to guide process.

Internal education on objectives and process; institutional buy-in.

Full RFP with 5 firms, including incumbent; benchmarking versus peers.

Conducted finalist meetings with 3 firms, including incumbent, including reference checks.

### Outcomes

- ✓ Hired new provider
- ✓ Reviewed asset allocation and adjusted investment structure - more use of passive and thoughtful approach to alternatives; assess return and risk expectations' impact on spending policy and risk tolerance
- ✓ Refreshed investment policy statement
- ✓ Reduction in fees with full transparency
- ✓ Agreed to review OCIO selection and performance annually, with formal benchmarking review planned in 3-5 years



## CONCLUSION

Institutions benefit by adopting a formal due diligence process for on-going OCIO monitoring. Thoughtful process leads to better, intended outcomes. Having an independent consultant lead the process ensures objectivity and expertise.

Effective oversight serves the institution in meeting its fiduciary roles and being the best stewards of its valuable assets. This in turn can lead to better donor relations and development opportunities.



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

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