

Engaging with an OCIO Consultant for Due Diligence Oversight

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EXECUTIVE SUMMARY

Oversight of the management of institutional asset pools, including foundations, endowments, retirement plans, corporate assets and reserves, is becoming increasingly complex and challenging. It is all the more important to have rock-solid fiduciary oversight in place. More institutions are looking to service providers, such as due diligence consultants, to assist in meeting these responsibilities relative to their OCIO management and monitoring.

What if you desire to perform some due diligence on the current asset management arrangement in place to determine its reasonableness and effectiveness? You could benefit from leveraging a consultant to provide a “snap-shot” analysis of the current provider. A highly qualified consultant with broad and deep knowledge and expertise in the OCIO marketplace can assist with your needs.

MONITORING AND ASSESSING THE INCUMBENT

Effective due diligence consists of more than an RFP process, which is typically performed every 5-10 years. Periodic reviews should also be done with the current provider to keep tabs on the effectiveness and competitiveness of the existing relationship.



KEY STAKES

- You could benefit from having another set of eyes experienced in the OCIO field review the allocation, performance, risk measures, services, and fees
- Perhaps the board would like to review and assess the current arrangement at one of its meetings and you need assistance with the due diligence report
- Maybe there are concerns brewing about performance, risk management, services, and / or fees and you want to address those sooner than later
- You may have experienced service team turnover and need to maintain careful oversight
- Perhaps another service provider, like your bank or auditor, requests more oversight of the OCIO manager to satisfy its needs
- It is also a good opportunity to perform a review when the incumbent's contract is up for renewal

KEY CONSIDERATIONS

- A highly qualified consultant has the ability to review the current arrangement, including allocation, performance, risk measures, services, and fees, and provide an objective assessment
- The consultant could provide a scorecard of the strengths and weaknesses of the incumbent, particularly in reference to other OCIO firms in its database, and identify gaps and opportunities worthy of further consideration
- The consultant could create and present a board level synopsis
- The consultant could benchmark the incumbent's services and fees versus other firms in its database
- This level of review could precede making the decision of whether or not to engage in a full RFP process

REVIEWING THE INVESTMENT POLICY STATEMENT

Another level of support a consultant can provide is performing a review of the Investment Policy Statement, especially if one has been in place for a number of years.

KEY STAKES

- The IPS is the governing document for the oversight and management of the asset pool
- It is common practice to review the IPS every 12 - 24 months
- Review of the IPS may simply affirm it remains good, but a fresh look is useful
- The investment world is always changing, with differing views on the use of alternatives and private vehicles, expanding use of risk management tools, liquidity needs, competitive benchmarking to the industry, and defining servicing standards
- Keeping the IPS current is a key component of fiduciary governance



KEY CONSIDERATIONS

- The consultant has expertise in the review and creation of investment policy statements, and has likely seen many other forms from the OCIO firms in its database, and is well versed to provide an assessment of the current document
- The consultant can offer potential revisions to the IPS, which in turn will positively impact the execution of the program
- It is important to keep current with your state's version of UPMIFA and prudent investor rules



CONCLUSION

Your asset management oversight efforts could benefit from leveraging an OCIO consultant to provide an analysis of the current asset management arrangement. By performing this level of OCIO due diligence, you will maintain effective, on-going fiduciary governance.

At the end of the day, thoughtful process well executed leads to better, intended outcomes. Effective OCIO due diligence 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 operations, strengthening donor relations and development opportunities, and fulfilling the important mission of the institution.

If you would like more information or guidance on OCIO due diligence services, please contact PlanPILOT at info@planpilot.com or (312) 973-4911 or visit our website <http://planpilot.com/landing/ocio/>

