



CFA Institute[®]
Global Investment
Performance Standards

Survey Report of US Asset Owners on the GIPS[®] Standards



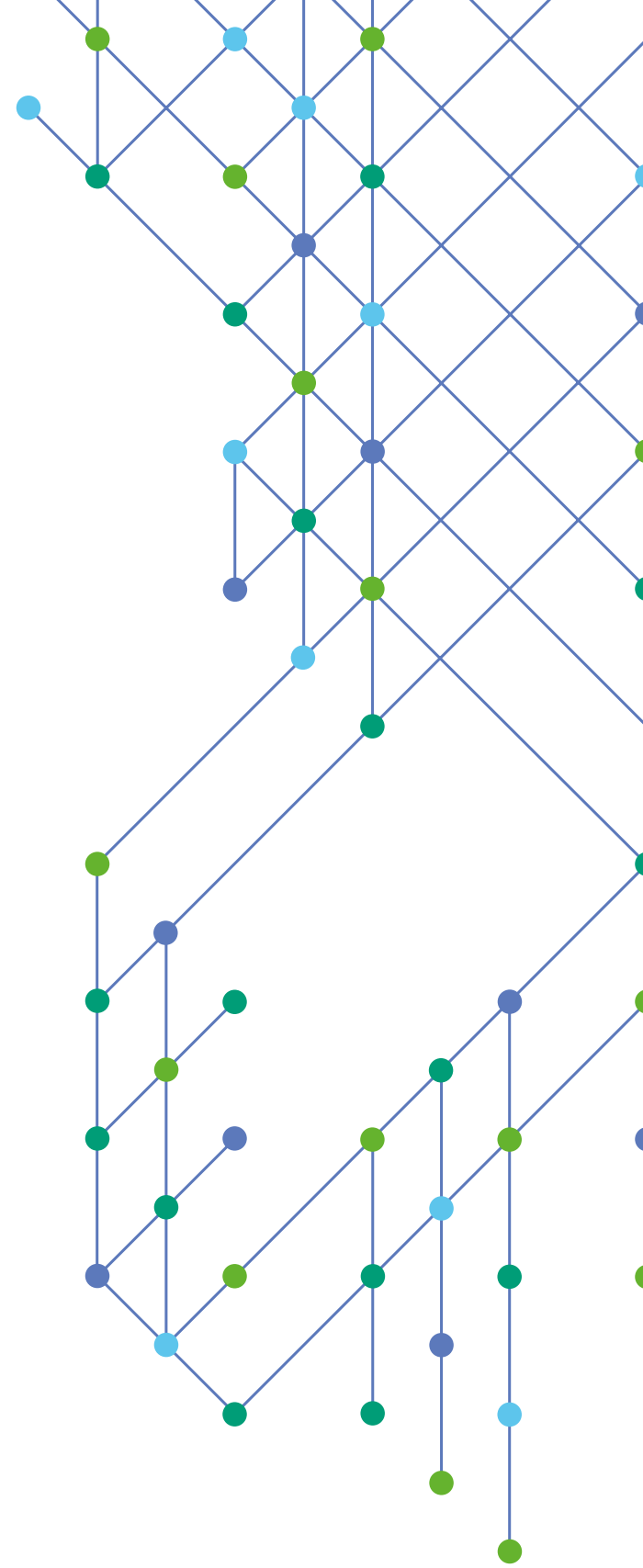
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Executive Summary

The United States Investment Performance Committee (USIPC) is the US Sponsor of the Global Investment Performance Standards (GIPS®). At the end of 2020, in conjunction with CFA Institute, the USIPC conducted a survey of pension funds, endowments, and foundations¹ (together, asset owners) in the United States to determine the following:

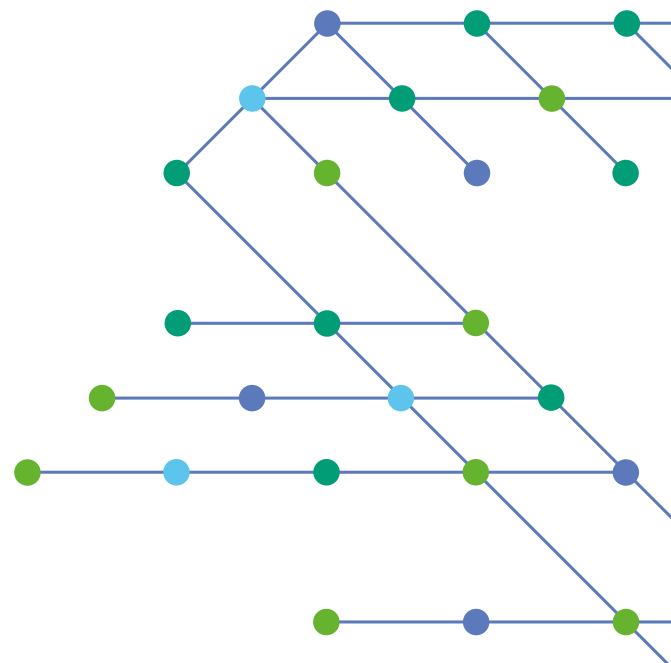
- Their familiarity with the GIPS standards
 - Whether or not they claim compliance, or plan to claim compliance, with the GIPS standards
 - If they require, or inquire about, GIPS compliance when selecting external managers
-

Just over **89%** of survey respondents have some level of familiarity with the GIPS standards. Just under **21%** of survey respondents currently claim compliance with the GIPS standards, and another **7.6%** either are in the process of claiming compliance or plan to comply.

Almost **30%** of survey respondents require external managers to claim compliance for either all or some searches. Overall, more than two-thirds (**67.3%**) of survey respondents require or ask about GIPS compliance when selecting external managers.

¹ The survey population included:

- The 300 largest pension funds that manage defined benefit assets from the February 2020 Pension & Investments list of Largest Retirement Funds.
- The 50 largest US-based endowments from the Sovereign Wealth Fund Institute list of the Top 100 Largest Endowment Rankings by Total Assets.
- The 50 largest US-based foundations from the April 2020 ARCO list of the World's 100 Largest Philanthropic Foundations list.

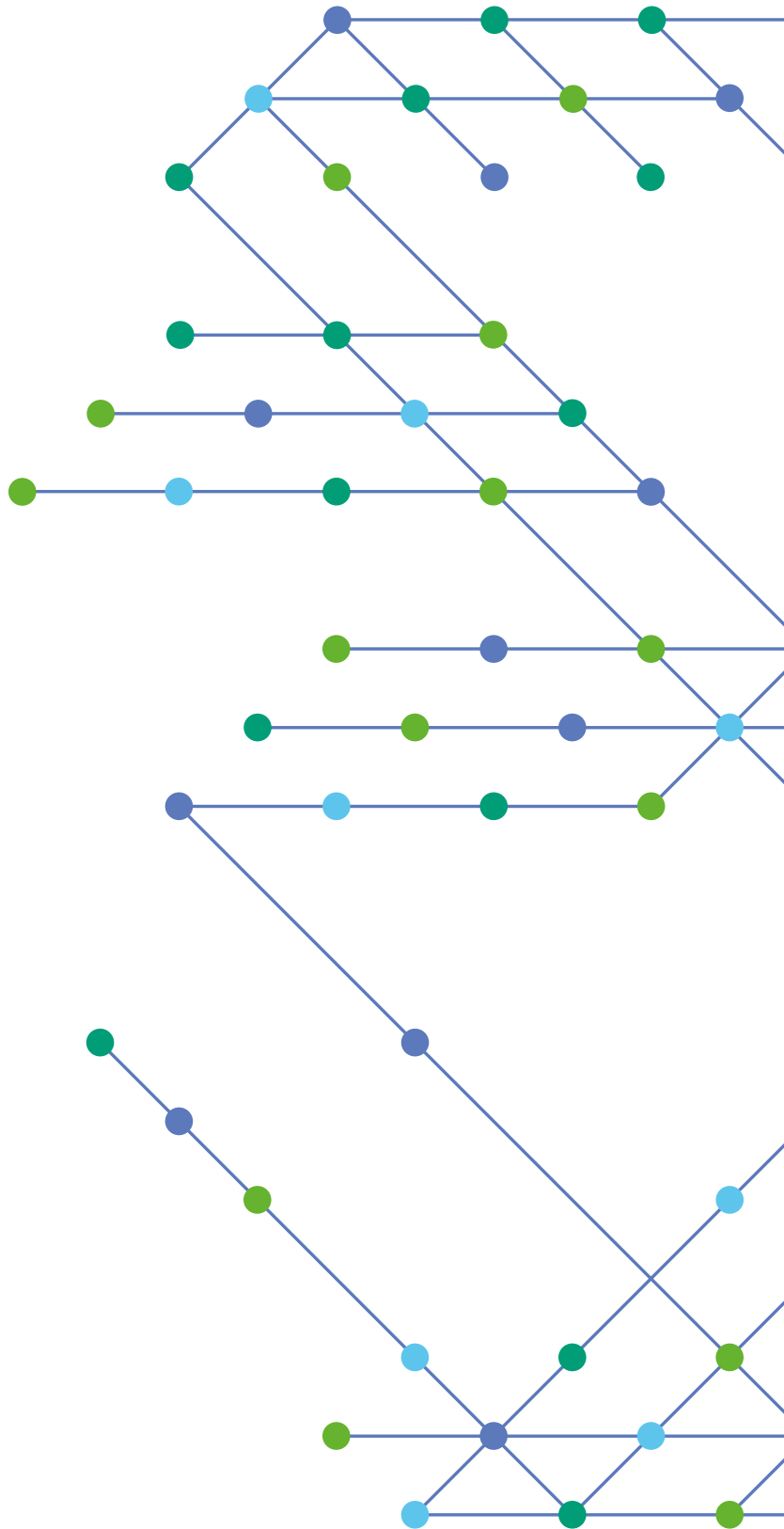


What are the GIPS Standards?

The GIPS standards are ethical standards for calculating and presenting investment performance based on the principles of fair representation and full disclosure.

Although the GIPS standards were originally created in response to investment manager demand for a standardized, industry-wide approach to calculating and reporting investment results, more recently there has been an increase in demand from asset owners to comply. Asset owners, which include public and private pension funds, endowments, and foundations, differ from investment managers in that they do not compete for business.

Much of the guidance in prior editions of the GIPS standards focused on a firm's marketing efforts, which is not applicable for asset owners. In 2014, to address asset owners' needs, CFA Institute and volunteers from various asset owner organizations together created guidance for how asset owners could apply the GIPS standards. More recently, the GIPS standards underwent a major update, and a new version was created specifically for asset owners.



Survey Results



1. Demographics

Respondents were classified in four groups:

Exhibit 1 Classifications of Asset Owner Survey Participants

The majority of respondents were pension funds. Currently, pension funds are also the largest constituency of asset owners that claim compliance.

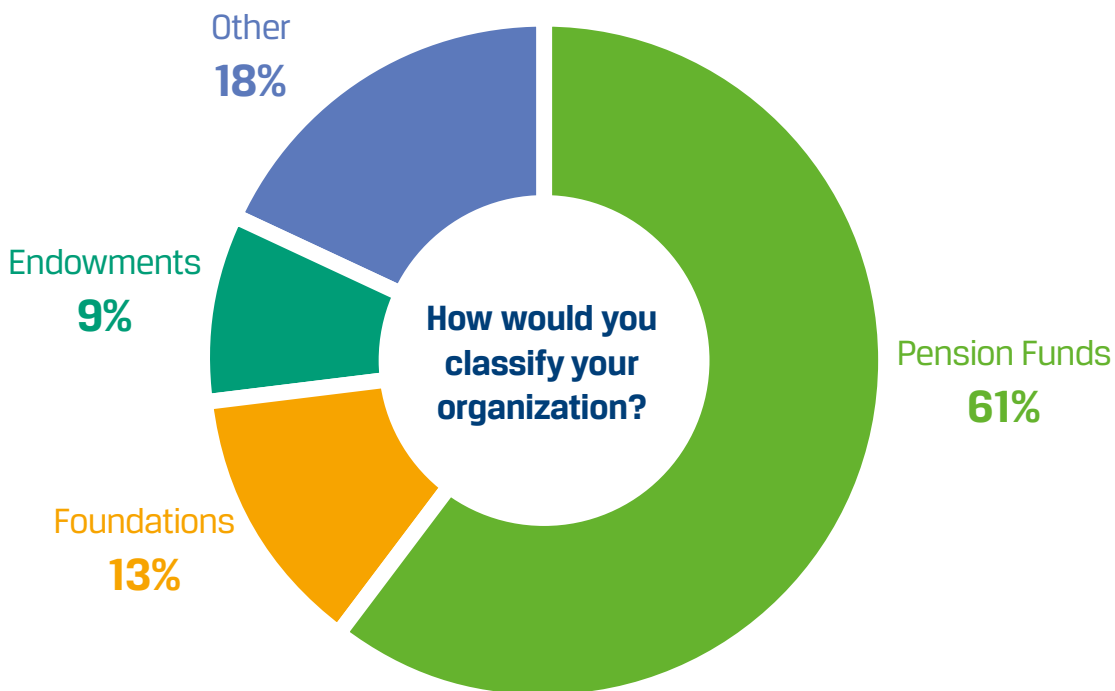


Exhibit 2 Asset Owner Survey Participants' AUM

Respondents were also classified by amount of assets under management (AUM). The majority manage assets ranging from US\$1 billion to less than US\$50 billion.

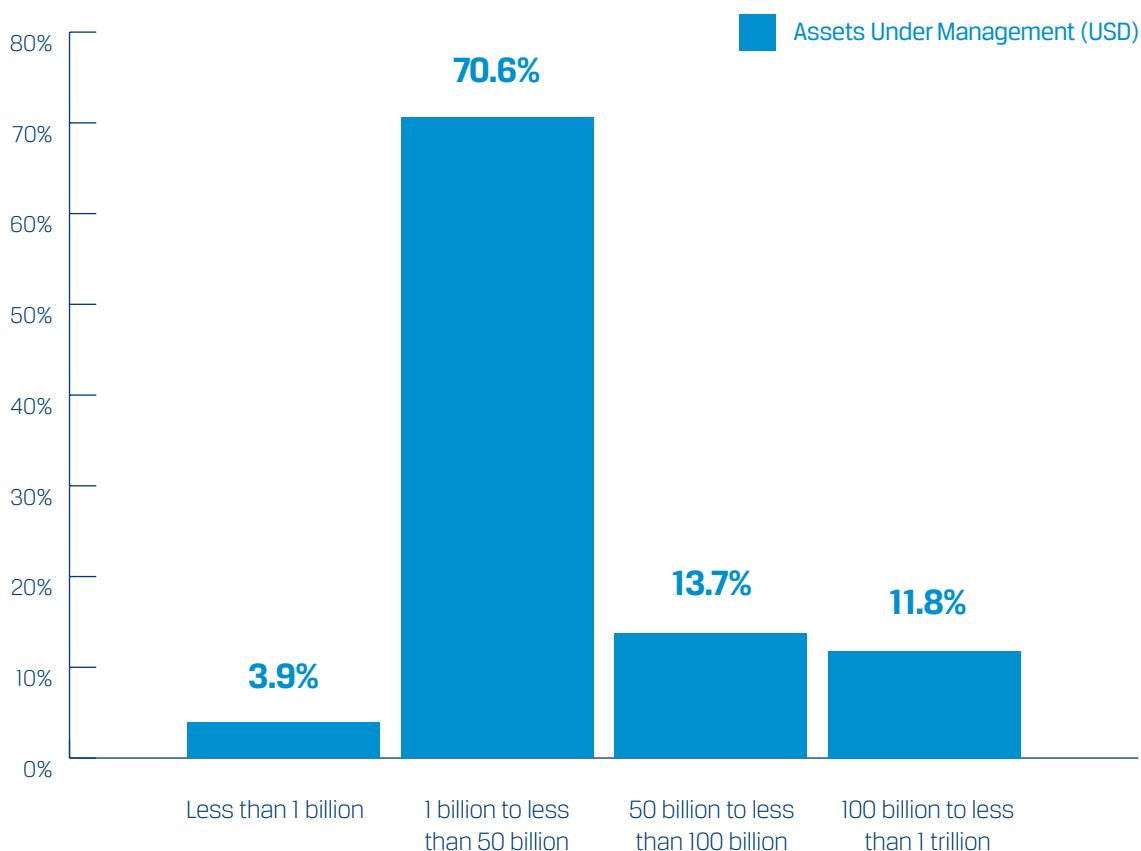


Exhibit 3 AUM by Asset Owner Type

Exhibit 3 provides a more detailed breakdown of the respondents by AUM and asset owner type.

In terms of AUM, the largest group of respondents was pension funds, followed by endowments, and then foundations.

	Less than US\$1 Billion	US\$1 Billion to Less than US\$50 Billion	US\$50 Billion to Less than US\$100 Billion	US\$100 Billion to Less than US\$1 Trillion
Pension Funds	0.0%	61.1%	85.7%	83.3%
Endowments	0.0%	11.1%	0.0%	0.0%
Foundations	50.0%	13.9%	0.0%	0.0%
Other	50.0%	13.9%	14.3%	16.7%
Total	100%	100%	100%	100%



2. Familiarity with the GIPS Standards

Exhibit 4 Familiarity with the GIPS Standards

CFA Institute and the USIPC were pleased to see that the majority of respondents (**89.1%**) indicate at least some degree of familiarity with the GIPS standards.

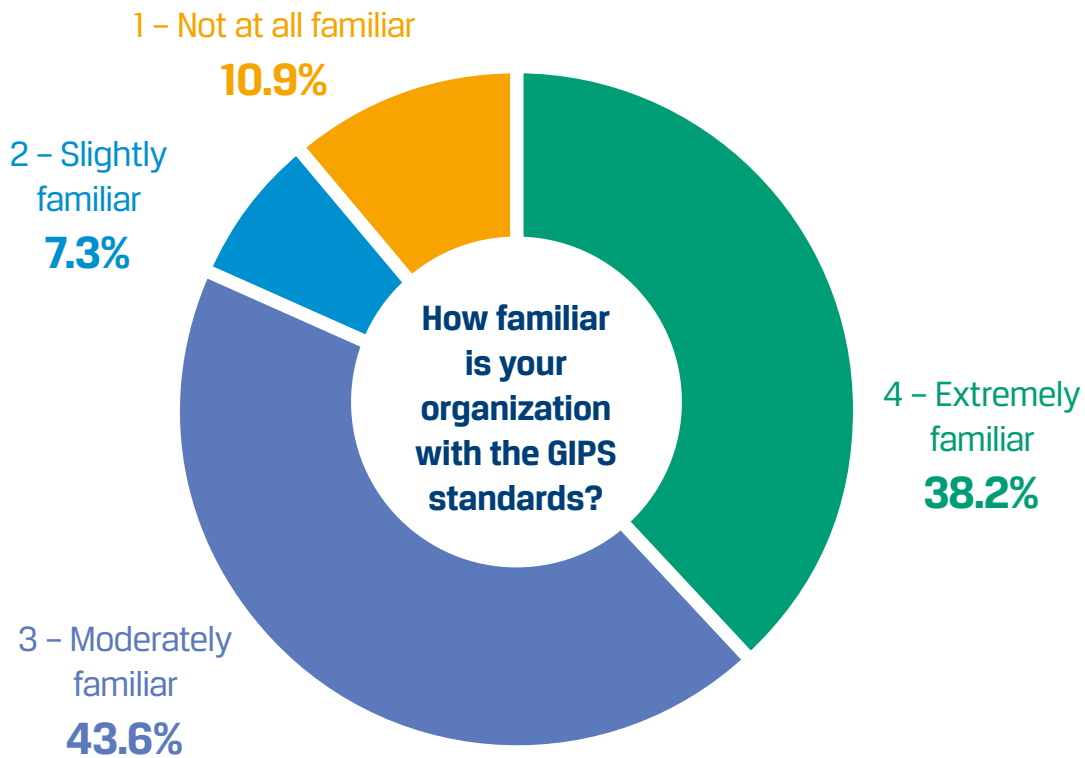
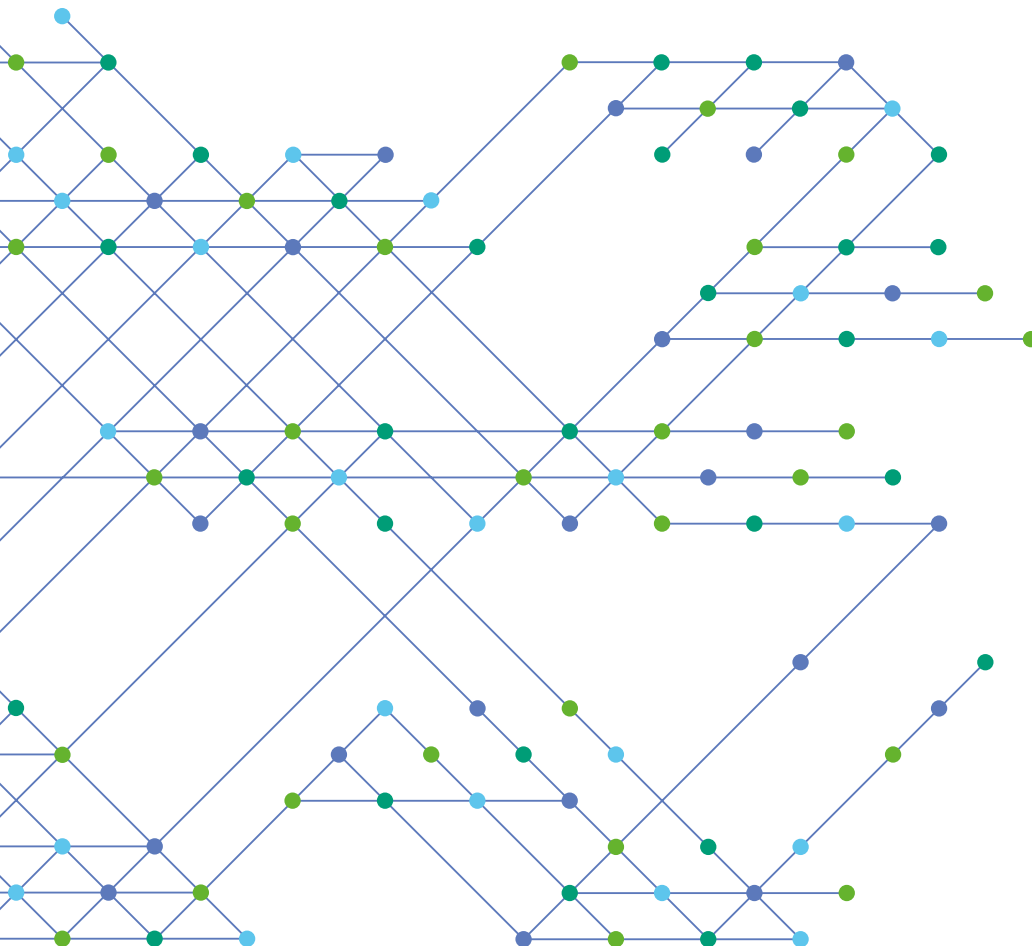


Exhibit 5 Familiarity with the GIPS Standards, by Asset Owner Type

Exhibit 5 provides more details of familiarity with the GIPS standards by asset owner type:

	Pension Funds	Endowments	Foundations	Other
Not at all familiar	11.8%	0.0%	0.0%	20.0%
Slightly familiar	8.8%	0.0%	0.0%	10.0%
Moderately familiar	38.2%	100%	57.1%	30.0%
Extremely familiar	41.2%	0.0%	42.9%	40.0%
Total	100%	100%	100%	100%

Although it was expected that the majority of pension funds would be familiar with the GIPS standards, because they are the largest constituency of asset owners that currently claim compliance, other types of asset owners are also familiar with the GIPS standards.





3. GIPS Compliance Status

Exhibit 6 GIPS Compliance Status

Because the GIPS standards for asset owners are fairly new, we expected the vast majority of respondents to indicate that they do not claim compliance. We were very pleased to see, however, that almost **21%** currently claim compliance and another **7.6%** either are in the process of claiming compliance or plan to comply.

Which best describes your organization's status with respect to claiming compliance with the GIPS standards?

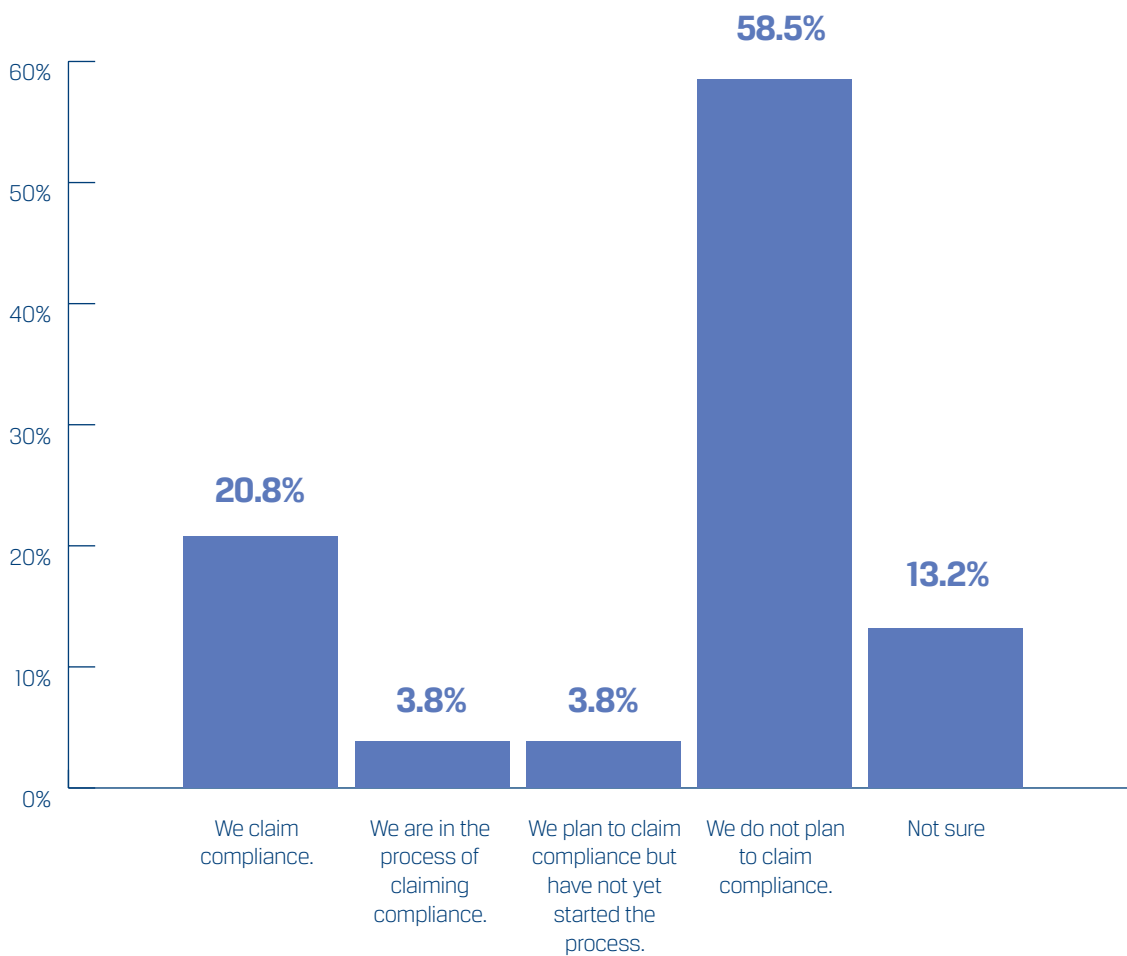
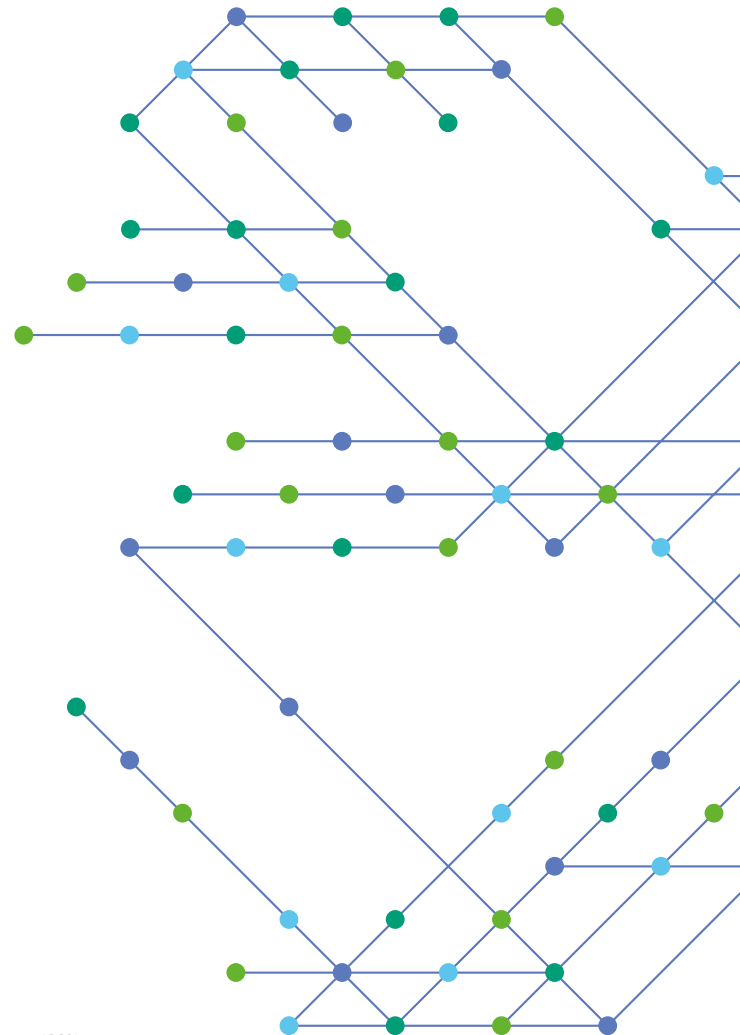


Exhibit 7 GIPS Compliance Status by Asset Owner Type

Exhibit 7 provides more details by asset owner type:

	Pension Funds	Endowments	Foundations	Other ²
Claim compliance	21.2%	0.0%	14.3%	33.3%
In process of claiming compliance	3.0%	0.0%	0.0%	11.1%
Plan to comply; haven't started	6.1%	0.0%	0.0%	0.0%
No plans to comply	54.5%	100.0%	71.4%	44.4%
Not sure	15.2%	0.0%	14.3%	11.1%
Total	100%	100%	100%	100%

Of the survey respondents, only pension funds and foundations currently claim compliance with the GIPS standards. No endowments claim compliance, and they also state that at this time they have no plans to comply. It appears that the trend of pension funds coming into compliance will continue, because all of the asset owners reporting that they plan to attain compliance are pension funds.



² Due to rounding, the numbers displayed in the table sum to 99.9%. Without rounding, the numbers sum to 100%.



4. Selecting External Managers

Exhibit 8 Addressing GIPS Compliance When Selecting External Managers

Demanding compliance with the GIPS standards makes manager searches and requests for proposal (RFPs) more efficient, because only those firms that have designed and implemented policies and procedures to fairly present their past performance will pass the initial screen. Recognizing this benefit, more than **20%** of asset owners require GIPS compliance when selecting all external managers, and almost **8%** require it for some but not all of their external managers. Combined with the **38.5%** of asset owners that ask about GIPS compliance, these responses mean that more than two-thirds (**67.3%**) of asset owners ask about GIPS compliance when selecting external managers.

Anecdotally, we understand that asset owners may demand compliance from traditional asset managers but may feel unable to do so for managers of alternative strategies because so few of these managers claim compliance. One goal of the 2020 edition of the GIPS standards was to expand guidance to better address pooled funds and alternative strategies. We hope that more managers of these products will take the step to claim compliance with the GIPS standards, so that asset owners will then be in a position to demand compliance from these managers.

Which response best describes how your organization addresses GIPS compliance when selecting external managers?

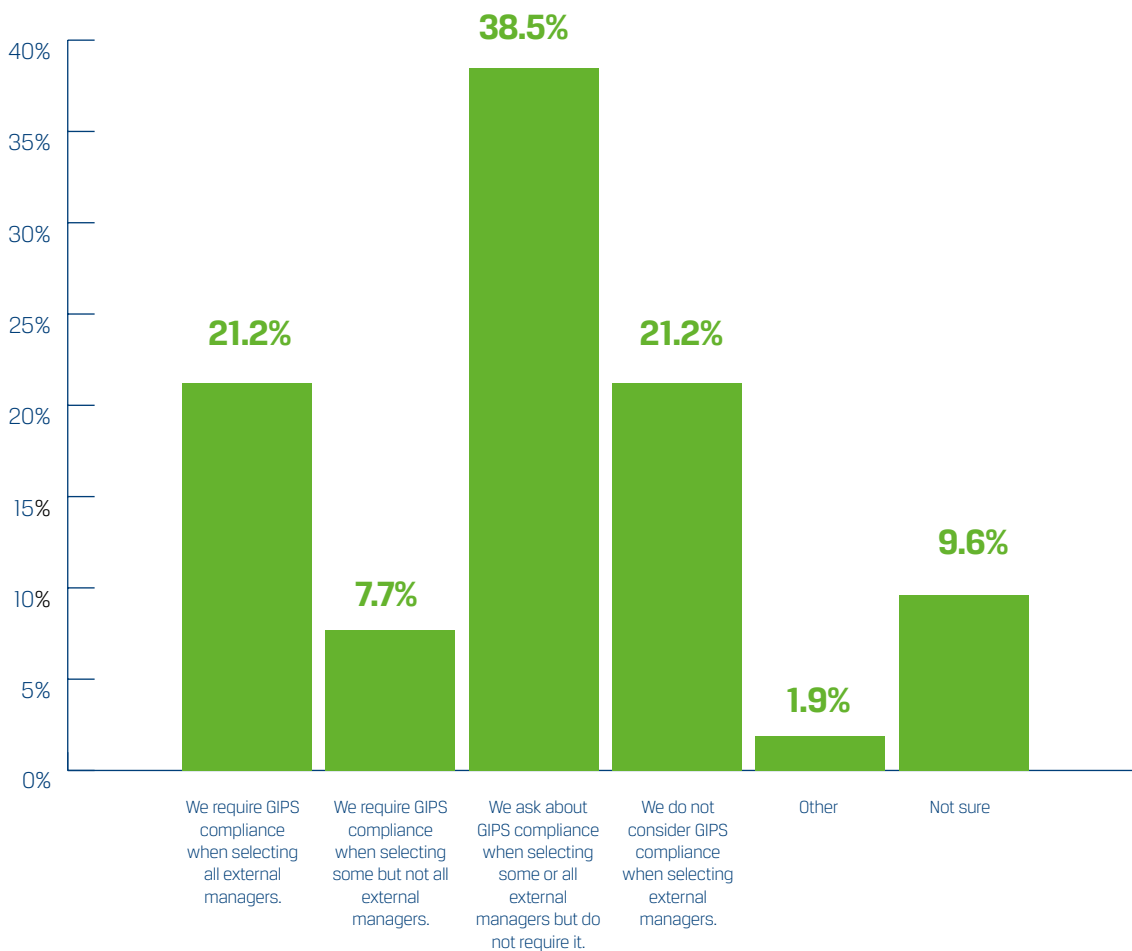


Exhibit 9 Addressing GIPS Compliance When Selecting External Managers, by Asset Owner Type

Exhibit 9 provides more details by asset owner type:

	Pension Funds ³	Endowments	Foundations	Other ³
Require compliance for all external managers	24.2%	0.0%	0.0%	33.3%
Require for some but not all	12.1%	0.0%	0.0%	0.0%
We ask about compliance for some or all	39.4%	0.0%	66.7%	33.3%
Do not consider compliance when selecting managers	9.1%	100.0%	33.3%	22.2%
Other	3.0%	0.0%	0.0%	0.0%
Unsure	12.1%	0.0%	0.0%	11.1%
Total	100%	100%	100%	100%

Pension funds value the claim of compliance the most when it comes to searching for an external manager. This makes sense, because the endowments and foundations that completed the survey were smaller in terms of AUM and may be more likely to invest in mutual funds and exchange-traded funds that are highly regulated. Although the GIPS standards apply to all vehicle types, the vehicle types that benefit the most from an industry performance standard in the United States are segregated accounts and private funds.

³ Due to rounding, the numbers displayed in the table sum to 99.9%. Without rounding, the numbers sum to 100%.

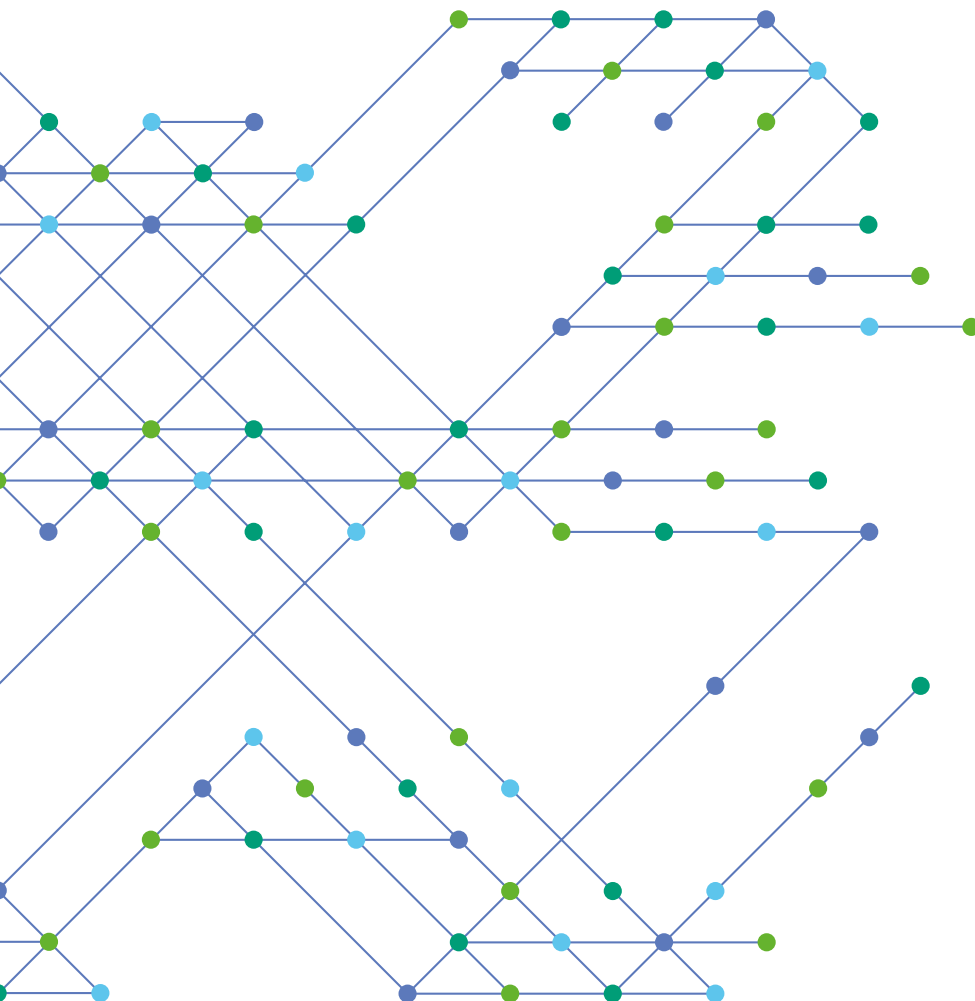
Conclusion

Just under 30% of survey respondents either claim compliance or plan to claim compliance with the GIPS standards, but this is driven primarily by pensions funds. There is much less interest in complying from endowments and foundations. More than two thirds of survey respondents either inquire about or demand compliance with the GIPS standards when selecting external managers, but this too is driven primarily by pension funds. Pension funds lead the way in appreciating the value of GIPS compliance.

The GIPS standards website includes information about the GIPS standards, including:

- a video introducing the GIPS Standards for Asset Owners
- a case study describing how and why an asset owner chose to comply with the GIPS standards

If you have any questions, please contact us at gips@cfainstitute.org



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