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| Date: | November 2023 |
| Subject: | **GIPS Standards Exposure Draft of the Guidance Statement for OCIO Strategies - WTW response to questions for public comment** |

WTW Investments' entities manage over $163 billion of delegated assets globally (as at December 31, 2022) and is pleased to present a response to the Exposure Draft of the Guidance Statement for OCIO Strategies.

1. Is it clear when a firm must apply the Guidance Statement for OCIO Strategies?
   We believe it is generally clear, but would agree with comments from other providers that more granular definitions of "multi-asset" may be required to ensure consistent application of guidance.

2. Do you agree with the use of a Required OCIO Composite structure?
   We have concerns with the composites being defined by capital allocation split. We understand the desire for simplicity in terms of the composites, but do not agree that structuring based on capital splits will provide results that are simple to compare, which we understand to be a stated goal of the guidance. We detail this more in our response to #4.

3. Do you agree with differentiating liability-focused composites from total return objective composites in the Required OCIO Composite structure?
   We agree with separating them.

4. The proposed asset allocation ranges for the Required OCIO Composites have been created based on a widely used set of OCIO indices, which is built to include the most common 60/40 portfolio in the middle of the moderate bucket. Do you agree with these ranges, or do you think we should take a different approach?
   Generally we do not agree that using capital allocation percentages in isolation is appropriate for segmenting the composites. As an OCIO, we believe our role is to ensure clients achieve their investment objectives over the desired investment horizon. At the core of this is that clients define the risks they care about, as well as the level of those risks they want their investment strategies to run. A comparison of OCIO providers and their performance should be done from a consistent risk level, i.e.; how well each has done generating returns per a given risk. As previously referenced to the working group, we do not believe capital allocations are reflective of the risks of portfolios. We detail our view on this topic in this paper: https://www.wtwco.com/en-us/insights/2021/08/ldi-and-the-percentage-fixed-income-question

   Largely the issue stems from two criteria for portfolios that contribute more to risk than capital allocation: 1) the equity beta of the growth assets and 2) the amount of duration of the liability hedging or risk mitigating assets. These two factors can have large impacts on the potential returns and volatility from portfolios and can contribute to portfolios with 80% diversified growth assets being lower risk than less diversified portfolios holdings 60% growth assets (if all growth assets are public equity for example).

While we recognize the simplicity and ease of making the composites capital allocation based, we foresee issues in comparing across providers that have varying levels of diversity in their portfolios and varying levels of risk levels in portfolios per a given capital allocation target. We would suggest that there are further definitions and criteria for opportunity sets, equity beta targets, liquidity profiles, and fixed income duration or hedge ratios, as these considerations contribute more to the overall risk levels of portfolios than the capital allocation between growth and liability hedging / risk mitigating strategies.

We believe further defining the risk criteria of the composites via categorization other than capital allocation, will allow clients to more easily compare composites across providers.

5. Do you agree with the proposed three options for the treatment of legacy assets?
   This seems reasonable.

6. Do you agree with requiring firms to disclose information about their policy for the treatment of legacy assets?
   This seems reasonable.

7. Do you agree with requiring both gross-of-fees and net-of-fees returns for Required OCIO Composites?
   We believe requiring net-of-fees returns will be a challenge for existing OCIO providers and may result in many not agreeing to comply with the guidance. OCIO firms should be given the flexibility to determine which approach makes sense for their markets, with appropriate disclosures. The GIPS Firms Standards do not have these requirements but only recommendations and OCIO firms should have similar flexibility. Calculating returns for OCIO firms can be more complex than a traditional asset manager firm composite. Calculating a total fund return that incorporates external and internal managers, vehicles with NAVs that are a mix of gross and net of investment management fees or underlying manager fees, private market portfolios that are lagged, and relying on third party data can make calculating returns more difficult.

   Regulatory requirements, differences in regional industry standards in gross versus net, differences in how vehicles are valued across regions, would also make it problematic and impractical to calculate performance on both bases. Moreover, OCIO firms should have the option to present gross of fees with flexibility to determine which components are gross provided there is sufficient disclosure to describe what is included or excluded.

   The gross of fee – net of investment management fees, expenses and transactions but gross of OCIO fees can be less practical to calculate given the way data is categorized in custodial and performance systems. A gross of fee return that is gross of investment manager fees and gross of OCIO and gross of administrative/professional fees but net of transaction and pooled fund operating expenses, would be more feasible in certain cases. Moreover, performance systems may not be able to distinguish different types of fees and dictate which of these fees are included in gross versus net of fee returns. If manual processes are required, this would be impractical for OCIO firms and likely prevent firms from participating with GIPS.

8. Do you agree with requiring firms to initially present at least five years of performance that meets the requirements of the GIPS standards and this Guidance Statement?
   We would agree with previously made comments that five years feels particularly onerous from an administrative and data management perspective.

9. Do you agree that the effective date should be 12 months after the issue date?
   Our view here likely depends on how some of the answers above being clarified, but 12-18 months seems sensible from a starting point.

Please contact the following WTW employees if there are further questions:

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