

Guidance Statement for OCIO Portfolios

Adopting Release

The Exposure Draft of the Guidance Statement for Outsourced Chief Investment Officer (OCIO) Portfolios (previously named the Guidance Statement for OCIO Strategies) was available for public comment from 21 September 2023 through 20 November 2023. We received comments from 34 groups, 26 of which gave permission to have their [comment letters](#) posted. Every comment was evaluated and considered when updating the Guidance Statement for OCIO Portfolios. The proposed changes were then reviewed with the OCIO Working Group and the GIPS® Standards Technical Committee. This Adopting Release includes key topics and describes our rationale for the changes we made to the Guidance Statement for OCIO Portfolios.

1. What Is an OCIO?

We made some minor but important changes to the description of an OCIO. We received comments that the term “institutional investor” used in the Exposure Draft was not clear and could have different meanings across jurisdictions and regulators. Commenters suggested that we provide clarification or a definition for the term “institutional investor.” We agreed that the term was not clear and replaced “institutional investor” with “asset owner,” which is a defined term in the GIPS standards and better describes the recipient of OCIO services. We also provided clarification on the types of investment advice and investment management services that an OCIO provides.

2. Replaced Definition of an OCIO Strategy and Total OCIO Portfolio with OCIO Portfolio

In the Exposure Draft, we included definitions for an OCIO Strategy and a Total OCIO Portfolio. One commenter noted that the two defined terms resulted in a circular reference, with the OCIO Strategy defining a Total OCIO Portfolio and Total OCIO Portfolio defining an OCIO Strategy. We replaced these terms with a single term—OCIO Portfolio, defined as a pool of assets of an asset owner for which a firm provides both strategic investment advice and investment management services.

3. Discretion Considerations

We added a section on discretion considerations. Asset owners often retain discretion over some of the investment management services, and we wanted to make it clear that a firm could consider such portfolios to be discretionary as long as the firm is able to demonstrate that its investment decisions are consistently implemented in substantially the same manner as they would have been if the firm had been granted full discretion.

4. Total Firm Assets

We added a section on which portfolios managed or advised by an OCIO are included in total firm assets:

- Portfolios for which the firm provides both strategic investment advice and investment management services *are* included in total firm assets;
- Portfolios for which the firm provides strategic investment advice but does not provide investment management services *are not* included in total firm assets; and
- Portfolios for which the firm provides investment management services but does not provide

strategic investment advice *are* included in total firm assets.

5. When the Guidance Statement for OCIO Portfolios Does Not Apply

During our discussions with the OCIO Working Group and other GIPS Standards Committees about when the Guidance Statement for OCIO Portfolios would not apply, we determined that additional guidance with respect to retail clients was needed. We added a section called “Portfolios Managed for Retail Clients.” This new language makes clear that the Guidance Statement for OCIO Portfolios does not apply to portfolios managed for retail clients and that instead, firms managing assets for retail clients would follow the GIPS Standards for Firms and would not apply the Guidance Statement for OCIO Portfolios to those portfolios.

We also edited the language in the section “When Fiduciary Management Providers in the UK are providing information to potential Pension Scheme Trustee clients” to make it clear that a firm that is required to comply with the GIPS Standards for Fiduciary Management Providers (FMPs) that also markets to prospective clients that are not UK Pension Schemes may choose to claim compliance with the GIPS Standards for Firms.

6. Examples for Determining If the Guidance Statement for OCIO Portfolios Is Applicable

We moved the examples for when the Guidance Statement for OCIO Portfolios applies into two groups. The first group includes examples for when the Guidance Statement for OCIO Portfolios is applicable, and the second group includes examples for when the Guidance Statement for OCIO Portfolios is not applicable. We also added a new example (Example 4) for when the Guidance Statement for OCIO Portfolios applies. It explains that it is not necessary for changes to be made to the asset owner’s strategic asset allocation and investment policy statement for the firm to provide strategic investment advice. If the firm reviews the strategic asset allocation and investment policy statement and determines that they are appropriate, and no changes are needed, the firm is considered to have provided strategic investment advice.

7. Required OCIO Composite Structure

In the Exposure Draft, we asked three questions related to the Required OCIO Composite Structure. We asked respondents if they agreed with:

- the use of a Required OCIO Composite structure,
- differentiating liability-focused composites from total return objective composites, and
- the proposed asset allocation ranges for the Required OCIO Composites.

We received some comments stating that mandating specific composites would be a departure from the GIPS standards, in which firms are allowed to define composites based on investment mandate, objective, or strategy. The majority of commenters, however, agreed that the Required Composite Structure would foster standardization and comparability across the industry.

There was general agreement with differentiating liability-focused composites from total return objective composites. Opinions differed on the proposed asset allocation ranges, and we made some minor changes to these ranges.

8. Recommended Asset Classifications

In the Exposure Draft, we described the different types of assets that generally would be considered growth assets, as well as which types of assets would be considered liability-hedging/risk-mitigating assets. Several commenters suggested having a required classification scheme, but the OCIO Working Group thought that idea went too far. Instead, we took the same approach that we used in the GIPS standards for fair value. We included a recommended asset classification scheme. If a firm classifies assets differently from the recommended asset classification, it must disclose how the composite's asset classifications differ from the recommended classification. This disclosure must be made for all periods presented.

We also added language to make it clear that OCIO Portfolios must be assigned to Required OCIO Composites based on strategic asset allocation and not based on tactical asset allocation.

In addition, the OCIO Working Group determined that we should provide guidance on composite assignments for OCIO Portfolios that have a glide path (i.e., automatic changes that occur in strategic asset allocations at certain milestones). We included guidance stating that when a change in composite assignment occurs because of a change in strategic asset allocation, the historical performance of the OCIO Portfolio must remain with the old composite and the performance after the change must be included in the new composite.

9. Optional Non-Required OCIO Composites

The Exposure Draft provided guidance that allowed firms to create other composites in addition to the Required OCIO Composites. Specifically, the Exposure Draft provided an example of a sub-composite based on client type (e.g., Total Return Moderate – Endowment and Foundation-Only Composite). The GIPS standards do not allow client type alone to be used as the primary criterion for defining a composite. Given the unique nature of OCIO composites, the GIPS Standards Technical Committee agreed to make an exception to allow firms to create non-Required OCIO Composites based on client type because a firm must also provide the Required OCIO Composite to an OCIO Portfolio prospective client.

10. Benchmark Selection

We added “blended benchmarks” as a common type of benchmark for Required OCIO Composites. A blended benchmark is created by combining two or more indexes. We also included a sample disclosure for a blended benchmark.

We received comments that the requirement to disclose the components of a portfolio-weighted custom benchmark could result in a very long disclosure, which diminishes the value of the disclosure for the OCIO Portfolio prospective clients. The GIPS Standards Technical Committee agreed to change the language and allow the firm to determine how best to disclose the benchmark components, given the respective composite strategy. We included a sample disclosure for how firms could show a portfolio-weighted custom benchmark for a Required OCIO Composite. The GIPS Standards Technical Committee issued a Q&A with this new approach that applies to all composites and not just OCIO Composites.

11. Required OCIO Composite Returns

Because of the complexity of the different investment management fees that may be incurred by an OCIO Portfolio, the Exposure Draft proposed that a firm must present both gross-of-fees and net-of-

fees returns for Required OCIO Composites. We received some comments objecting to this proposal, several of which pointed out that this is not a requirement for other composites. Most commenters agreed, however, that providing both returns would be helpful to prospects and would increase transparency, and GIPS Reports for Required OCIO Composites will be required to include both gross-of-fees and net-of-fees returns.

12. Information About Asset Allocation

To assist OCIO Portfolio prospective clients in comparing composites between firms, firms are required to provide information about actual allocations to certain asset classes or asset types held by portfolios in the composite. Firms will be required to disclose:

- the percentage of composite assets that are classified as growth assets and liability-hedging/risk-mitigating assets,
- the percentage of composite assets that are invested in private market investments, and
- the percentage of composite assets that are invested in hedge funds.

Firms will be required to present these percentages as of each annual period end for periods ending on or after 31 December 2025. Firms are recommended to present this information for all annual period ends.

13. Fee Schedule Disclosure

We made some significant edits to the fee schedule disclosures. We included language that the firm must provide enough information about fees to allow an OCIO Portfolio prospective client to understand all of the fees the firm will earn from the client's portfolio. We deleted the sample fee schedule that seemed to imply that a firm would be required to calculate and disclose the effective fee rate for each asset class. Instead, we added language stating that the fee schedule must include information about the types of fees that are earned on proprietary funds (e.g., investment management fees, performance-based fees), and any other fees that are earned, such as placement fees earned on proprietary or third-party funds, and it will be left to each firm to determine the appropriate amount of information about fees to include in its GIPS Reports.

14. Distribution of GIPS Reports

Firms must make every reasonable effort to provide the relevant Required OCIO Composite's GIPS Report to all OCIO Portfolio prospective clients. A firm may also provide a GIPS Report for composites beyond those required to be provided to an OCIO Portfolio prospective client. If the firm provides a GIPS Report for a non-Required OCIO Composite, and the composite is a sub-composite of a Required OCIO Composite or a combination of two or more Required OCIO Composites, it must include all disclosures and other information that would be required for a Required OCIO Composite. This requirement was added because the firm is using these non-required composites to market its OCIO services. If a firm provides GIPS Reports for other composites that are not a sub-composite of a Required OCIO Composite or a combination of two or more Required OCIO Composites, it is not required to include all disclosures and other information required by the Guidance Statement for OCIO Portfolios.

15. Effective Date

The effective date of the Guidance Statement for OCIO Portfolios is 31 December 2025. GIPS Reports for Required OCIO Composites that include performance for periods ending on or after 31 December 2025 must be prepared in accordance with the Guidance Statement for OCIO Portfolios. Firms are encouraged, but not required, to apply the guidance prior to the effective date and for more than the minimum five-year period.

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