



**CFA Institute**

# **Introduction to the GIPS® Standards Guidance Statement for OCIO Portfolios**

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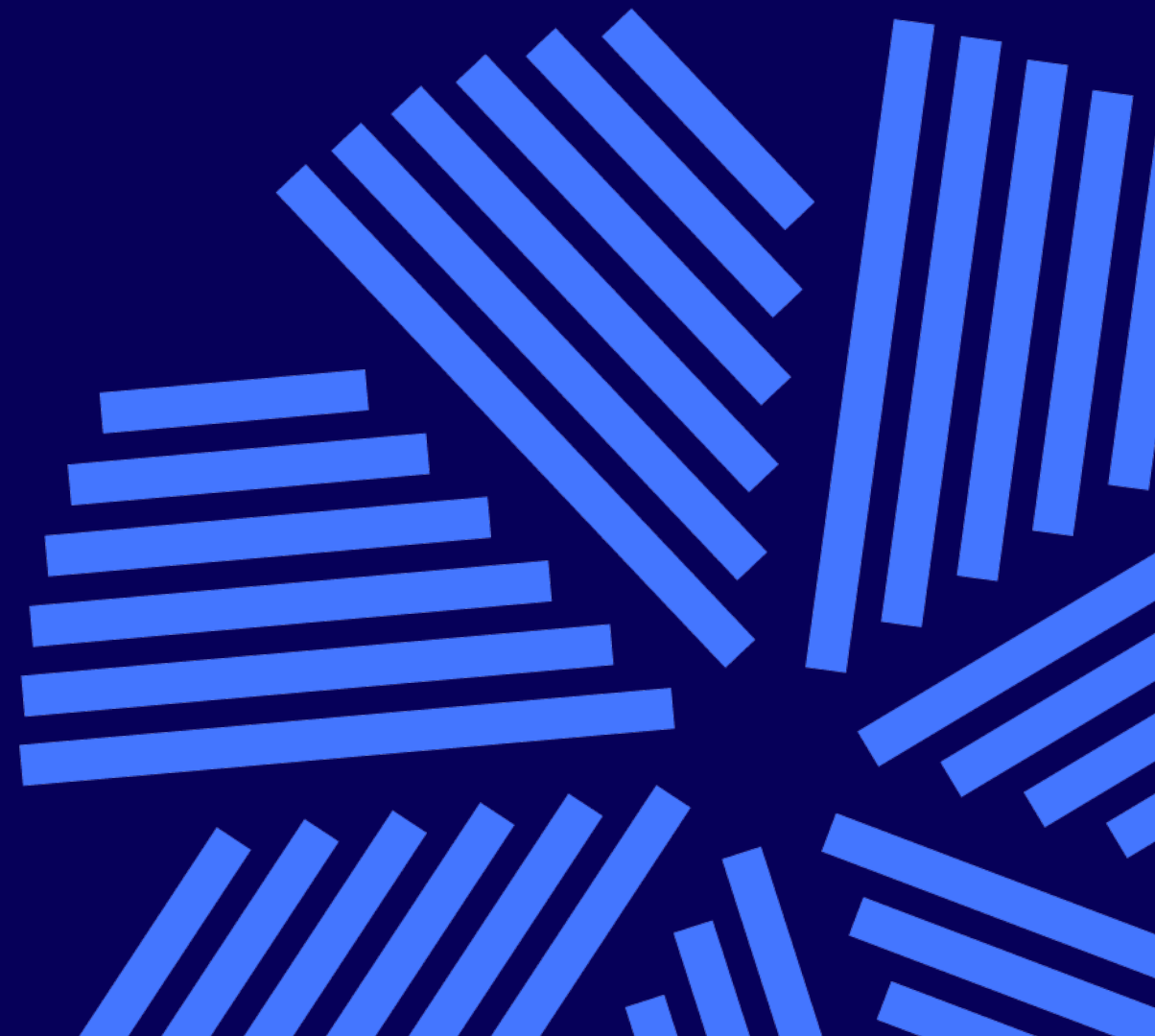
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# Agenda

- What is an OCIO?
- Cerulli 2024 OCIO Report Highlights
- Why OCIO-Specific Guidance is Needed
- Guidance Statement for OCIO Portfolios Key Concepts
- Resources
- Questions



**What is an OCIO?**



# What is an OCIO?

- An Outsourced Chief Investment Officer (OCIO) provides both strategic investment advice and investment management services to OCIO Portfolios of asset owners, such as pension funds, endowments, and foundations
- An OCIO acts as a fiduciary



# When the Guidance Statement for OCIO Portfolios Does Not Apply



Portfolios for which the firm does not provide both strategic investment advice and investment management services



Portfolios that do not include all asset classes of an OCIO Portfolio's investment mandate



Portfolios managed for retail clients



When Fiduciary Management Providers in the UK are providing information to potential pension scheme trustee clients



# Strategic Investment Advice

- Learning about the asset owner's financial objectives
  - Including any total return objectives or liabilities
- Developing the strategic asset allocation and investment policy statement
- Client, or oversight body, typically approves the strategic asset allocation and investment policy statement



# Investment Management Services

- Implementing the investment mandate according to the approved strategic asset allocation and investment policy statement
- Includes:
  - Portfolio construction
  - Pooled fund and manager selection
  - Tactical asset allocation
  - Ongoing portfolio management



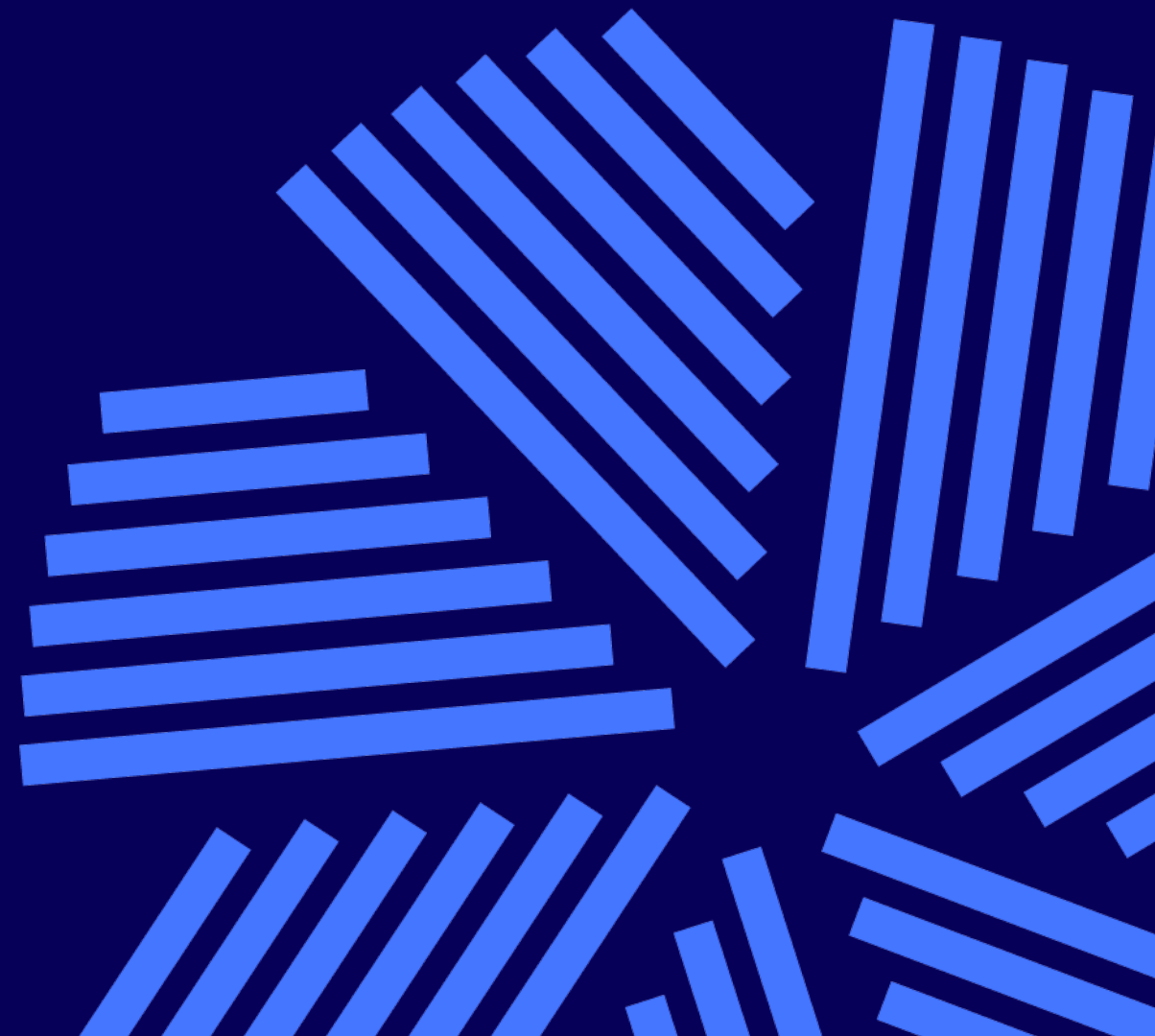


# OCIO Portfolio

- A pool of assets of an asset owner for which a firm provides both strategic investment advice and investment management services
- A firm must apply the Guidance Statement for OCIO Portfolios to all OCIO Portfolios

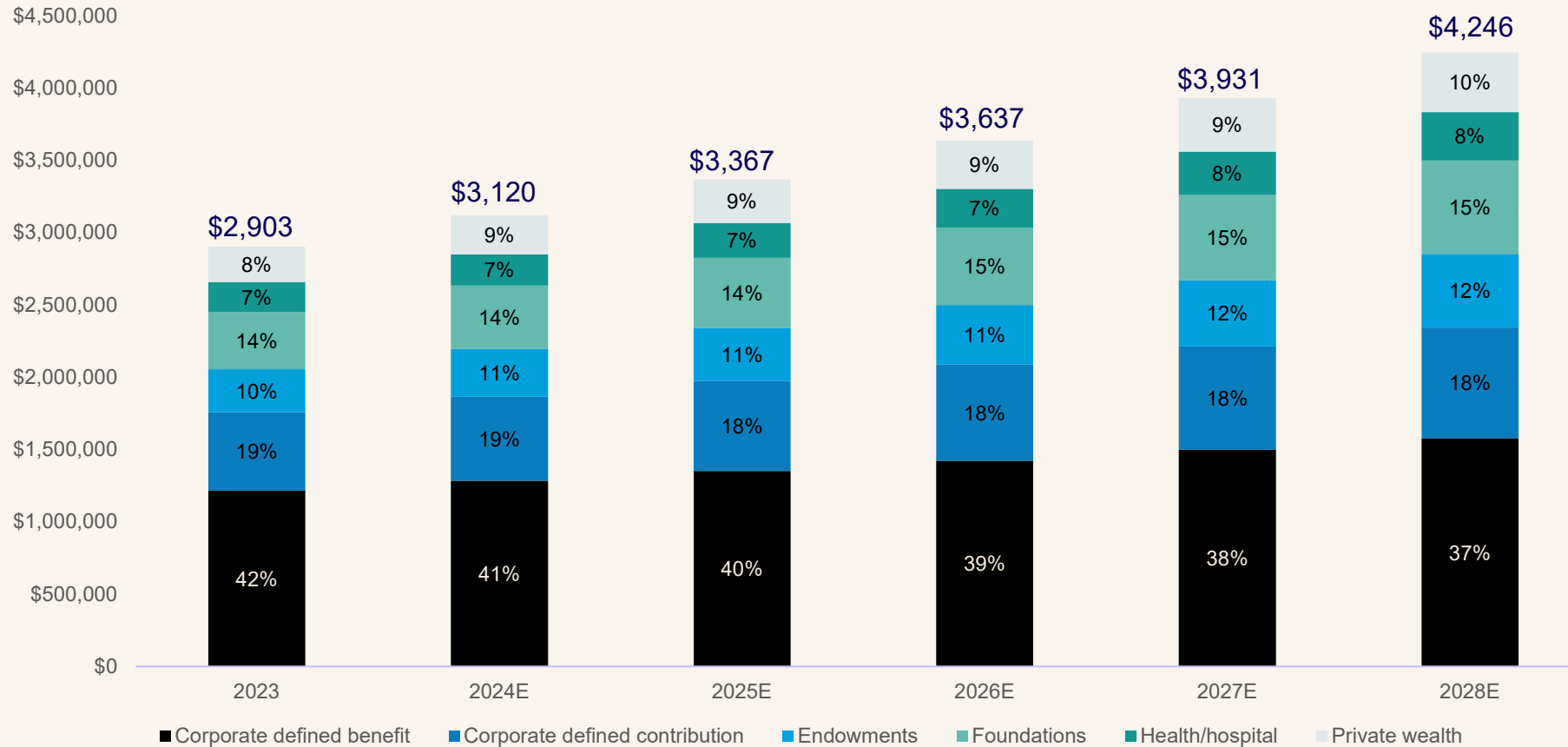


# Cerulli 2024 OCIO Report Highlights



# Historical and Projected U.S. OCIO AUM (in Billions) by Client Type, 2023 – 2028E

## OCIO model is expanding but still dominated by retirement plans



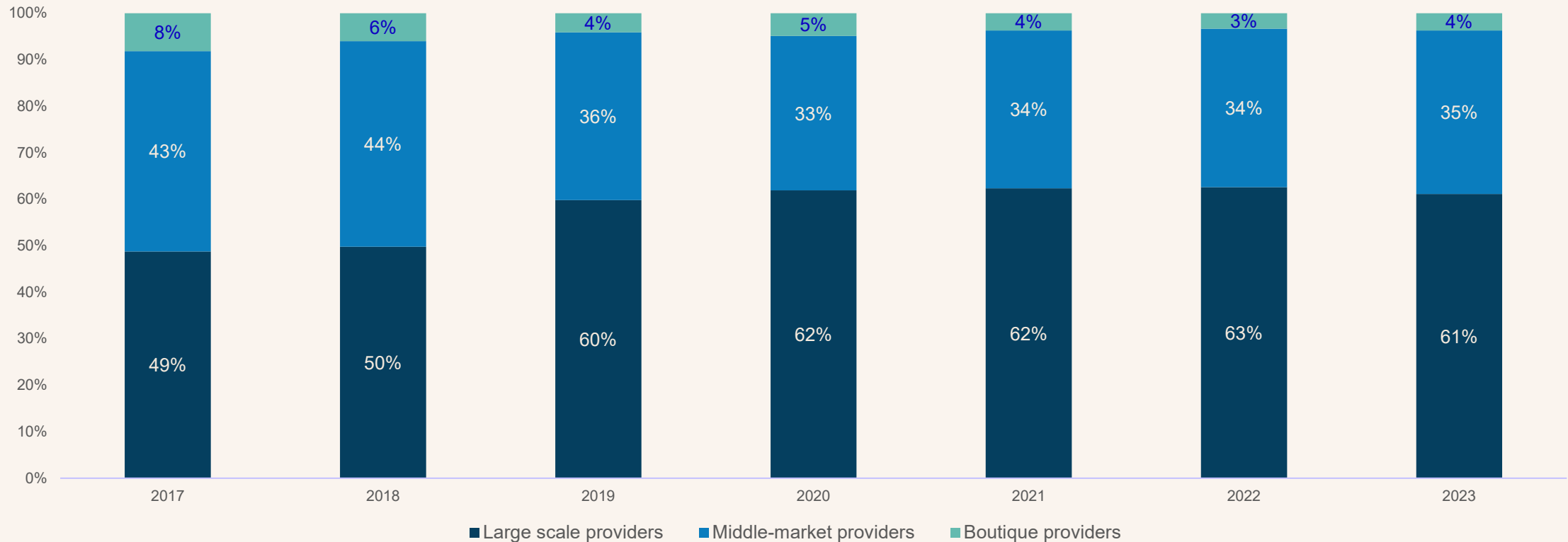
Market Segment	5-Year Projected CAGR
Corporate defined benefit	5.4%
Corporate defined contribution	7.2%
Endowments	11.3%
Foundations	10.3%
Health/hospital	10.0%
Private wealth	11.0%
<b>Total</b>	<b>7.9%</b>

Sources: Department of Labor, U.S. Census Bureau, A.M. Best, NACUBO, The Foundation Center, Federal Thrift Savings Plan Annual Reports, ICI, S&P Capital IQ MMD, Pensions & Investments, FDIC, OCC, Barron's, Meridian IQ, state banking departments, Cerulli Associates



# Percentage of Assets Managed by Provider Size, 2017 – 2023

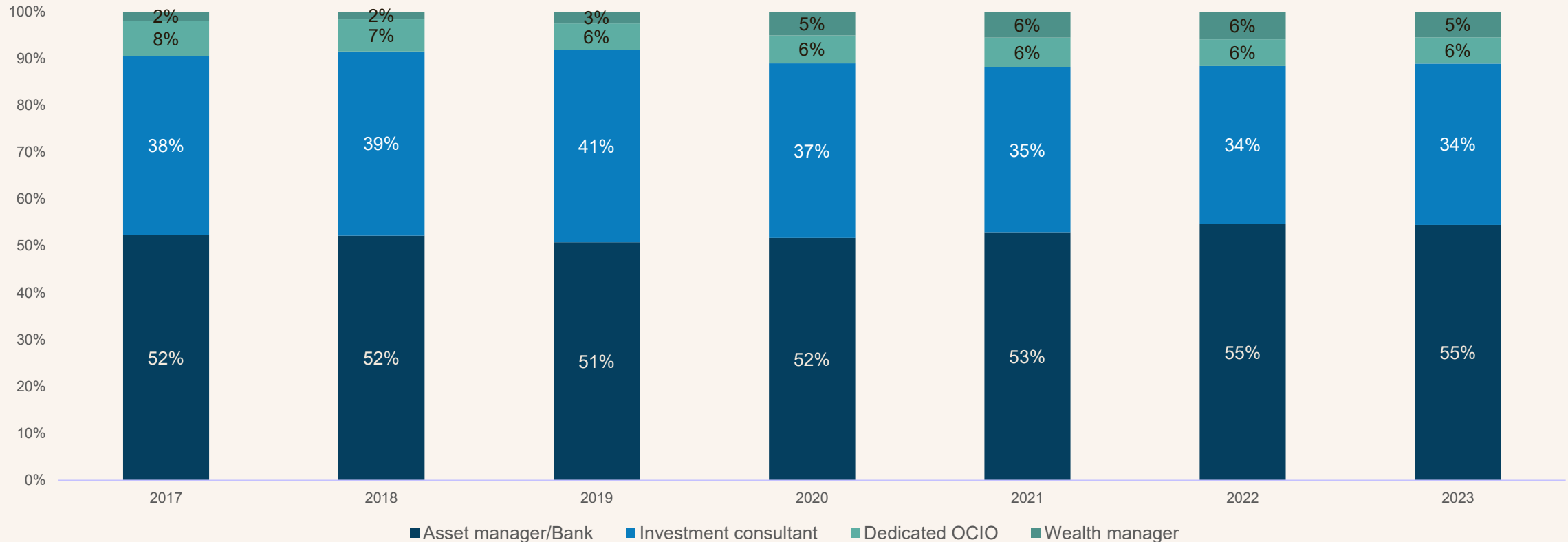
The largest OCIO providers continue to grow market share



Sources: Department of Labor, U.S. Census Bureau, A.M. Best, NACUBO, The Foundation Center, Federal Thrift Savings Plan Annual Reports, ICI, S&P Capital IQ MMD, Pensions & Investments, FDIC, OCC, Barron's, Meridian IQ, state banking departments, Cerulli Associates

# OCIO Provider Global Asset Market Share, 2017 – 2023

Asset manager-backed OCIOs lead market share with wealth managers growing

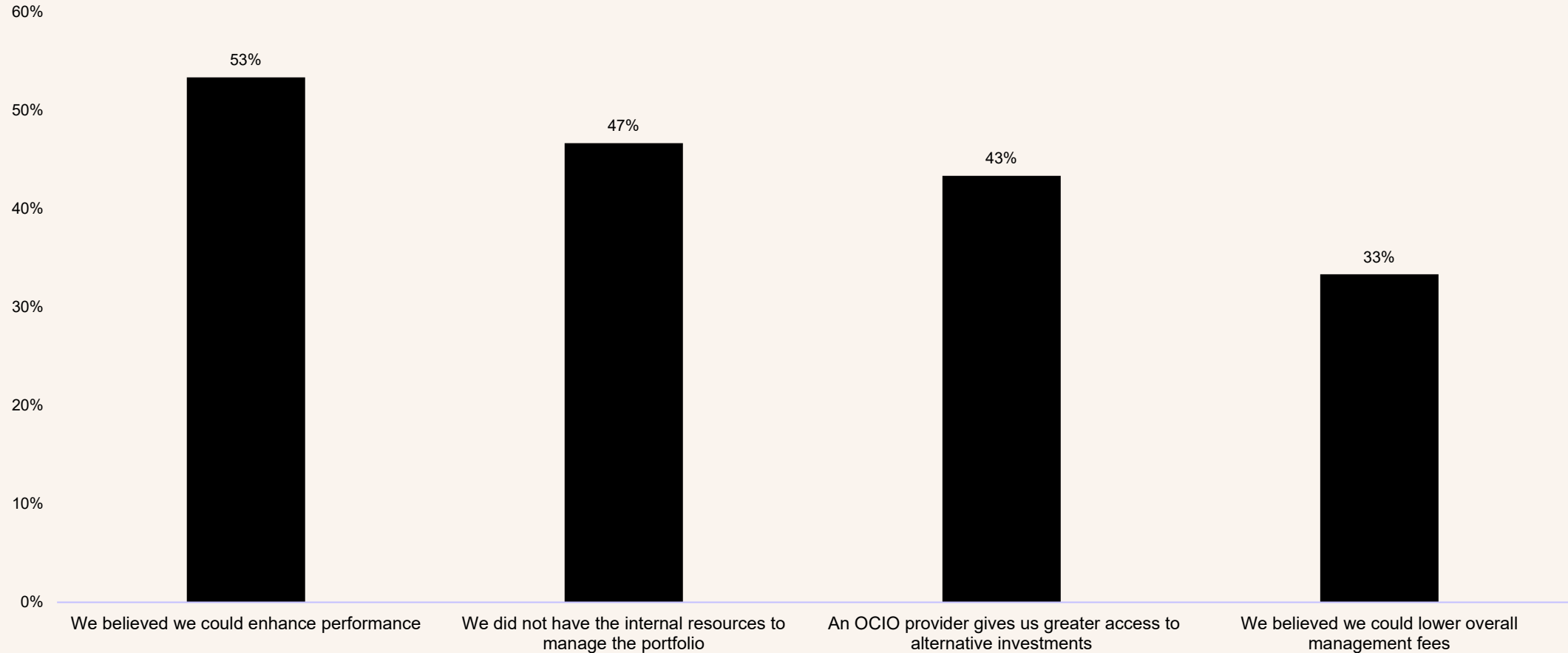


Sources: Department of Labor, U.S. Census Bureau, A.M. Best, NACUBO, The Foundation Center, Federal Thrift Savings Plan Annual Reports, ICI, S&P Capital IQ MMD, Pensions & Investments, FDIC, OCC, Barron's, Meridian IQ, state banking departments, Cerulli Associates



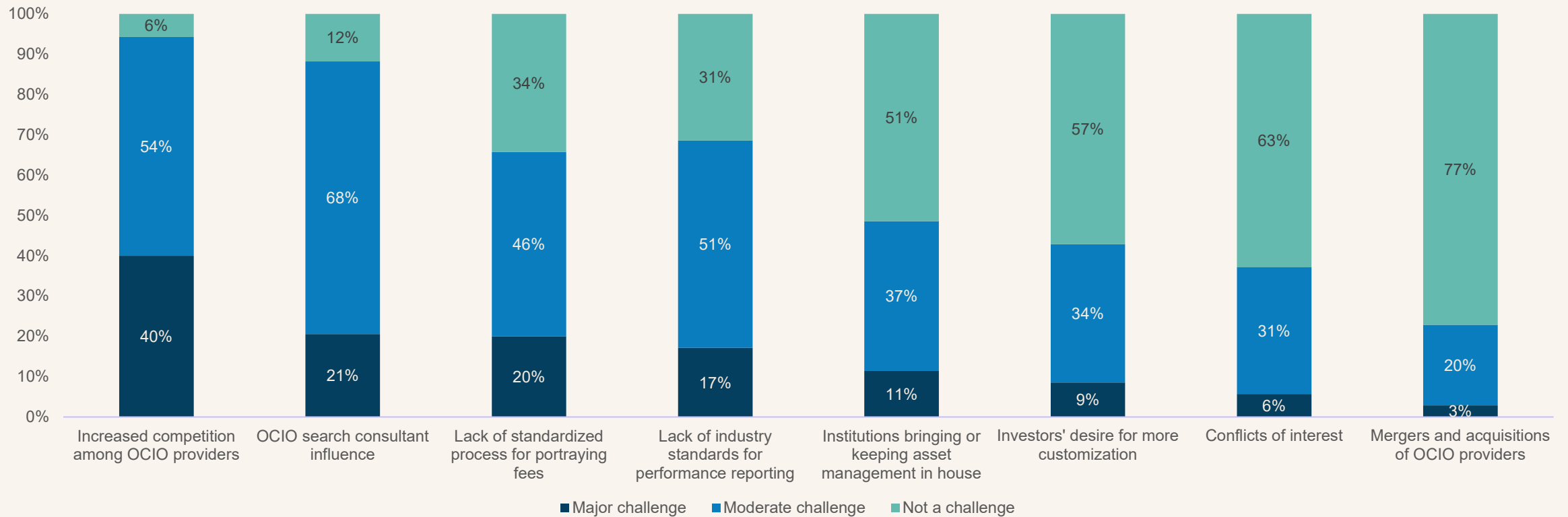
# Asset Owners: Reasons for Using an OCIO

## Asset owners are turning to OCIOs to improve performance

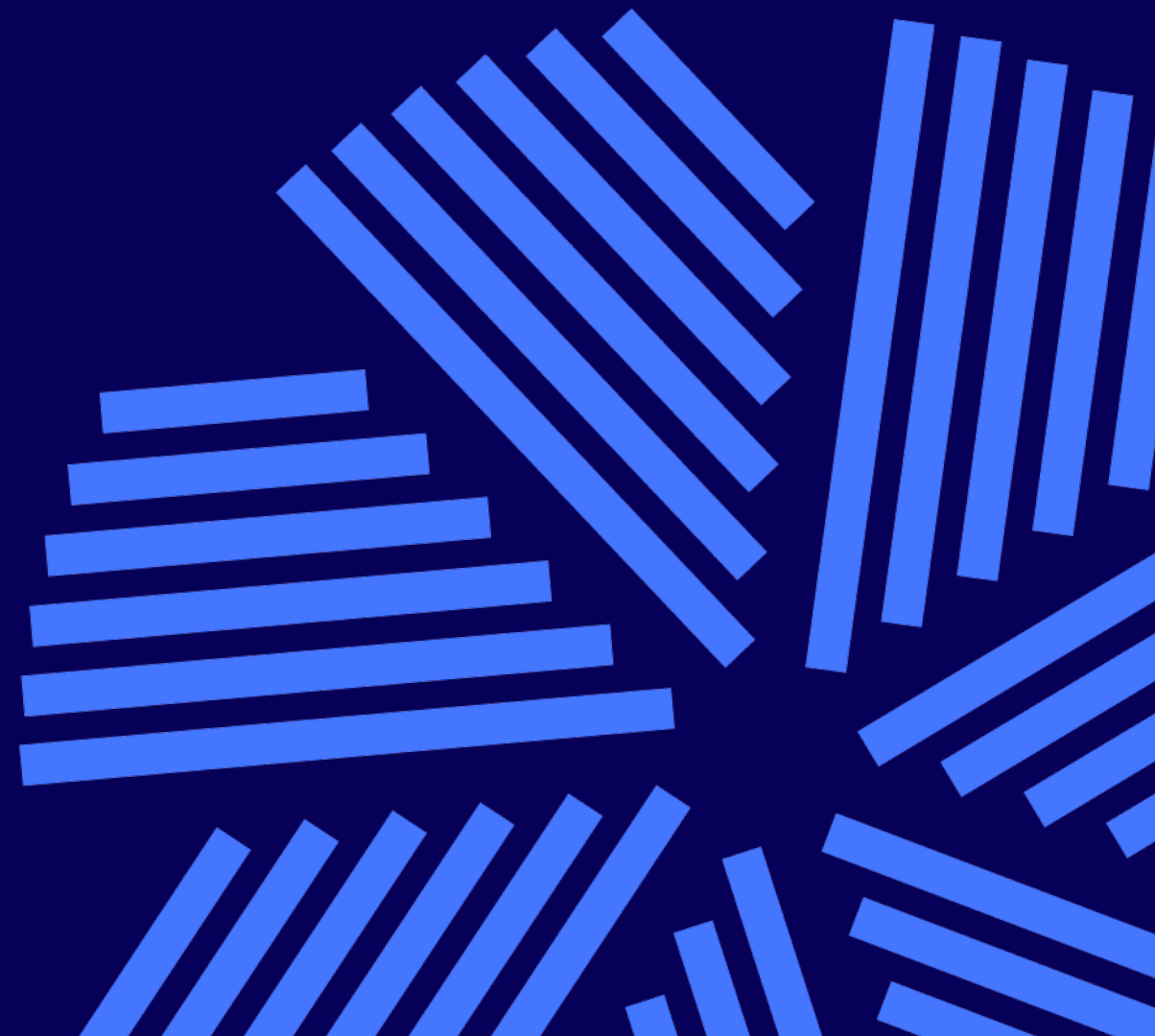


# OCIO Providers: Challenges to Attracting and Retaining Clients

## Competition for new clients is increasing



# Why OCIO-Specific Guidance is Needed





# Why OCIO-Specific Guidance is Needed

- Performance comparisons are difficult, given the varying risk tolerance of asset owners and the multimanager structure of OCIO portfolios.
- As a result, a foundation for performance standards is important



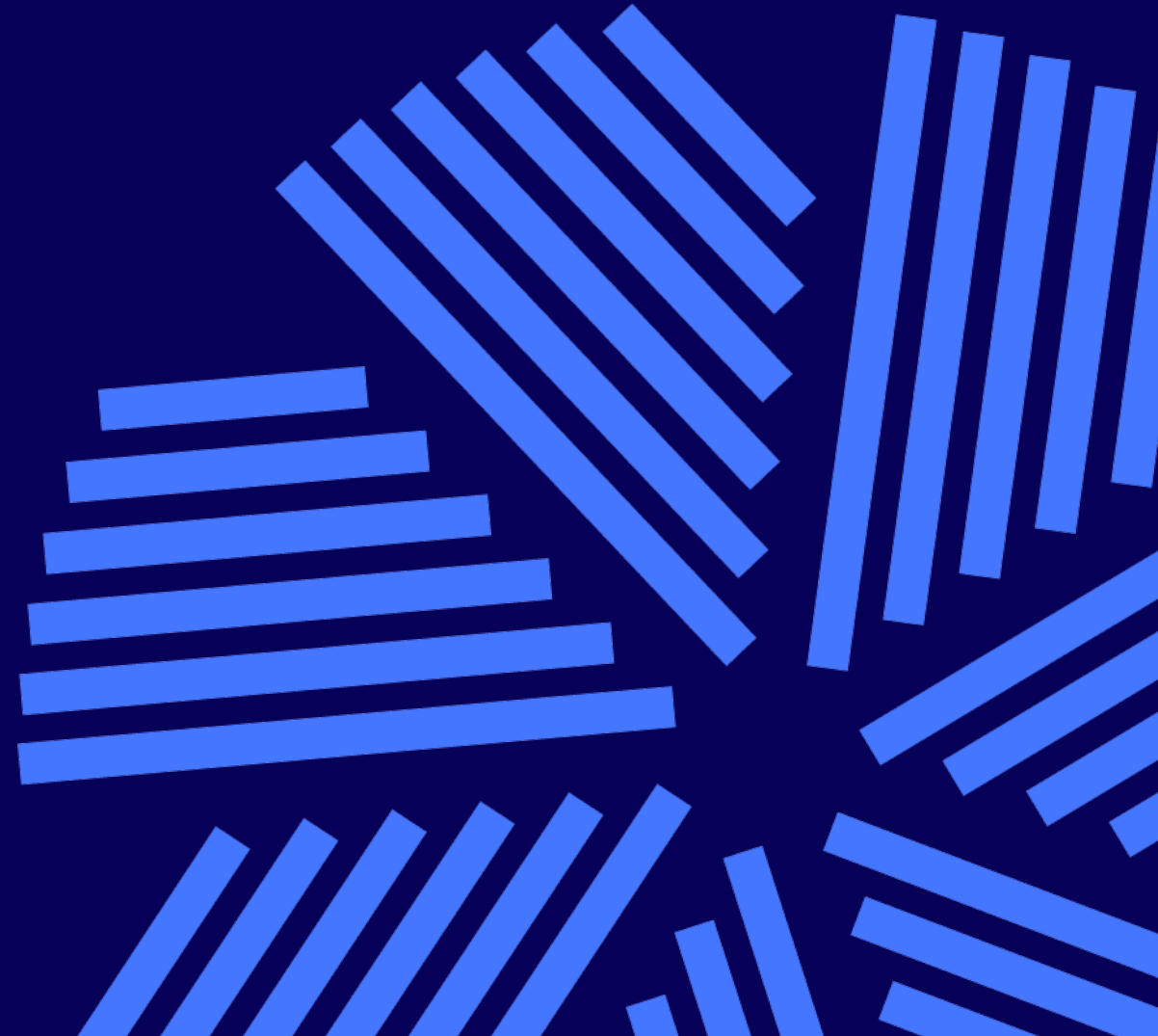
# Why OCIO-Specific Guidance is Needed

- OCIOs were taking different approaches
  - Presentation of returns
    - Representative account
    - Single account composites
    - Asset class performance
    - Strategy composites that varied by firm
    - All OCIO portfolios grouped into one composite
    - Gross and/or net returns
  - Legacy Assets
  - Fee disclosures



# Guidance Statement for OCIO Portfolios

## Key Concepts



# Applicability

- Applies only to firms managing OCIO Portfolios
- A firm that claims compliance with the GIPS standards must follow all the applicable requirements of the GIPS Standards for Firms as well as the applicable requirements in the Guidance Statement for OCIO Portfolios when providing a GIPS Report to an OCIO Portfolio prospective client



# Required OCIO Composite Structure

- For comparability, a firm that manages or offers OCIO Portfolios as a segregated account is required to create composites that are consistent with the Required OCIO Composite structure
- The Required OCIO Composite structure separates strategies into two types:
  - Liability-focused composites are managed with an objective to meet a liability stream for some or all of the client's assets, e.g., pension funds
  - Total return objective composites are managed with a total return objective and no liability matching, e.g., endowments and foundations



# Required OCIO Composite Structure

For each composite type, there are 5 asset class categories:

	Required OCIO Composites	Allocation to Liability Hedging Assets	Allocation to Growth Assets
<b>Liability-Focused</b>	1 Liability-Focused Aggressive	0-14%	86-100%
	2 Liability-Focused Moderately Aggressive	15-29%	71-85%
	3 Liability-Focused Moderate	30-49%	51-70%
	4 Liability-Focused Moderately Conservative	50-74%	26-50%
	5 Liability-Focused Conservative	75-100%	0-25%
	Required OCIO Composites	Allocation to Growth Assets	Allocation to Risk Mitigating Assets
<b>Total Return</b>	6 Total Return Aggressive	86-100%	0-14%
	7 Total Return Moderately Aggressive	71-85%	15-29%
	8 Total Return Moderate	51-70%	30-49%
	9 Total Return Moderately Conservative	26-50%	50-74%
	10 Total Return Conservative	0-25%	75-100%



# Asset Classification

- An OCIO Portfolio must be assigned to a Required OCIO Composite based on the portfolio's strategic allocation to certain types of assets
  - For liability-focused composites, assets will be classified as either liability-hedging or growth assets
  - For total return composites, assets will be classified as either growth or risk-mitigating assets



# Recommended Asset Classifications

Asset Class/Type	Liability-Focused Composites	Total Return Composites
Investment-grade fixed income	Liability-hedging	Risk-mitigating
Cash	Liability-hedging	Risk-mitigating
Hedge funds	Liability-hedging or growth	Risk-mitigating or growth
All other assets	Growth	Growth

A firm's policies may differ from the recommended classification.

A firm must disclose how the composite's asset classifications differ from the recommended classification.





# Optional Non-Required OCIO Composites

- A firm must include all discretionary, fee-paying, OCIO Portfolios in a Required OCIO Composite
- A firm may also include OCIO Portfolios in composites other than Required OCIO Composites
  - E.g., a subset composite based on client type



# Legacy Assets

- Firms that manage OCIO Portfolios often inherit legacy assets
- Firms might wish to sell these assets, but they may not be able to do so on a timely basis, or even on a longer-term basis
- The high cost of disposing of some legacy assets may also cause a firm to keep legacy assets it would otherwise wish to sell



# Legacy Assets

- Firms may determine how the existence of legacy assets affects the firm's classification of portfolios as discretionary or non-discretionary
  - A discretionary portfolio is one for which the firm has the ability to implement its intended strategy
- Firms may either:
  - Exclude from composites portfolios with legacy assets when the legacy assets materially affect the ability of the firm to implement its intended strategy
  - Include in composites portfolios with legacy assets, regardless of the amount or type of legacy assets
  - Include in composites the portion of the portfolio that excludes legacy assets when this portion of the portfolio is consistent with the mandate for an OCIO Portfolio

# Legacy Assets

- The firm must disclose in the GIPS Report information about the portfolios or assets it excludes from the composite as a result of legacy assets
- This disclosure will allow the user of the GIPS Report to compare composites across firms and to inquire further about legacy asset positions



# Required OCIO Composite Returns

- OCIO Portfolios may incur investment management fees in a variety of ways.
- A client may pay investment management fees:
  - To the firm managing the OCIO Portfolio
  - To external managers
  - Through pooled fund holdings
- Investment management fees paid to the firm may be offset by fees paid to proprietary funds



# Required OCIO Composite Returns

- Because of the complexity of the different investment management fees that may be incurred by an OCIO Portfolio, a firm must present both gross-of-fees and net-of-fees returns for Required OCIO Composites

Return Type	Return	Information Type
<b>Pure gross-of-fees return</b>	<b>11.00%</b>	<b>Supplemental information</b>
Fees and expenses for underlying pooled funds and externally managed segregated accounts	-0.40%	
Transaction costs	-0.04%	
<b>Gross-of-fees return</b>	<b>10.56%</b>	<b>Required</b>
OCIO Investment management fee	-0.50%	
<b>Net-of-fees return</b>	<b>10.06%</b>	<b>Required</b>

# Information in GIPS Reports Specific to Required OCIO Composites

- Firms must disclose information about actual allocations to certain asset classes or asset types held by portfolios in the composite
  - For liability-focused composites, the % of composite assets represented by liability-hedging assets and growth assets as of each annual period end for periods ending on or after 31 Dec 2025
  - For total return composites, the % of composite assets represented by growth assets and risk-mitigating assets as of each annual period end for periods ending on or after 31 Dec 2025
  - The % of composite assets represented by private market investments and hedge funds as of each annual period end for periods ending on or after 31 Dec 2025



# Information in GIPS Reports Specific to Required OCIO Composites

- Firms are recommended to disclose information about the asset allocation differences and types of portfolios included in the composite to fully explain the composite performance
- All firms are required to disclose the current fee schedule that is appropriate to prospective clients
- Because a firm managing OCIO Portfolios can earn fees in a variety of ways, firms must provide enough information about the fees to allow an OCIO Portfolio prospective client to understand all the fees the firm will earn from the client's portfolio



# Periods Presented in GIPS Reports

- When initially preparing a GIPS Report for a Required OCIO Composite, must present at least five years of performance
  - Or since inception if the composite has been in existence for less than five years
- Prospectively, must add an additional year, building up to a minimum of 10 years of performance



# 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 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

# Sample GIPS Report

## Ipne Investments

### Total Return Moderate OCIO Composite

31 December 2025

Year	Composite		Custom Benchmark Return (%)	Dispersion (%)	3-Year Std Deviation		As of 31 December		
	Gross Return (%)	Net Return (%)			Composite (%)	Benchmark (%)	# of Portfolios	Composite Assets (\$ M)	Firm Assets (\$ M)
2021	21.60	21.14	21.17	2.9	n/a	n/a	16	2,975	5,206
2022	15.71	15.28	15.18	3.1	n/a	n/a	19	3,203	5,820
2023	11.96	11.50	11.70	1.5	12.27	12.91	21	3,231	5,863
2024	-17.51	-17.98	-17.09	2.5	9.84	8.72	20	3,275	6,379
2025	18.91	18.39	17.51	2.4	11.82	10.63	22	3,580	6,804

Year	As of 31 December			
	Growth Assets (%)	Risk-Mitigating Assets (%)	Private Market Investments (%)	Hedge Funds (%)
2025	63	37	18	6

1. Ipne Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Ipne Investments has been independently verified for the periods 1 January 2010 to 31 December 2025. The verification report is available upon request.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

# Effective Date

- The Guidance Statement for OCIO Portfolios has an effective date of 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

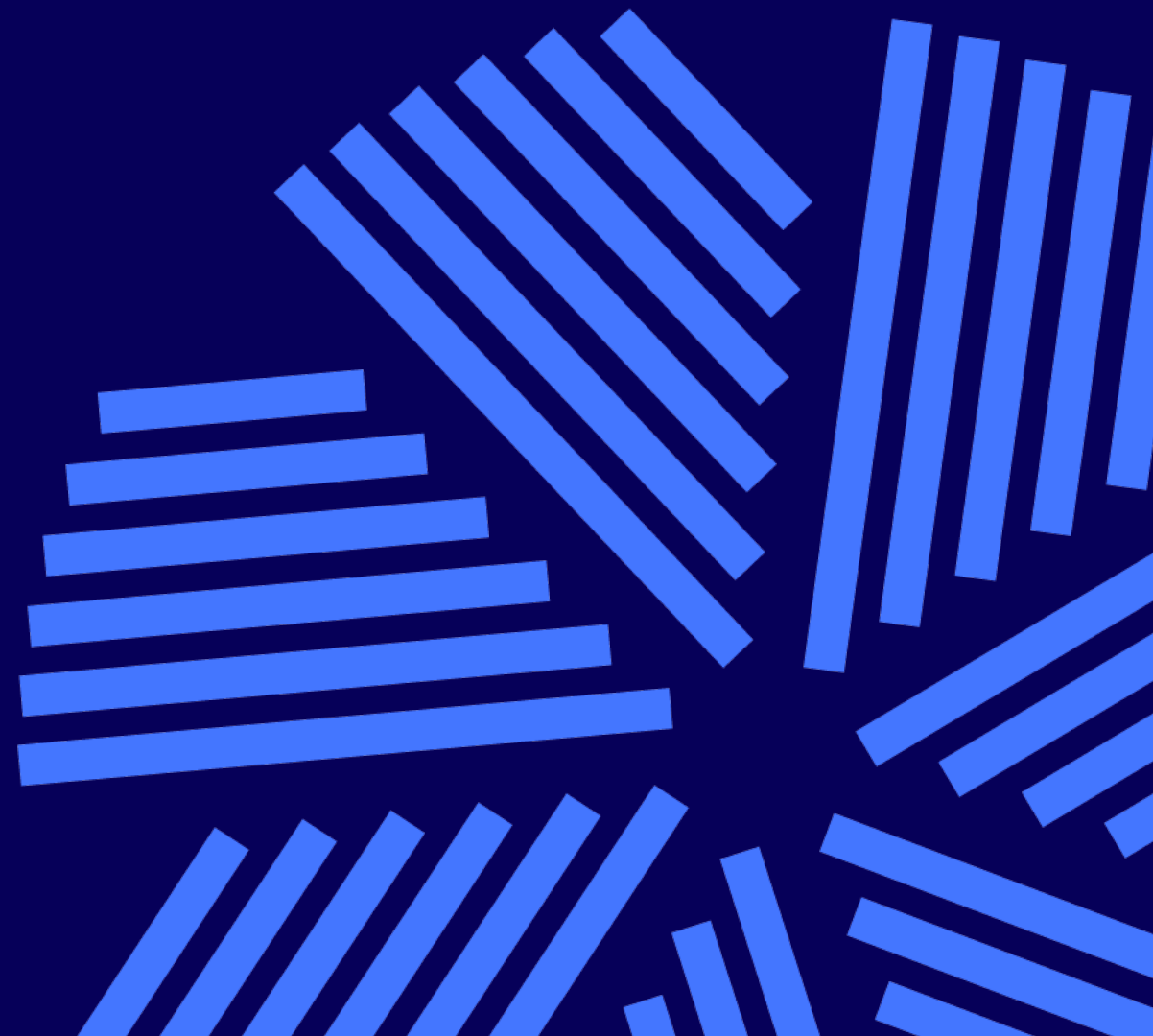


# Expectations

- OCIO consultants will start asking for information to be reported following the Guidance Statement for OCIO Portfolios.
- Over time, it is expected that OCIO consultants and asset owners will encourage OCIO firms to comply with the GIPS standards.
- A lack of compliance will undermine the asset owner and consultants' confidence in an OCIO track record and may result in additional due diligence.



# Resources



# Resources

We have a variety of tools & resources to help firms attain and maintain compliance ([www.gipsstandards.org](http://www.gipsstandards.org)), including:

- OCIO Guidance Statement and Adopting Release
- Assistance to Organizations Coming into Compliance
- GIPS Standards Handbook
- Guide for Creating a GIPS Standards Policies and Procedures Manual
- GIPS Standards Model RFP Template



# Resources

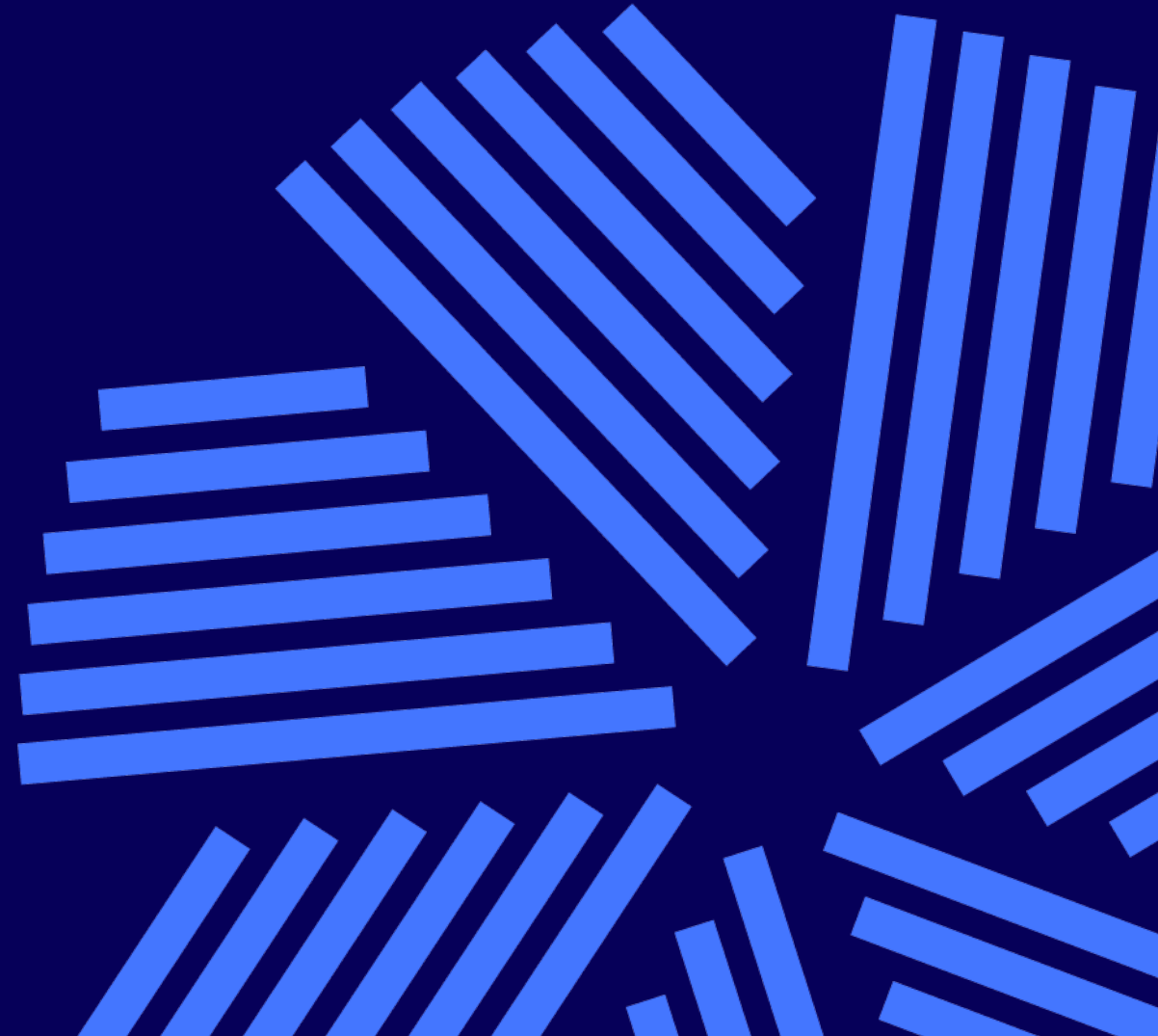
We have a variety of tools & resources to help firms attain and maintain compliance ([www.gipsstandards.org](http://www.gipsstandards.org)), including:

- Disclosure Checklist for Preparing GIPS Reports
- Service Providers Listing
- Suggested Questions for Prospective Verification Firms
- GIPS Standards Newsletter
- GIPS Standards Help Desk [gips@cfainstitute.org](mailto:gips@cfainstitute.org)





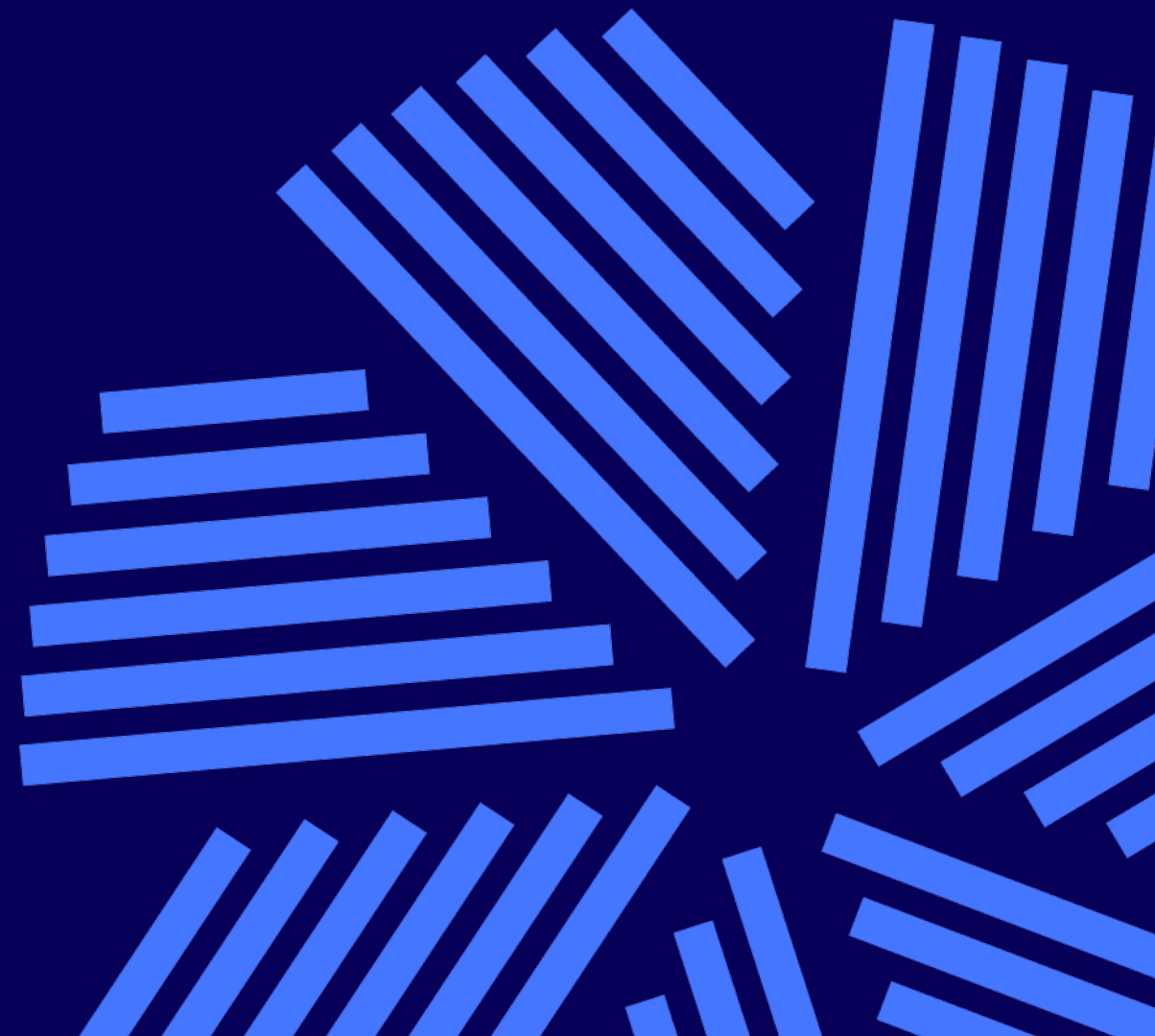
# Questions



Appendix

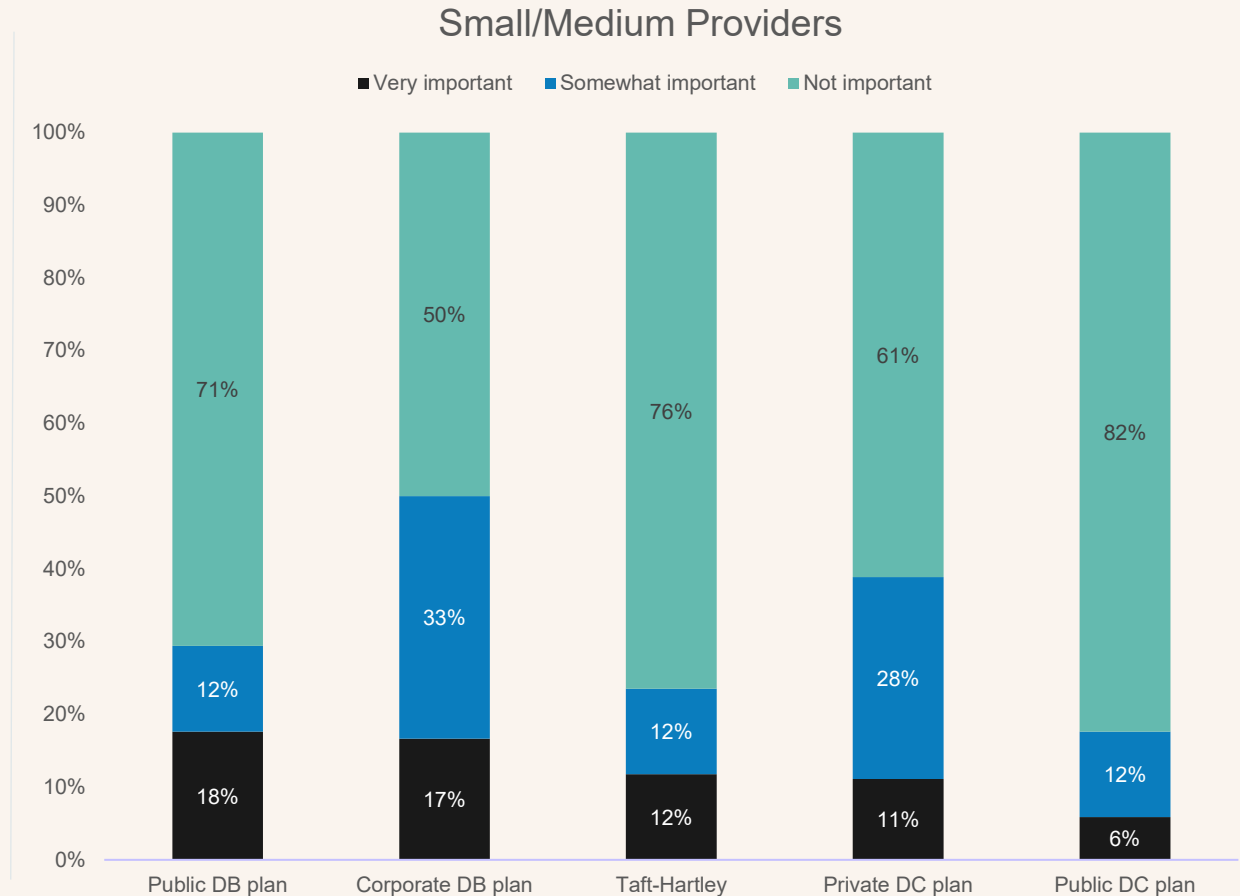
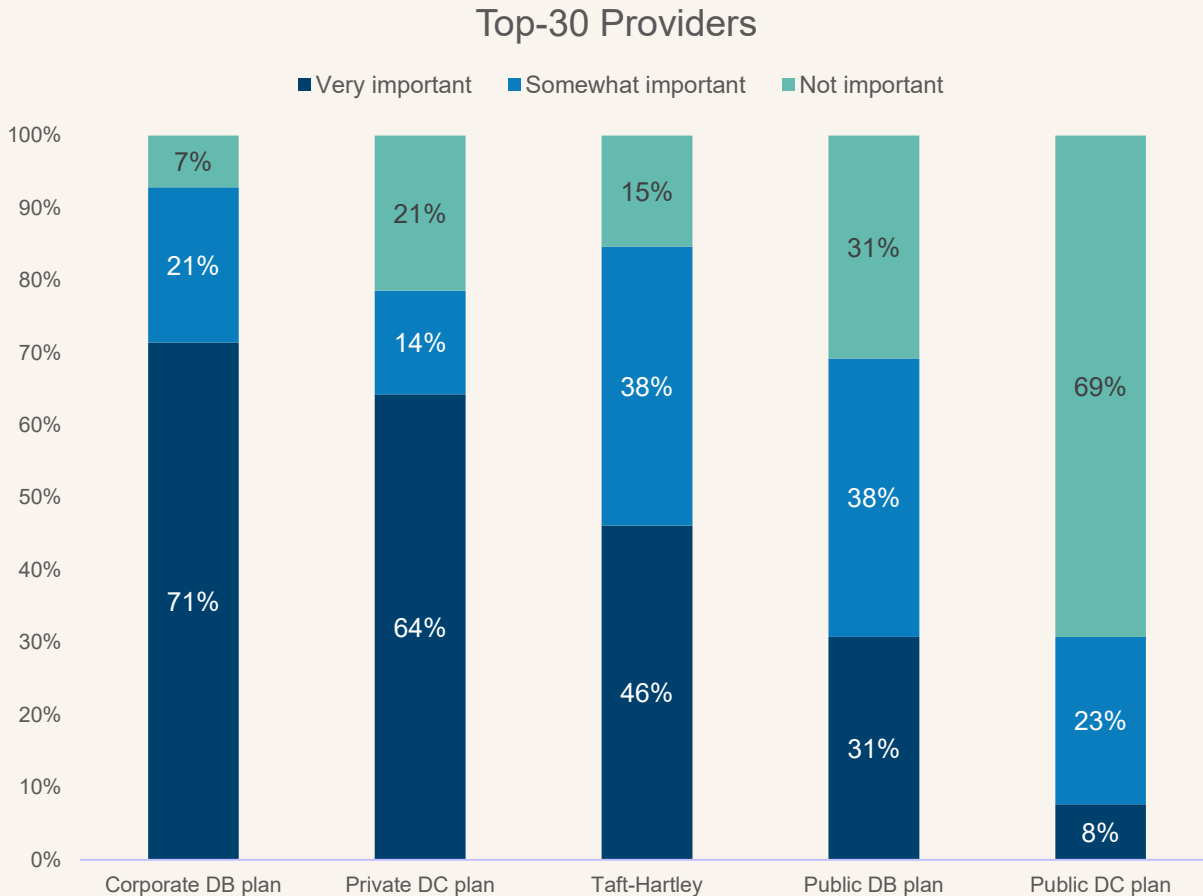
Cerulli  
2024 OCIO Report

Additional  
Information



# Importance of Retirement Client Segments to Growth of OCIO Assets Over the Next Two Years by Provider Size

Large OCIO providers are more focused on retirement segments than their smaller competitors

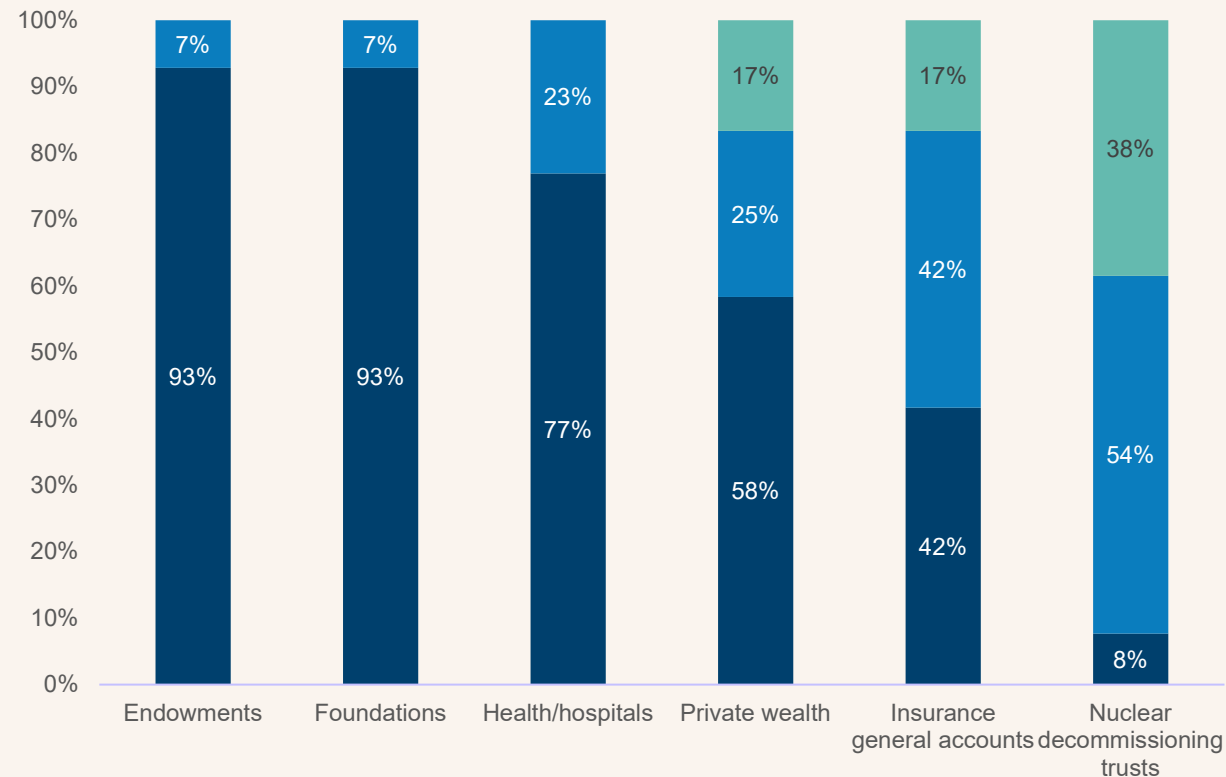


# Importance of Non-Retirement Client Segments to Growth of OCIO Assets Over the Next Two Years by Provider Size

OCIO providers of all sizes are highly focused on the E&F space

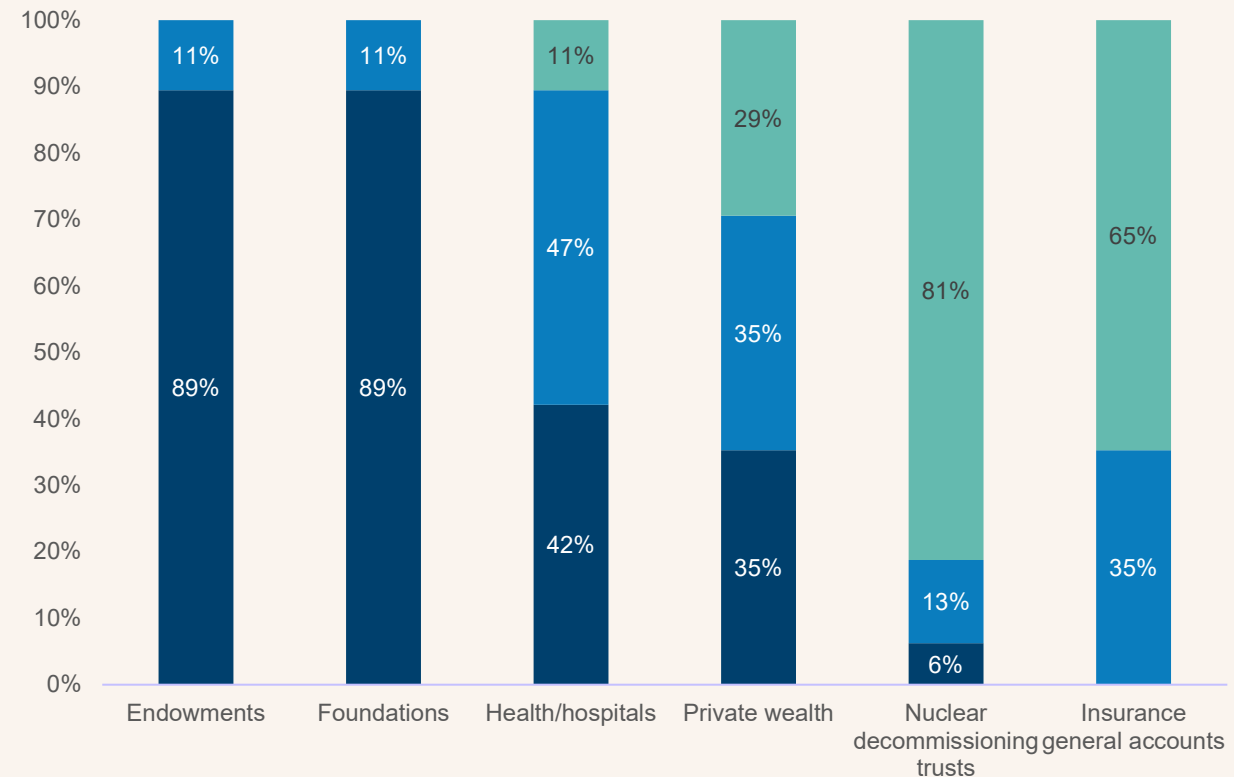
Top-30 Providers

Very important Somewhat important Not important



Small/Medium Providers

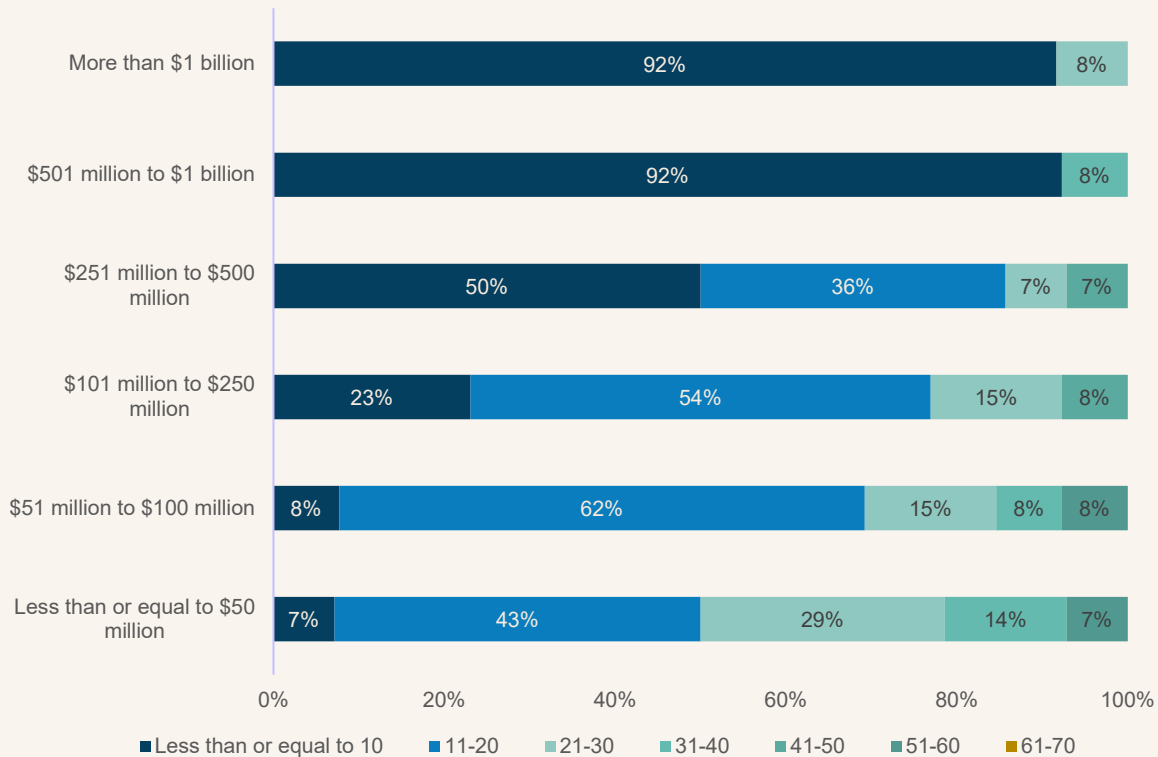
Very important Somewhat important Not important



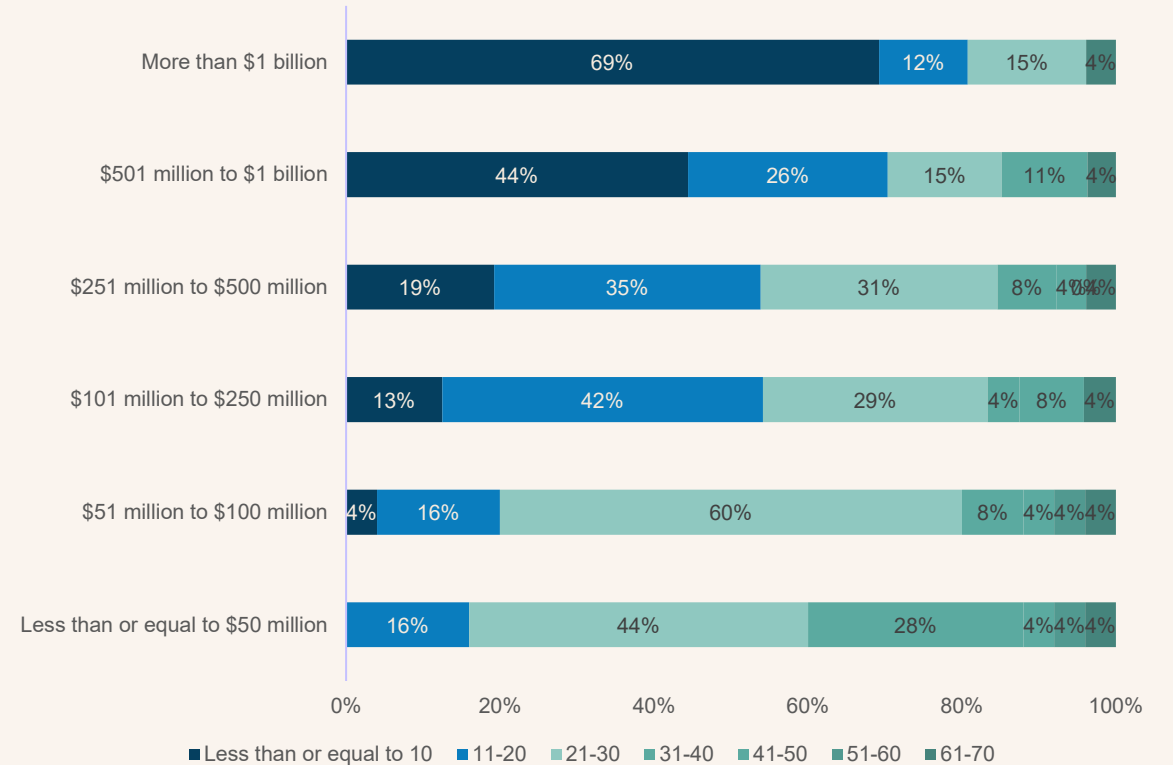
# OCIO Advisory Fees for Corporate DB and Non-profit Clients

## Large OCIO providers are introducing significant fee pressure

### Corporate DB Plans



### Non-profits



# Changes to the Volume of OCIO Replacement Searches and the Reasons Driving Those Replacement Searches

Replacement searches are increasing driven mostly by regular relationship reviews

