

## Panel: GIPS for OCIOs. Discussion on Draft Guidance Statement

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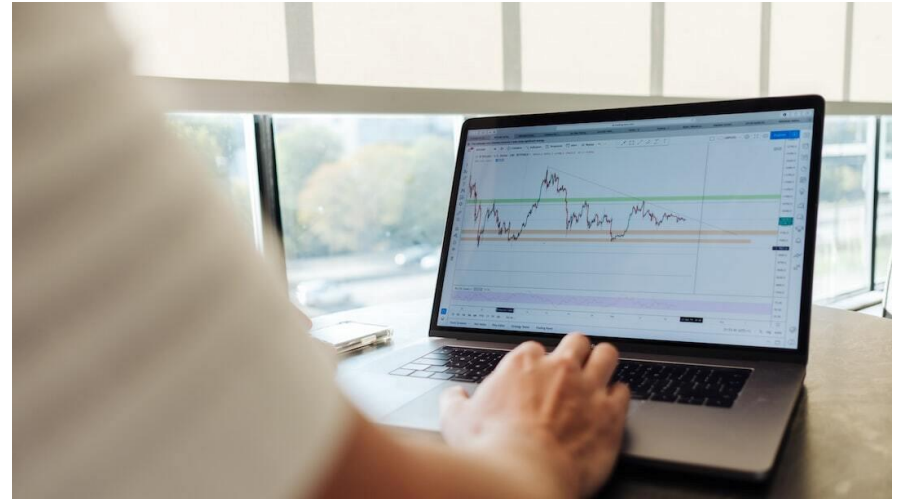
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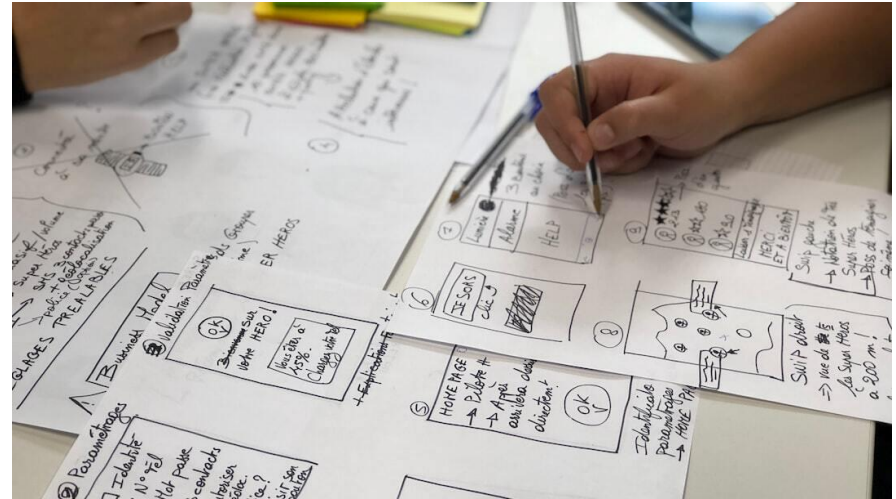
# OCIO Performance Challenges

- **Inconsistent and Opaque Data:** OCIO search firms struggle with a lack of comparable, consistent, transparent, and reliable performance metrics, complicating benchmarking efforts.
- **Varied Presentation Methods:** Diverse approaches include representative accounts, single account composites, asset class performance, and strategy composites, often varying significantly between firms.
- **Composite Challenges:** Some firms opt for grouping all OCIO portfolios into a single composite, raising concerns about representativeness and accuracy.



# Why OCIO Specific Standards?

- **Diverse Clientele & Tailored Services:** OCIOs serve a broad spectrum, from pension funds to family offices, requiring bespoke asset allocation and risk management strategies.
- **Fiduciary Responsibility:** OCIOs have a legal obligation to act in the best interests of clients, promoting trust and transparency.
- **Complexity in Composites & Portfolios:** OCIOs manage diverse asset classes and styles, necessitating specific guidelines for composite construction and performance reporting.
- **Regulatory Compliance:** Adhering to stricter transparency and accountability standards aligns OCIO practices with global financial reporting norms.
- **Appropriate Benchmarking:** Traditional benchmarks often fail to reflect custom strategies; OCIO standards ensure benchmarks accurately represent client objectives and market conditions.



# Overview of OCIO Standards

- Definition of an OCIO:** Role: Manages investments comprehensively on an outsourced basis. Clients include institutions like pension funds and foundations. Responsibilities cover investment policy, asset allocation, and risk management.
- Required Composite Structures:** Purpose: Ensures standardized, fair, and comparable performance reporting. Different composites cater to liability-focused or total return-focused portfolios.
- Asset Classification:** Categories include growth assets for capital appreciation and risk-mitigating assets for stability. Classification aligns with investment objectives and expected behavior.

Required OCIO Composites	Allocation to Liability-Hedging Assets	Allocation to Growth Assets
Liability-Focused Aggressive	0–20%	80–100%
Liability-Focused Moderately Aggressive	21–30%	70–79%
Liability-Focused Moderate	31–50%	50–69%
Liability-Focused Moderately Conservative	51–75%	25–49%
Liability-Focused Conservative	76–100%	0–24%
Required OCIO Composites	Allocation to Risk-Mitigating Assets	Allocation to Growth Assets
Total Return Objective Aggressive	0–20%	80–100%
Total Return Objective Moderately Aggressive	21–30%	70–79%
Total Return Objective Moderate	31–50%	50–69%
Total Return Objective Moderately Conservative	51–75%	25–49%
Total Return Objective Conservative	76–100%	0–24%

# Handling Legacy Assets

- **Definition and Challenges:** Legacy assets are those inherited from previous management, perhaps misaligned with current strategies.
- **Options for Treatment:**
  - Exclude from composites if materially implement ability to implement the intended strategy
  - Can include if align with intended strategy
  - Include only applicable portions
- **Impact on Reporting:** Decisions on legacy assets significantly affect performance reporting and compliance with standards.



# New Disclosures

- **Enhanced Transparency:** New disclosures require detailed reporting on fees, investment strategies, and benchmarking processes.
- **Fee Disclosures:** Includes comprehensive accounting of all costs, encompassing management fees, transaction costs, and expenses from underlying investments.
- **Benchmarking:** Provides guidance for firms on types of benchmarking and necessary disclosures

## Required OCIO Composite Returns (Gross AND Net)

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

## Fee Schedule Disclosures

“The OCIO investment management fee is 0.20% on all assets, excluding legacy assets.

Fees on underlying investments are expected to be as follows:

Asset Class	Underlying Fee	Description
<b>International Equities (Active)</b>	Total expense ratios range from 0.50% to 0.75% per annum	Internally managed mutual funds/commingled vehicles with a Total Expense Ratio

# Panel Discussion