

*Please note: This is a transcription so there may be slight grammatical errors.*

If you sponsor a defined benefit retirement plan, you may already be familiar with the term 338 Investment Manager, or the acronym OCIO, which stands for Outsource Chief Investment Officer.

But you might not know that these two terms describe the same type of discretionary relationship. An OCIO is a professional advisor, or an advisory firm, hired by a retirement plan sponsor to manage its investment portfolios and make strategic investment decisions on the organization's behalf. This can be especially helpful to organizations with limited staff and adequate investment experience or highly specialized investment needs.

But it's important to know the benefits and considerations before deciding if an OCIO is the right choice for your pension plan. Typically, OCIOs provide day-to-day management of an organization's investment program. They have investment discretion and are directly accountable for plan performance. That's why you might also hear the OCIO relationship described as discretionary portfolio management, or simply discretion.

OCIO services can include investment policy statement development, portfolio analysis, management, and trading, research and selection of investment managers, and tactical or strategic asset allocation. For many organizations, delegating these critical tasks to a trusted partner is a welcome sigh of relief.

OCIOs offer many potential benefits. One is increased access to investment opportunities, which can improve diversification. Another is increased access to advanced risk management practices, which can help the organization navigate market volatility. A third potential benefit is improved benchmarking of your plan performance, plus improved reporting and transparency.

Lastly, with an OCIO, the review and execution of tactical changes can happen in real time. Despite these many benefits, engaging a discretionary manager might not be the right move for every organization. For instance, pension plan sponsors with strong internal investment committees might not require these services, and those that prefer to have direct control over their investment decisions could find an OCIO less appealing.

If you do decide to engage a professional, due diligence is key. Research multiple firms. Explore their fees, reporting schedules, track records, experience managing pension assets, and stability. Institutions with highly specialized investment requirements will require an OCIO with robust industry expertise to meet their specific needs. You may also want to gauge how well the OCIO will integrate with your organization's existing governance, structure and communication channels. Ultimately, the decision to hire an OCIO should be based on careful evaluation of your organization's needs, objectives and resources. Making a well-informed decision can lead to more efficient and effective portfolio management that is better aligned with your institution's short and long-term objectives.

For help navigating the OCIO landscape, call CAPTRUST. Our nationwide team of institutional advisors can help you decide the next steps forward.

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