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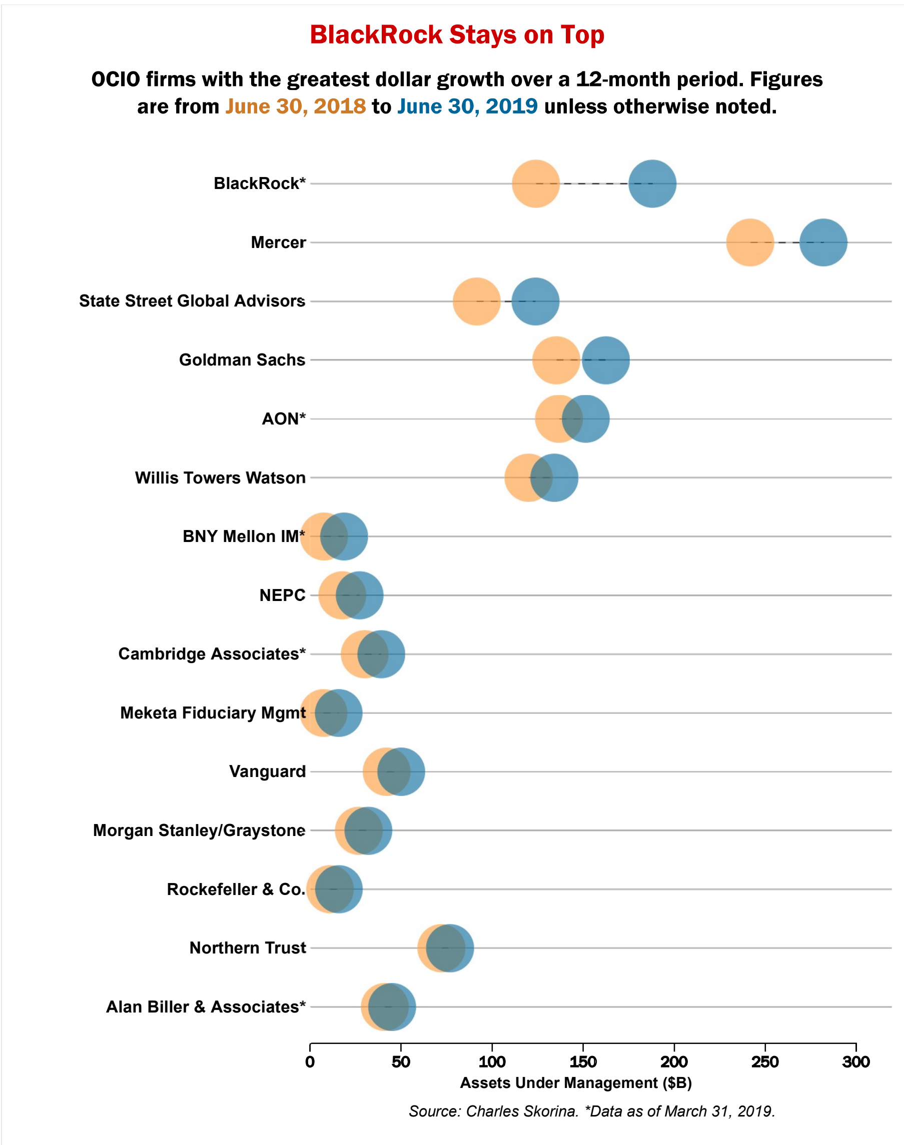
BlackRock Grows OCIO AUM More than 50% as Small Providers Lag

By Alana Pipe   November 5, 2019

The largest outsourced CIO (OCIO) providers are getting even bigger, as many smaller competitors struggle to grow.

There may be too many OCIO providers for the amount of money in the market, according to a recent analysis by Charles Skorina, founder of executive search firm **Charles Skorina & Company**.

Scale matters when it comes to the OCIO business, the data suggests. The OCIO industry is dominated by a handful of major players, with just six firms managing 45% of assets managed by 84 OCIO providers included in Skorina's dataset.



Indeed $1.1 trillion dollars is split between Aon, BlackRock, Goldman Sachs, Mercer, Russell Investments and Willis Towers Watson. Taken together, these six firms grew their assets 16% in the last year. By contrast, 76 other firms that are not included in the big six collectively grew their assets just 9.2% over this period, compared with a 21% increase in assets the year before. Not included in this growth rate are two firms: **Wilshire** and SEI, which reclassified a combined total of $147.6 billion as OCIO assets, and were therefore omitted from the calculations to avoid skewing the growth rate for the remaining firms.

BlackRock saw the greatest growth, on a dollar basis, over the 12 months ending June 30, of all OCIO providers tracked by

Skorina, with OCIO AUM surging 51.6% to $188 billion.

“We’ve had higher growth than our peers, because of the access BlackRock gets to private markets, and that rich and diverse set of opportunities comes to us because of our size and scale,” says **Jeffrey Saef**, managing director, head of the Americas region and global head of platforms at BlackRock. Saef adds that having resources in local markets around the world “helps us to make our clients money, and allows us to see risk.”

State Street Global Advisors, which experienced a 32.2% jump in OCIO assets, has seen growth coming from all client segments, including corporate defined benefit pensions, endowments and foundations, health care, and the insurance business, says **David Wiederecht**, SSGA’s head of global fiduciary solutions. The firm saw it’s OCIO business grow by more than $32 billion over the 12-month period ending June 30.

“We see tremendous upside of opportunity in this space and see it branching into segments that wouldn’t have been considered five years ago, particularly in the nonprofit space, and in health care,” says **Rich Joseph**, head of Mercer’s U.S. OCIO business. Mercer has more OCIO assets than any other provider with $282 billion.

Despite these new growth areas, corporate pensions are still powering much of the OCIO industry growth.

“The big pots of money are in corporate pensions, and corporate pensions are getting out of the business of managing their own pension as fast as they can,” says Skorina.

Many of these large corporate pensions end up outsourcing their investments to one of the big six, partly because the scale of a provider affects the resources they are able to offer, according to **Anna Dunn Tabke**, principal at Alpha Capital Management.

The providers with the most assets under management are the ones that are in a position to develop better resources, says Mercer’s Joseph. “There’s a large investment required in order to provide value to your clients,” he says.

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