

IF ONE OCIO IS GOOD, TWO IS GREAT? NOT SO FAST

Dual OCIO Mandate Checklist

If an institution is still considering a dual OCIO approach, careful planning and strong communication is critical. Here are some key questions we recommend that you address with your Board and staff.



What is the Purpose?

Each stakeholder should define the purpose of splitting the mandate. What does the organization hope to achieve? For example, is this a competition to see which firm earns better returns? Is it an attempt to offset the weakness of one firm with another? Clearly defining and aligning on the purpose allows you to set up an appropriate governance model.



What Does Success Look Like?

Knowing what success looks like enables you to set up the proper monitoring. Total portfolio return is certainly important, and clients seeking a mission-related impact should include impact measurement. Don't forget the qualitative success metrics too, like Investment Committee satisfaction with the model.



Have We Defined Roles and Responsibilities?

Who calculates total portfolio performance? Who determines the strategic asset allocation? How are rebalancing decisions made between OCIOs and asset classes? Each firm should have clearly delineated responsibilities and understand their role as far as strategic direction, asset allocation modeling, manager selection, rebalancing, and operational support.



How Will We Communicate?

Many of the typical problems with a dual OCIO mandate can be alleviated with clear, open, and purposeful communication. The Investment Committee and organization must take the lead in establishing good communication.



Do We Have the Right Resources?

Staff must prepare for increased administrative duties. Investment Committees take more fiduciary responsibility and need more time to oversee the complex structure and portfolio.