

The Benefits of Having an Outsourced CIO

Prepared by WSJ Custom Studios
July 1, 2015

A Chief Investment Officer (CIO) is a financial professional who helps institutions create sound investment practices and manage their assets. Some organizations keep a dedicated CIO on staff, but increasingly more are finding benefits to outsourcing the role.

"Having an in-house CIO is a luxury that typically only the largest institutions can afford," says Ronnie Jobe, Senior Vice President and Manager of the Institutional Advisors group with BOK Financial. "However, all institutions need someone who can fill that role—someone who can help guide investment policies and decisions and provide informed advice. An outsourced CIO can perform the same function as an in-house CIO, but usually at a fraction of the cost."

The OCIO Role

An outsourced CIO (OCIO) works closely with the organization's senior management and Investment Committee.

Among many possible roles and tasks, the OCIO can help the organization clearly define its investment policies and objectives, design its investment strategy, including setting strategic and tactical asset allocation targets, selecting performance benchmarks and preparing detailed, ongoing performance reporting. The OCIO also can oversee the day-to-day management of the organization's portfolio, such as selecting individual investment managers and conducting due diligence.

"One of the most important things an OCIO does is ensure that the institution's investment policies and objectives, its strategy and its benchmarks are all aligned to achieve the desired results, both from a performance and risk management perspective," Jobe says.

The OCIO also acts as co-fiduciary to the institution and its Investment Committee—meaning that he or she is equally responsible for overseeing management of the organization's assets. Many retail investment brokers are not required to adhere to the fiduciary standard, which some institutional clients may not realize.

"Since the board and the members of the Investment Committee are fiduciaries for the assets that are being managed, it's important for them to have an investment advisor who can serve in that same capacity," Jobe adds.

The Benefits of Outsourcing

An OCIO can fill a resource gap at many institutions, allowing smaller institutions to access the experience of an investment professional and to build investment programs similar to those

at larger institutions. Moreover, having an OCIO frees up senior management and the board to focus on strategy and achieving the organization's mission by delegating the day-to-day management of the institution's investment program to an experienced professional.

When selecting an OCIO, Jobe recommends institutions and their Investment Committees ask some questions:

- What is your overall investment philosophy?
- How do you design investment strategies to achieve desired results?
- What process do you use to select investments and benchmark performance?
- How do you manage risk?
- How do you select investment managers?
- How will you work with us and communicate on an ongoing basis?
- What kind of reporting will you provide?
- What fees do you charge and how do you earn them?
- Will you accept appointment as a fiduciary?

Why BOK Financial?

BOK Financial has a dedicated team of Institutional Advisors who serve as OCIOs and investment advisors for more than 400 institutional clients across a wide range of organizations, including foundations, endowments, hospitals, universities and Native American tribes.

The Institutional Advisors are members of BOK Financial's Strategic Investment Advisors team, which provides research and due diligence on investment managers, asset allocation analysis and management of BOK Financial's managed allocation strategies. "We have a team that focuses on manager research and due diligence, a team that focuses on asset allocation, as well as a team that helps with day-to-day portfolio management," Jobe says. "The support our clients and their Advisors receive is tremendous."