

Why the outsourced CIO-OCIO-model is gaining traction right now

Question: What about this moment makes asset allocation so daunting?

Yeah, well, it's no surprise that we're in a low growth, low rate environment right now in this market and that's posing significant challenges for plan sponsors in meeting their future obligations. Historically speaking, plan sponsors have had expected return on asset assumptions set for their plans at eight percent. Now they're seeing that they have to start lowering those expectations. So, couple that with the need to protect against funding levels, within pension plans, or foundation endowments meeting their returned spending targets becoming more and more challenging. So, it's critical to have asset allocation expertise that can work with plan sponsors in a discretionary way to not only help set strategy, but also work on managing assets around various targets on a more tactical basis.

Question: What role does global investment manager research play in an OCIO model?

Global manager research is a critical component of any outsource CIO-type model. No one single asset manager is good at everything. It's critical to have proper due diligence process around looking at various different types of strategies and different types of asset classes, working very closely with the folks that are developing the asset allocation in terms of how those managers fit in to the overall investment scheme that we're managing, too.

Question: Why are institutions beginning to demand more than investing from their OCIO providers?

Historically speaking, plan sponsors would have to work with various types of vendors in the oversight of their pension plans. Typically, you'd have one vendor for actuarial services, you'd have another vendor for running the investment advisory aspects of it, another for plan administration, another for custody, et cetera. It can be very, very, daunting for plan sponsors to have to coordinate information flow between those data vendors and it can be very costly as well. So we're seeing more of an evolution going towards single-service providers that can bundle these types of solutions together, that can communicate and move data and share information but also leverage the scalability in the bundle and ultimately lead to cost savings for plan sponsors.

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