

FILLING THE GAP WITH OCIOs: A ROADMAP FOR PLAN SPONSORS



Webinar Summary



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As the Defined Contribution (DC) market continues to evolve, many plan sponsors are looking at innovative solutions to support their participants' retirement savings needs. Some of those sponsors are also looking for further support to help them in the design and implementation of those programs and are evaluating Outsourced Chief Investment Officer (OCIO) solutions. On the heels of our [proprietary research on OCIOs](#), PGIM recently brought together a panel of DC thought leaders to discuss the latest trends in that corner of the retirement market. Following are a few highlights of the discussion, which can be viewed [here](#).

- **Why an OCIO?:** The move by some plan sponsors to utilize OCIOs is driven, in part, by the desire to implement more best practices. While some sponsors are concerned with the perceived fiduciary risk of implementing a more institutional approach, others want to do so but need help getting there. This includes adding diversified asset classes and having a thoughtful mix of active and passive investment options.
- **A flexible model:** There's no one-size-fits-all approach to OCIO utilization, as different plans have different needs. Most OCIO providers will take discretion on the hiring and firing of investment products from asset managers, including single asset class fund and off-the-shelf target date funds (TDFs). Most OCIOs will also offer ancillary services including investment menu design, vendor reviews, investment education, plan design support and participant communications.
- **Taking an institutional approach:** Providing DC plan participants access to a more institutional investment approach enhances their ability to meet retirement readiness objectives. Our research indicates that OCIOs who take on fiduciary discretion tend to prefer a more institutional approach than otherwise seen in the market. It also appears that plan sponsors who have hired an OCIO incorporate more of these best practices. There continues to be opportunities for OCIOs to provide innovative solutions for plan sponsors to ultimately help their participants meet their retirement income goals.
- **Next-gen DC:** The SECURE Act contains two areas of focus that could intersect with the DC OCIO market: Retirement income and Multiple Employer Plans (MEPs). Changing demographics, activity in Washington, and the evolution of solutions are all spurring greater interest in retirement income. The next generation of retirement income solutions should include both guaranteed and non-guaranteed components, along with access to a wider and more diversified set of asset classes and greater technological customization.

PGIM's research into the OCIO market was the first in a three-part series examining key trends in the DC space. Future research will look at alternatives, income in retirement and the growing impact of ESG. For more information, contact Josh Cohen, Head of Institutional Defined Contribution, PGIM Institutional Relationship Group, at josh.cohen@pgim.com, or learn more at pgim.com/dc.

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