The trend holds for both corporate defined benefit and corporate defined contribution plans, with over 40% of sponsors currently delegating or planning to delegate in the next two years.

Delegation is now the norm for smaller asset pools (78% of pools below $100 million in assets and 50% of pools between $100 million and $500 million in assets delegate or plan to delegate) and has become increasingly common for large asset pools (27% of pools above $1 billion in assets delegate or plan to delegate).

Nearly $2 trillion of institutional assets are now delegated globally, more than double the amount from just seven years ago. Two-thirds of those assets are in the United States.

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Figure 1: Percentage of factors listed as “very important” or “important” by asset owners who have delegated

<table>
<thead>
<tr>
<th>Factor</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of internal resources</td>
<td>75%</td>
</tr>
<tr>
<td>Better risk management</td>
<td>68%</td>
</tr>
<tr>
<td>Additional fiduciary oversight</td>
<td>64%</td>
</tr>
<tr>
<td>Faster implementation decisions</td>
<td>46%</td>
</tr>
<tr>
<td>Desire for strategic partnership</td>
<td>43%</td>
</tr>
<tr>
<td>Need to increase returns</td>
<td>39%</td>
</tr>
<tr>
<td>Cost savings</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: ai-CIO, 2020 Outsourced-Chief Investment Officer Survey. Survey conducted from January 24, 2020, through February 10, 2020, with 86 participants.
**Why are your peers delegating?**

Sponsors delegate for many reasons (Figure 1); however in our experience, the high propensity for delegating is driven by two key factors.

First, many organizations with less than $1 billion in assets have little or no dedicated investment staff (Figure 2). Usually, staff members (or committee members in their absence) look after the plan’s investments among a number of other key responsibilities. Because of this competition for time, decision makers find themselves constrained in their ability to make, implement and monitor decisions. Delegating has helped empower them to act without eating up their limited bandwidth with implementation issues.

Second, in the institutional investment world, even plans with hundreds of millions in assets have limited investment opportunity sets. Investors often struggle to negotiate fees, and it’s either difficult – and expensive – or impossible to build a truly diverse portfolio given investment minimums. Pooling of assets through the delegated model could enable you to 1) leverage the provider’s collective buying power to seek lower costs and 2) effectively “split” investment minimums with other sponsors so you can access investments that were previously inaccessible for you.

**Why would a large plan ($1 billion) delegate?**

Large plans typically have some dedicated investment staff and buying power, so any resulting delegated solution has to be more tailored to support their internal structures.

For some of our large delegated clients with limited internal resources, we serve as an extension of staff, stepping in as the primary investment function across the whole portfolio and performing almost all the tasks short of setting the strategy. For others, we act more like another team member; for example, we bring new ideas, oversee certain asset classes or provide a dedicated back office. In any case, we have significant flexibility to customize our responsibilities to a specific client’s needs.

**Conclusion**

If you haven’t previously considered delegated investment services, you could be an outlier. Being an outlier isn’t necessarily a good thing or a bad thing, but it should be a deliberate decision. If any of the information in this piece comes as a surprise to you, it might be worth revisiting how the delegated approach might improve your financial outcomes, operational efficiency and costs. Let us know if you’d like to explore further.

**About Willis Towers Watson**

Willis Towers Watson manages $140 billion in assets globally and has the highest organic growth rate as of 12/31/19 in clients among large delegated providers – three years in a row. Thirty percent of our U.S. delegated clients oversee $100 million or less; 55% oversee between $100 million and $1 billion, and 15% oversee $1 billion or more.

**Sources:**

2. ai-CIO, 2020 Outsourced-Chief Investment Officer Survey. Survey conducted from January 24, 2020, through February 10, 2020, with 86 participants.
4. P&I OCIO rankings from 3/31/2017 to 3/31/2020. Largest OCIO providers includes all OCIO providers with $50B+ in AUM. Growth rates reflect one-year change from 3/31. Organic growth excludes profits or growth attributable to re-categorization of existing clients, takeovers, acquisitions or mergers.
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