MEKETA



Five Key Questions Leaders May Want to Ask Their OCIO Before a Portfolio Transition

OCTOBER 2026

When evaluating outsourced investment management, implementation deserves attention alongside investment strategy. The questions below can help institutional leaders discuss transition planning, risk, governance, and reporting with prospective OCIO providers.

For institutional investors, portfolio changes may follow a decision to adopt an outsourced chief investment officer (OCIO) model, replace an investment manager, or adjust asset allocation. Such changes can involve market, liquidity, and operational risks as holdings are retained, transferred, sold, or reinvested. Appointing an OCIO does not necessarily require a wholesale liquidation of existing investments; the implementation approach will depend on the portfolio and the scope of the engagement.

An OCIO provider may coordinate transition-related activities with managers, custodians, and other service providers, depending on the responsibilities delegated under the engagement. For institutional leaders, the scope often extends beyond trading mechanics to how a prospective provider would evaluate cash requirements, costs, accountability, and oversight.

1

How does an OCIO plan for an organization's liquidity and cash-flow requirements during a portfolio transition?

Liquidity needs differ across institutions. A retirement plan may need to meet benefit payments; a university or foundation may rely on periodic distributions; and a healthcare system or nonprofit may need access to operating funds or reserves. Contributions, capital calls, and other obligations may also affect the timing and amount of cash available for investment.

Ask a prospective OCIO provider how expected inflows and outflows would be reflected in a transition plan. Some holdings may be subject to notice periods, redemption restrictions, or settlement requirements that influence when proceeds become available. Coordinating sales and purchases may help limit unintended periods of cash exposure, although execution and settlement may differ from initial expectations.

It is also worth asking how the plan could respond to unanticipated spending needs, delayed redemptions, or changes in the timing of capital calls. Rather than assuming that liquidity will be uninterrupted, the discussion should identify material constraints, planning assumptions, and potential alternatives.

2

What costs and investment risks might arise, and how would you evaluate the trade-offs?

A transition can involve transaction costs, bid-ask spreads, market impact, custody or specialist fees, and tax considerations where applicable. Temporary differences between the current and intended portfolio exposures, as well as time spent in cash, may also affect results. The actual effect of these factors will depend on market conditions and how the transition is implemented.

Ask how a prospective provider would evaluate available implementation approaches. Depending on the holdings and mandate, options may include transferring securities in kind, completing transactions in stages, engaging a specialist transition manager, or using exchange-traded funds or derivatives to manage interim exposures. Each approach has costs, risks, and limitations; for example, derivatives can introduce financing, counterparty, liquidity, or tracking considerations. Not every option will be suitable or permitted for a given institution.

Leadership may wish to request an explanation of the proposed approach, any available cost estimates, the assumptions underlying those estimates, and circumstances that could warrant a change in course. Estimates are not guarantees, and the discussion should distinguish factors within a provider's control from market movements and other external events.

3

How will you manage my cash-flow needs while moving funds between managers?

Your OCIO should be made aware of your cash-flow needs during a portfolio transition process. Both inflows and outflows, if known in advance, should be integrated into your forward transition calendar. Requesting additional funds during a transition may be challenging, but including your anticipated cash needs in your transition plans will likely minimize excess trading down the road.

Selling out of your old portfolio positions could generate large tranches of cash with potential implications for your total portfolio returns. Moving from one manager or investment to another may be best executed in stages, especially if the termination is not for some acute or emergency rationale. Your OCIO will ideally plan and execute redemptions and purchases in a series of tranches or legs. These should be timed so that the proceeds are available exactly when the receiving manager needs to invest them, not days before or after, limiting excessive out-of-market exposure.

Moving the full amount in a single step would likely leave a large sum sitting in cash, exposed to nothing, for longer than necessary. Executing the transition in stages, or tranches, keeps that exposure smaller by limiting how much capital is in transit at any one point, so cash flow risk stays contained throughout rather than concentrated in a single event. Settlement conventions are matched to how each custodian actually processes redemptions and purchases, since the two rarely move at the same pace. A transition also runs alongside a plan's ordinary liquidity needs, which include regular rebalancing, capital calls, and day-to-day cash flows, rather than displacing them, so other obligations continue to get met while the transition itself proceeds (Figure 1).

4

What governance approvals and reporting would our leadership need?

OCIO arrangements can differ in the discretion granted to the provider and in the responsibilities retained by the institution. The applicable governing documents, investment policy, contractual provisions, and legal requirements help determine who may authorize decisions and who maintains oversight. Engaging an OCIO does not, by itself, transfer every governance or fiduciary responsibility to the provider.

Boards, trustees, investment committees, and finance leaders may not need transaction-level reporting. They may, however, benefit from a clear summary of the proposed transition's purpose, expected timing, principal risks, liquidity assumptions, anticipated costs, and decisions requiring their approval. The appropriate level of detail should reflect the institution's governance needs and the nature of the transition.

As part of due diligence, ask prospective providers how they communicate before, during, and after significant portfolio changes. What reporting would be provided? Which developments would prompt an update? How would material deviations from the plan be explained? Agreeing on communication expectations in advance may make oversight more effective.

5

How would we assess a completed transition?

Completing the necessary transactions is one indication that implementation has progressed, but it does not by itself establish whether the transition met the institution's objectives. Before work begins, leaders can ask which aspects of implementation would be assessed and what information would be available for that review.

Depending on the circumstances, measures may include the timing of transactions, actual expenses relative to estimates, liquidity available for scheduled obligations, differences between intended and realized market exposures, and the resolution of operational exceptions. Some outcomes may be difficult to quantify, and market-driven results should not automatically be attributed to transition decisions.

Ask whether the provider would deliver a post-transition summary and what it would cover. A useful review could identify material differences from the original plan, explain relevant costs and constraints, and highlight considerations for future transitions. This can help leadership evaluate the implementation process within the scope of the OCIO's responsibilities.

Figure 1

Transition Calendar with Cash Flows Illustration

Source: Meketa.

Tranche or Cash Flow Event	Notice (Day)	Redemption Date (Day)	Settle or Cash Received (Day)	Replacement Fund Trade (Day)	Share of Initial Market Value	Trade Ticket	Ticket Due to Operations (Day)	Cash Flow Handling
Passive Value Index, T1	Day 0	Day 3	-	Day 7	50%	Trade Ticket 1	Day 7	-
Active Manager A, T1	Day 3	Day 13	Day 16	Day 17	One-third	-	-	-
Passive Global Index, migration	Day 14	Day 22	Day 23	Day 24	Full liquidation	-	-	-
Active Manager B, T1	Day 16	Day 27	Day 29	Day 30	One-third	-	-	-
Active Manager A, T2	Day 28	Day 29	Day 35	Day 36	One-third	Trade Ticket 2	Day 20	-
Client Contribution (cash inflow)	Day 20	-	Day 35	Day 36	***Net new cash***	-	-	Cash received Day 35 and invested directly in the replacement fund on Day 36, alongside the Active Manager A T2 purchase. No money enters a legacy fund that is scheduled for redemption.
Active Manager B, T2	Day 48	Day 57	Day 59	Day 62	One-third	Trade Ticket 3	Day 62	-
Client Distribution (cash outflow)	Day 35	Day 57	Day 59	Day 62	***Planned outflow***	-	Day 62	Cash raised from Active Manager B T2 proceeds received Day 59 and paid out Day 60. The Day 62 replacement purchase is reduced by the same amount. The replacement fund is never sold to pay a benefit, and legacy cash is not left idle.
Passive Value Index, T2	Day 49	Day 58	-	Day 62	Full liquidation	-	Day 62	-
Active Manager A, T3	-	Day 62	-	Day 66	Full liquidation	Trade Ticket 4	Day 66	-
Active Manager B, T3	-	Day 76	-	Day 79	Full liquidation	Trade Ticket 5	Day 79	-

A Practical Conversation Before Selecting an OCIO

Evaluating OCIO services involves more than considering an investment strategy or a target asset allocation. Institutional leaders may also want to understand how a prospective provider approaches implementation, where responsibilities would sit, and what information would be available to support oversight.

These five questions provide a starting point for that discussion, not a standardized process or a recommendation for any particular transition method. Each institution's objectives, portfolio characteristics, governing arrangements, and service agreements should inform its approach. Asking prospective providers to explain their assumptions and processes can help leaders assess whether the proposed OCIO arrangement aligns with the organization's needs.

To learn more about Meketa's OCIO Practice and our approach to discretionary investment management, please visit https://meketa.com/what-we-offer/ocio-discretionary-management/. To discuss your organization's investment objectives and explore how Meketa's OCIO services may align with your needs, please visit https://meketa.com/contact-us/.

Important Information

This report (the "report") has been prepared for the sole benefit of the intended recipient (the "recipient").

Significant events may occur (or have occurred) after the date of this report, and it is not our function or responsibility to update this report. The information contained herein, including any opinions or recommendations, represents our good faith views as of the date of this report and is subject to change at any time. All investments involve risk, and there can be no guarantee that the strategies, tactics, and methods discussed here will be successful.

The information used to prepare this report may have been obtained from investment managers, custodians, and other external sources. Some of this report may have been produced with the assistance of artificial intelligence ("AI") technology. While we have exercised reasonable care in preparing this report, we cannot guarantee the accuracy, adequacy, validity, reliability, availability, or completeness of any information contained herein, whether obtained externally or produced by the AI.

The recipient should be aware that this report may include AI-generated content that may not have considered all risk factors. The recipient is advised to consult with their Meketa advisor or another professional advisor before making any financial decisions or taking any action based on the content of this report. We believe the information to be factual and up to date but do not assume any responsibility for errors or omissions in the content produced. Under no circumstances shall we be liable for any special, direct, indirect, consequential, or incidental damages or any damages whatsoever, whether in an action of contract, negligence, or other tort, arising out of or in connection with the use of this content. It is important for the recipient to critically evaluate the information provided.

Certain information contained in this report may constitute "forward- looking statements," which can be identified by the use of terminology such as "may," "will," "should," "expect," "aim," "anticipate," "target," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations thereon or comparable terminology. Any forward-looking statements, forecasts, projections, valuations, or results in this report are based upon current assumptions. Changes to any assumptions may have a material impact on forward-looking statements, forecasts, projections, valuations, or results. Actual results may therefore be materially different from any forecasts, projections, valuations, or results in this report.

Performance data contained herein represent past performance. Past performance is no guarantee of future results.