

Item No. 12: Appointment of Consultant for selection of Portfolio Managers, Custodian & External Concurrent Auditor & Performance Evaluation of Portfolio Manager and Custodian.

1. The Central Board, EPF in its 219th Meeting approved “the Credit Rating Agencies (CRA) registered with SEBI and having minimum ten years of experience in India may be invited under the GFR provisions to assist EPFO in (a) Selection of Portfolio Managers, External Concurrent Auditor and Custodian (b) Performance evaluation of Portfolio Managers. The tenure of the consultant for performance evaluation of Portfolio Managers will be concurrent with agreement period of the portfolio managers subject to satisfaction of the quality of services rendered drawn on periodical review”. The Board has also authorized the Chairman to nominate one representative each to the proposed Committee from employers’ and employees’ members of CBT, for carrying out the exercise of selection of consultant”. The Board in its 221st Meeting held on 13.04.2018 included task of performance review of Custodian by appointed Consultant.

2. A Five Member Committee was constituted by the Central Board for the purpose. The Committee prepared Requested for Proposal (RFP) document and RFP was issued to all seven Credit Rating Agencies registered with SEBI having minimum ten years of experience in India viz i) CRISIL Limited, ii) India Ratings and Research Pvt. Ltd (formerly Fitch Ratings India Pvt. Ltd.), iii) ICRA Limited, iv) Credit Analysis & Research Ltd. (CARE), v) Brickwork Ratings India Pvt. Ltd, vi) SMERA Ratings Limited and vii) Infomerics Valuation and Rating Pvt. Ltd on 01st March, 2018.

3. To have healthy bidding, the RFP was sent to all seven Credit Rating Agencies through post, posted on website as well as through email.

4. Two bids from M/s. Brickworks Ratings and M/s. CRISIL Limited were received by the office within the stipulated time. As per the schedule, the Five Members Committee met in its Fourth Meeting held on 24.04.2018 & evaluated Pre-Qualification (PQ) bids of both the bidders. There were eight PQ criteria which were all to be fulfilled by the bidders so as to be eligible for opening of their technical bids followed by opening of financial bids, if found technically qualified. After evaluation of the PQ of both bidders, M/s. BRICKWORKS Rating was disqualified on criteria 7.2.4 i.e. “(a) *The bidder should be experienced in selection of Portfolio Managers, Custodian & External Concurrent Auditor for pension/provident funds OR (b) The bidder should be experienced in evaluating performance of portfolio of pension/provident fund bodies & Custodian*” on pre Qualification stage. Only one bidder namely M/s. CRISIL Limited was left in Pre-Qualification bid.

5. The Committee in its fifth Meeting held on 22.05.2018 deliberated on the issue of lack of competition in bidding and opening of Technical and Financial Bid of the sole bidder qualified in Pre-Qualification stage namely M/s. CRISIL. The Committee decided that as more competition is desired hence the technical and financial bids of the sole bidder should not be opened and the matter be placed before the Central Board for information, deliberations and further orders.

6. It was also suggested by the Committee that in case of a fresh tendering, the Central Board of Trustees may consider appointment of separate Consultants for each services namely i) Selection & Review of Portfolio Managers, ii) Selection & Review of Custodian and iii) Selection of External Concurrent Auditor which will be done after the expiry of the tenure of the current Auditor i.e. on 31st March, 2020. The Committee felt that as these are separate services hence instead of clubbing and

obtaining only one consultant for all the three services namely Selection and Review of Portfolio Managers, Selection and Review of Custodian and Selection of External Concurrent Auditor, appointment of separate Consultant would permit more competition and would allow separate services for the above categories i.e. Fund Managers, Custodian and External Concurrent Auditor.

7. Considering the urgency of the matter, a proposal was accordingly placed before the Hon'ble Chairman, Central Board, EPF wherein, the Hon'ble Chairman has approved the recommendations of the Committee i.e. not to open the technical and financial bids of the single bidder and to initiate tendering afresh for appointing separate Consultants for separate services i.e. i) Selection & Review of Portfolio Managers, ii) Selection & Review of Custodian and iii) Selection of External Concurrent Auditor (ECA) which may be done on the expiry of tenure of the present ECA on 31st March, 2020. The Committee would accordingly prepare separate RFPs for appointment of Consultants for the three services mentioned above.

Proposal: The item is placed before the Board for ratification.