

Item No. 5: Extension of tenure of current Portfolio Managers of EPFO upto 31st December, 2018 or till appointment of new Portfolio Managers whichever is earlier.

1. The Central Board, EPF in its 207th Meeting held on 31.03.2015 appointed five Portfolio Managers namely State Bank of India, ICICI Securities PD Limited, Reliance Capital AMC, HSBC AMC and UTI AMC to manage its corpus for three years. The current Portfolio Managers started managing EPFO corpus from 1st July, 2015 and their tenure is expiring on 30.06.2018. The tenure of Consultant and Custodian is expiring on 30.06.2018 & 31.12.2018 respectively.
2. The Central Board in its 219th meeting held on 23.11.2017 decided "*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*". Further Board in its 221st Meeting included task of performance review of Custodian by the appointed Consultant. The Board constituted a Five Members Committee for the purpose.
3. The process of appointment of Consultant who will assist EPFO in selection of new Portfolio Manager for managing EPFO corpus had been initiated. The Five Member Committee constituted by Board finalized the Request for Proposal (RFP) document for appointment of Consultant. The Request for Proposal (RFP) document was issued to all seven Credit Rating Agencies (CRAs) on 01.03.2018 and last date of submission of bid was 24.04.2018.
4. The Request for Proposal (RFP) for appointment of Consultant was sent to all seven Credit Rating Agencies through post, posted on website as well as through email. Telephonic confirmations of receipt of RFP were received from all CRAs. The addendum on RFP issued after Pre Conference was also uploaded on website. The same was also sent to all seven bidders through email and telephonic confirmation of receipt of addendum was received from all CRAs.
5. Two bids were received within the stipulated time line in RFP for submission of bid. The Committee opened Pre-Qualification bid of both interested Companies. Only one bidder qualified for opening of its technical and financial bid. The Committee in its fifth meeting unanimously recommended not to open the technical and financial bid of the sole bidder and to initiate the process afresh for appointment of separate Consultants for each service i.e. i) Selection & Review of Portfolio Managers, ii) Selection & Review of Custodian and iii) Selection of External Concurrent Auditor which may be done on the expiry of its tenure i.e. 31st March, 2020. The Committee also decided to refer the matter to the Central Board of Trustees, EPF for its deliberation and further orders.

6. The process for the appointment of Portfolio Managers will be initiated only after the appointment of the new Consultant. The entire process may take another six months for completion.
7. Clause (i) of Section 6 (TERM AND TERMINATION) of Portfolio Management Service Agreement entered between EPFO and current Portfolio Managers provides that the appointment of Portfolio Manager may be extended by mutual consent of the Portfolio Manager and CBT, EPF, depending on the performance of the former.
8. All the Portfolio Managers have conveyed their consent to manage the corpus of EPFO on same terms of reference agreed with EPFO in Portfolio Management Service Agreement.
9. As per cumulative performance evaluation report of CRISIL Consultant of EPFO for the period July 01, 2015 to March 31, 2018, all the Portfolio Managers have outperformed the benchmark yield.
10. Accordingly, it is proposed that the tenure of current Portfolio Managers may be extended till 31.12.2018 or till appointment of new fund managers, whichever is earlier.

Proposal: The proposal contained in Para 10 above is placed before the Board for approval.