



Asset Manager Selection under Public Procurement Legislation

Oliver Kunkel, MSc., Senior Consultant

PPCmetrics AG

A rectangular box with a blue, textured background, resembling water or a sky. The text "Some of the graphs/pictures are not available online" is centered within this box in a white, sans-serif font.

Some of the graphs/pictures are not
available online

September 26, 2012

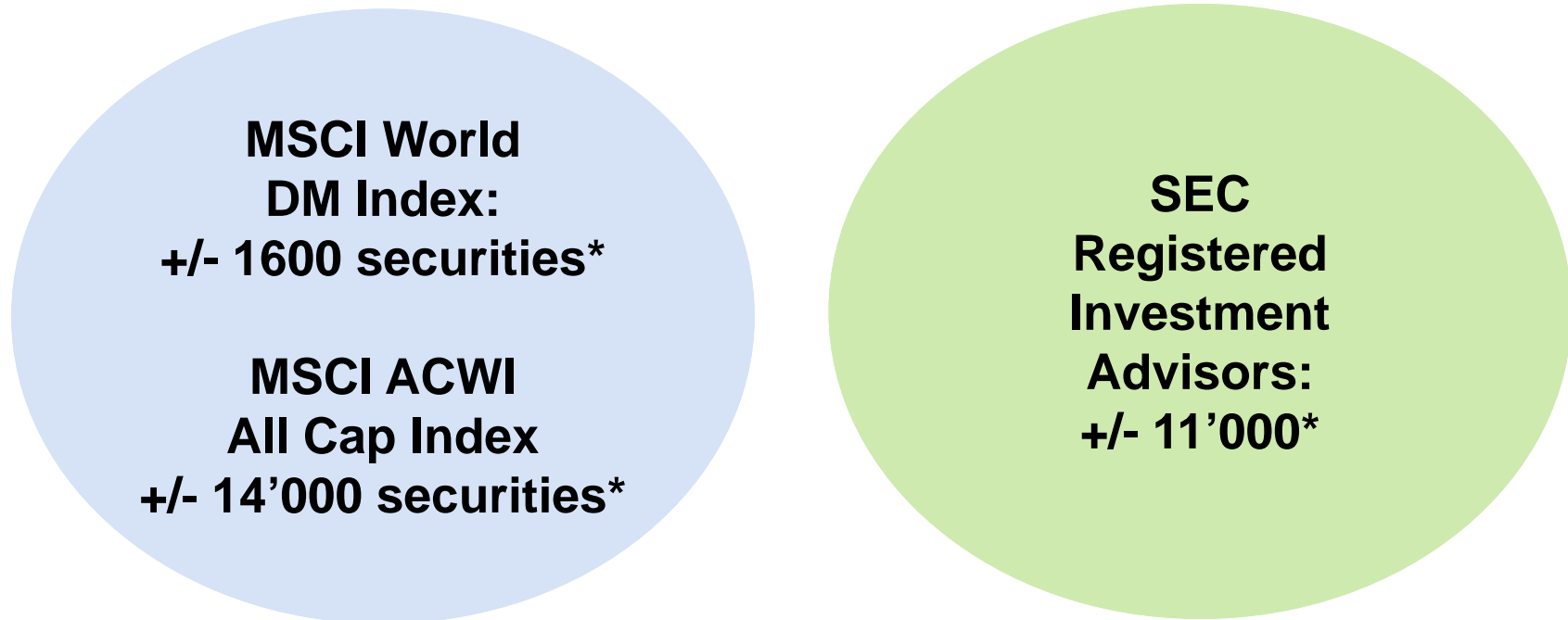
Governance / Transparency and Asset Manager Selection

Public vs. non-public Tender Process

How to deal with a large number of participants

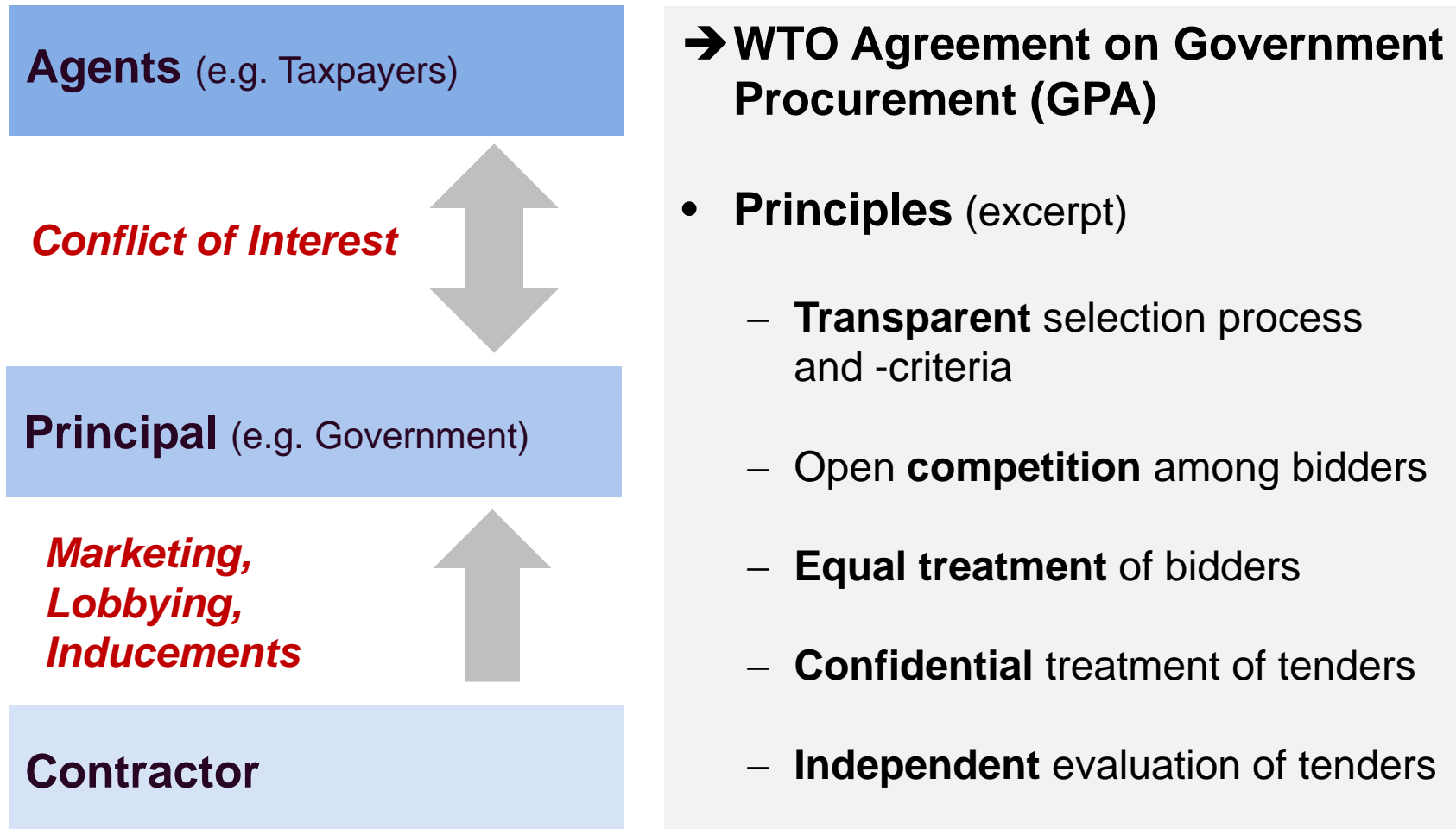
Difficulty of the manager selection task

If you believe that picking the right stocks is difficult...



...then you might agree that picking the right manager is difficult!

* Source: MSCI, SEC



Quality Standards

Art. 48f BVV 2

Prohibited Transactions

Art. 53a lit. a BVG;

Art. 48j BVV 2

Conflicts of Interest

Art. 51b Abs. 2 BVG;

Art. 48h, Art. 48l Abs. 1 BVV 2

Transparency

Art. 48l BVV 2

Inducements

Art. 53a lit. b BVG;

Art. 48k BVV 2

- The **pension board** decides
 - on the selection process
 - on the appointment of external asset managers
- The Swiss **pension legislation** sets quality standards for asset managers and prohibits inducements that might influence manager selections.
- A **public tender process** is not legally required, but is very useful to document full compliance with legal requirements.

Selection Process

Non - Public

«Manager Universe» / Database



- Quantitative Filter;
- Qualitative / Fundamental Analysis

Long List



- Tender / RFP

Short List



- Due Diligence
- Negotiations

Mandate awarded

Public

Public Announcement of Tender
(Contract Notice)



- Pre - Qualification

Qualified List



- Tender / RFP

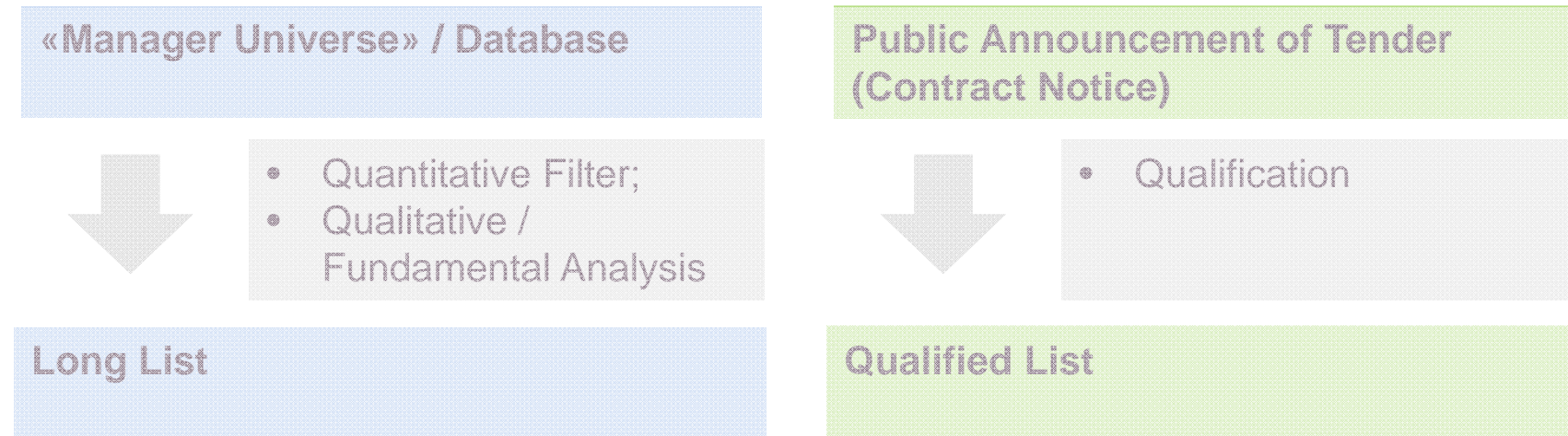
Short List



- Due Diligence
- Negotiations

Mandate awarded

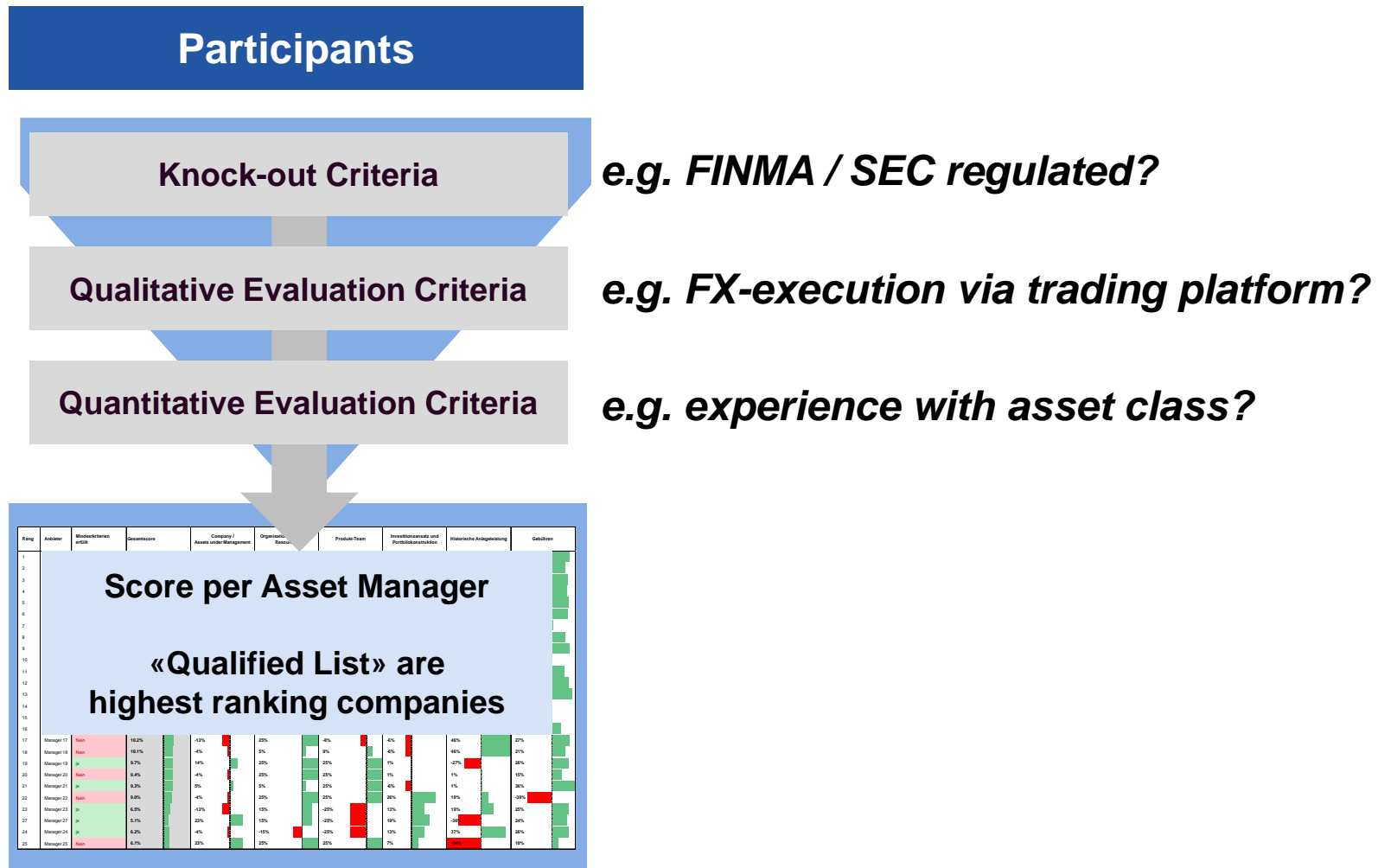
Pre - qualification Phase



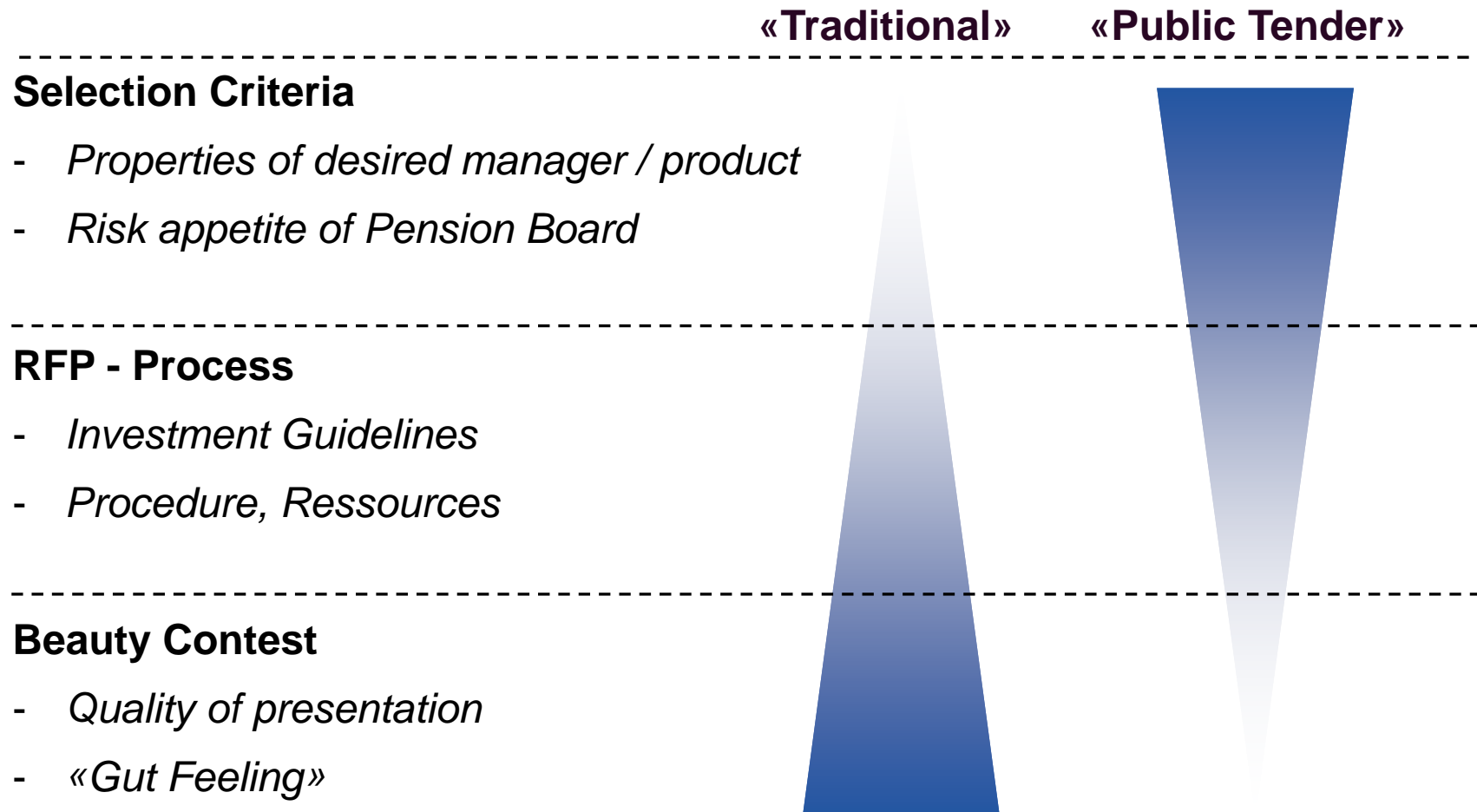
Most significant differences are in the pre-selection / «qualification» phase. For public tenders...

- **qualification criteria** must be defined beforehand and cannot be changed after search has been started
- **any** asset manager can participate **free of charge**
- the qualified list is **published** and can be objected by participants

Qualification Phase

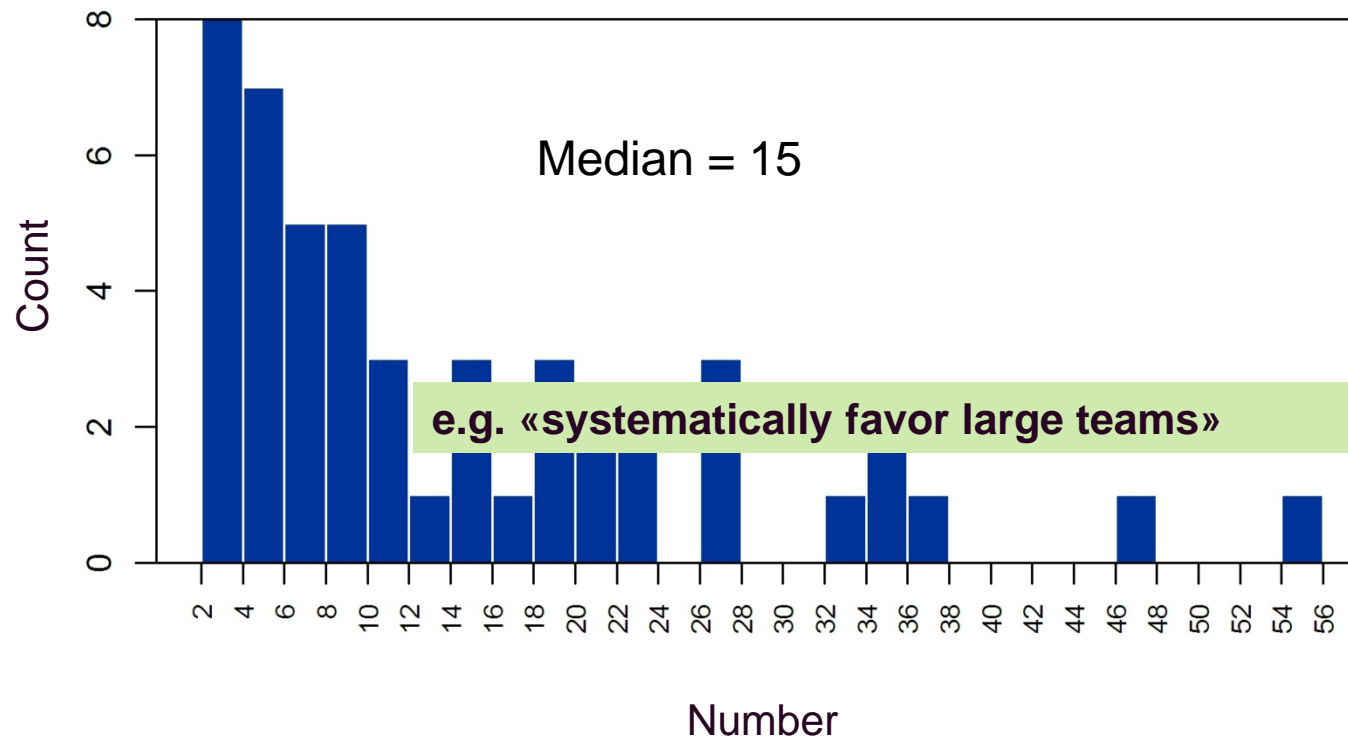


Attention of the Pension Management Board



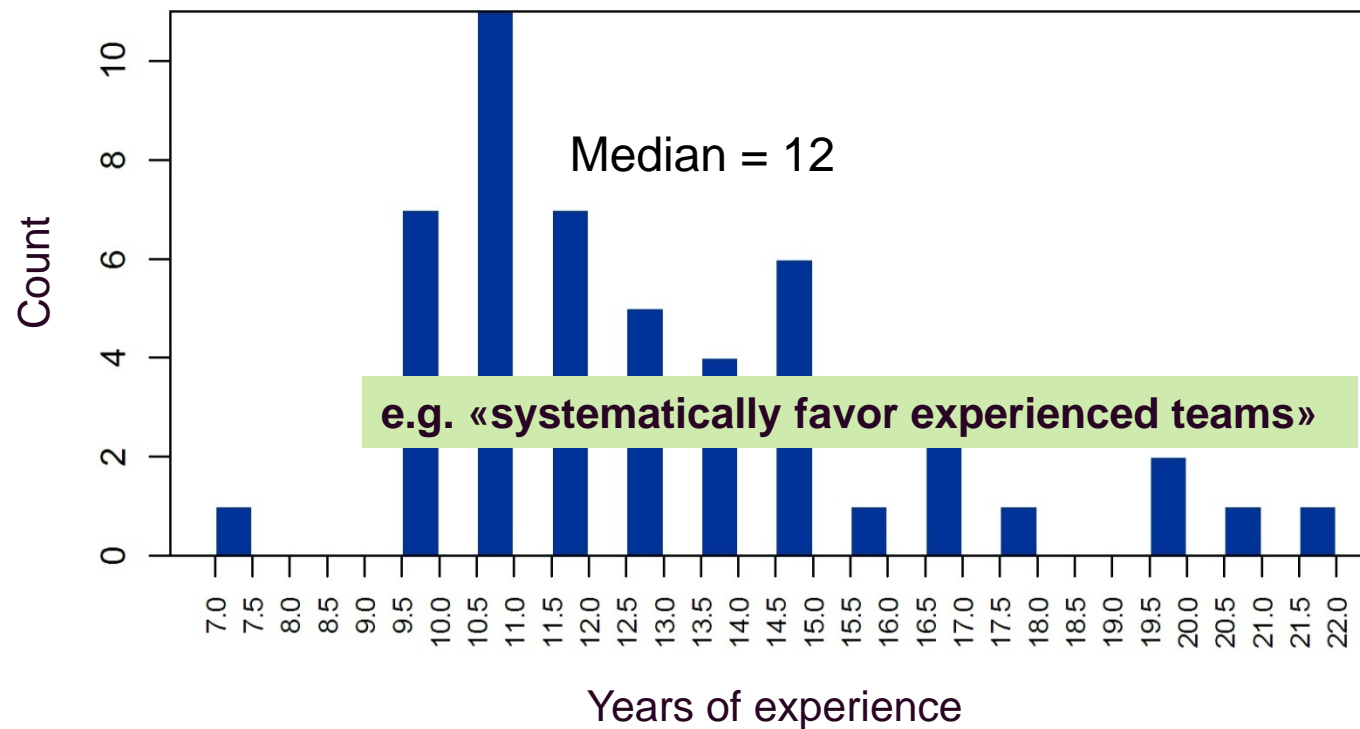
Team Size

Dedicated corporate bond credit analysts

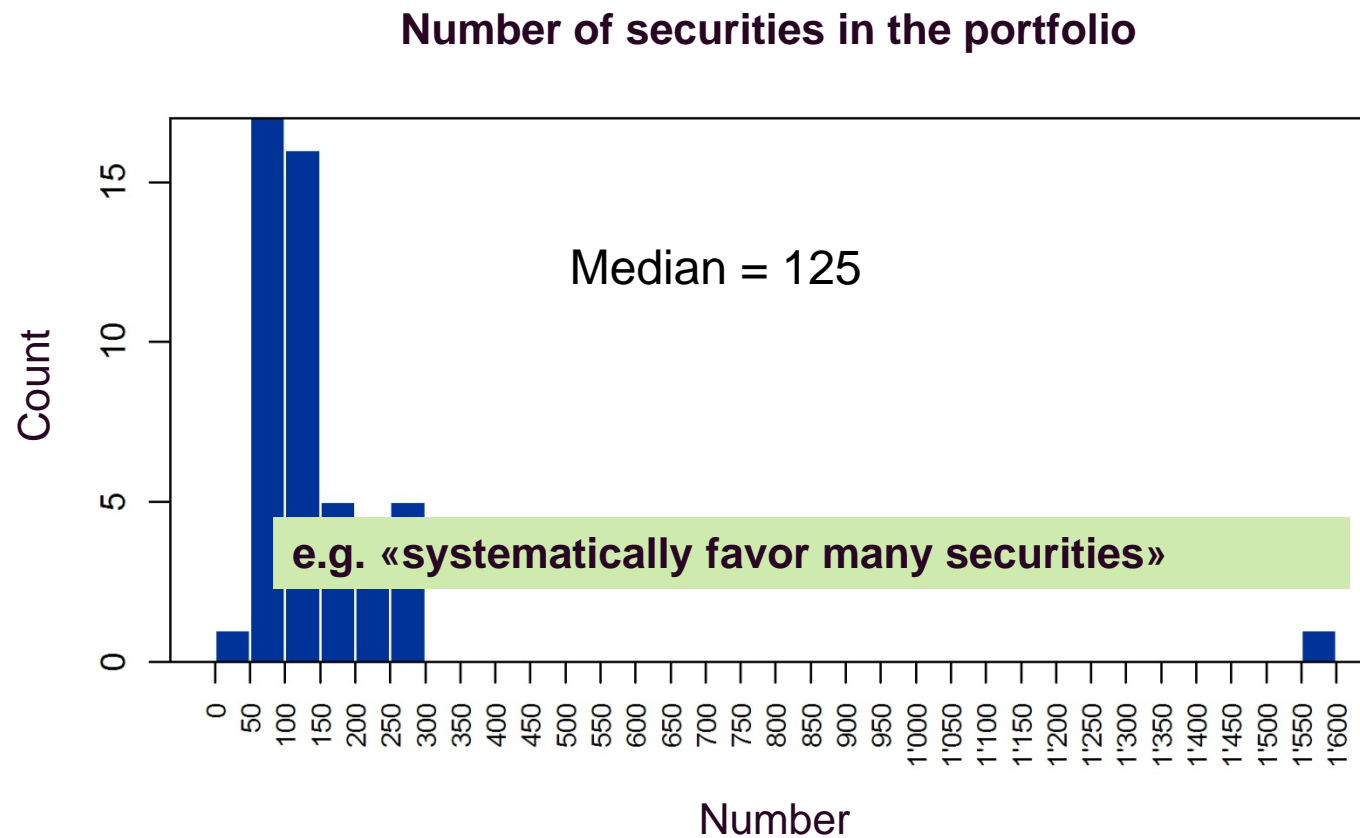


Experience

Average experience of analysts with corporate bonds



Number of securities



- A large number of participants in fact **improves the quality** of manager selection if the pre-qualification is designed properly
 - Unambiguous, relevant, non-discriminatory questions
 - Quantitative filtering / screening
 - Minimum criteria (knock-out)
- The pre-qualification reduced the number of candidates for the due diligence phase to a predefined number.

- The pension board decides on the selection process.
- A mandate appointment without competition amongst bidders is likely to be at the disadvantage to the pension plan members. Best Practice demands a broad selection process.
- A public tender is suitable to address conflicts of interest without any disadvantages in the economically sound evaluation of bidders.
- A public tender process is fair for participants.

Contact



Financial Consulting, Controlling & Research

PPCmetrics AG

Badenerstrasse 6

Postfach

CH-8021 Zürich

Telefon +41 44 204 31 11

Telefax +41 44 204 31 10

E-Mail ppcmetrics@ppcmetrics.ch

www.ppcmmetrics.ch

PPCmetrics SA

23, route de St-Cergue

CH-1260 Nyon

Téléphone +41 22 704 03 11

Fax +41 22 704 03 10

E-mail nyon@ppcmetrics.ch

www.ppcmmetrics.ch