



KenGen
S t a f f R e t i r e m e n t
B e n e f i t s S c h e m e

TENDER NO. SRBS/TENDER/INV-2/2017

TENDER FOR PROVISION OF FUND MANAGEMENT SERVICES

SEPTEMBER 2017

KenGen Pension Plaza 2,
11th Floor, Kolobot Road,
P.O Box 47936 - 00100,
Nairobi, Kenya.

TEL NO: 020 - 3666000

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**ALL CANDIDATES ARE ADVISED TO READ CAREFULLY THIS TENDER DOCUMENT IN ITS
ENTIRETY BEFORE MAKING ANY BID**

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INVITATION TO TENDER

**TENDER NO. SRBS/TENDER/INV-2/2017 FOR REQUEST OF PROPOSAL FOR PROVISION OF FUND
MANAGEMENT SERVICES.**

1. KenGen Staff Retirement Benefits Scheme Requests for Proposals from interested and eligible candidates to submit proposals for provision of fund management services.
2. Complete set of tender documents are here below but may also be obtained by downloading from the KenGen Staff Retirement Benefits Scheme website; www.kengensrbs.co.ke
3. Completed Tender Documents in sealed envelopes marked with the tender number and title are to be deposited in the Tender Box located next to the lift lobby located at KenGen Pension Plaza 2, 11th Floor, Kolobot Road, Nairobi, so as to be received on or before **Friday, 29th September, 2017 at 1400 hrs.**
4. Prices quoted should be global sums inclusive of all taxes and delivery costs, must be expressed in Kenya shillings and shall remain valid for a period of 90 days from the closing date of the tender.

1. Introduction and Background

- 1.1 KenGen Staff Retirement Benefits Scheme is a Defined Benefit Scheme established under irrevocable trust. The total Scheme membership stood at 1,462 consisting of in-service members, deferred members and dormant members as at 30th June 2017. The retired pensioners are 483 in number for the same period.
- 1.2 The Trustees of the Scheme are reviewing their investment managers and seek proposals from managers for an active multi-asset fund of approximately Kshs 8.1 billion. The investment manager(s) will be responsible for the investment of current Scheme assets and future contributions. The monthly contributions under the Scheme currently amount to approximately Kshs.5.0 million. The DB scheme is closed to new members.
- 1.3 The Scheme will select one or two firms among those invited to submit proposals, in accordance with the method of selection set out in this Request for Proposals (RFP) document. If more than one firm is appointed, then the management of the assets of the Scheme will initially be shared equally or as close possible between the selected fund managers.
- 1.4 The bidders are invited to submit a Technical Proposal and a Financial Proposal, for Scheme Fund management services as specified in this document. The proposals will be the basis for negotiations and ultimately for a signed Contract with the selected firm(s).
- 1.5 To obtain information on the Scheme or to seek any clarifications, bidders are requested to liaise with the Trust Secretary before submitting a proposal.
- 1.6 At any time prior to the deadline of the submission of tenders, the Board of Trustees, for any reason, whether at its own initiative or in response to a clarification requested by a prospective bidder, may modify the tender documents by issuing an addendum. All prospective bidders who have obtained the tender documents will be notified of the amendment by post or email and such an amendment will be binding on them. The Board of Trustees, at its discretion, may extend the deadline for submission of tenders.

1.7 The tenders shall remain valid for **90 days** after the date of tender opening. A tender valid for a shorter period shall be rejected by the Trustees as being non- responsive.

1.8 Please note that:

- (i) The costs of preparing the proposal and of negotiating the Contract, including any visits to the Scheme office shall be met by the bidder;
- (ii) The Trustees are not bound to accept any of the proposals submitted.

2. Objectives of the Assignment

2.1 The main objective of this assignment is to ensure that the assets of the Scheme are prudently and professionally managed to realize maximum returns. The assets of the Scheme are expected to be invested in compliance with the provisions of the Retirement Benefits Act 1997 (herein after referred to as the “Retirement Benefits Act”), Retirement Benefits Regulations (herein after referred to as the “Regulations”), their subsequent amendments and the Scheme’s Investment Policy Statement.

2.2 The key areas to be addressed by the selected fund manager(s) include:

- (i) Provision of overall investment advice on the suitability and risk return characteristics of asset classes available to the Scheme;
- (ii) Provide the Client on a monthly basis, with inter alia:
 - A portfolio statement reflecting the book and market value of each Financial Asset;
 - A statement of the capital transactions;
 - A statement of the revenue receipts; and
 - A call deposit account statement; reflecting the status of the Scheme’s portfolio as at the last day of the previous month.
- (iii) Make available a specialist investment analyst at all reasonable times for enquiries and advice as well as for discussions with the Scheme.
- (iv) Make records pertaining to the financial assets available for inspection by the Scheme’s auditors or their duly authorized representatives, whenever required for audit and control

purposes.

- (v) Realize such financial assets as the Scheme may request in writing from time to time.
- (vi) In liaison with the Scheme Custodian monitor the collection of all income and other benefits arising from the financial assets, which are paid into the Scheme account or invested, on the Scheme's behalf.
- (vii) Act in the best interest of the Scheme at all times. The Fund Manager(s) shall indemnify the Scheme for any loss or damage that the Scheme may suffer as a direct or indirect result of dishonesty or gross negligence on the part of the Fund Manager(s) or any person engaged in carrying out Fund Management duties in terms hereof.

3. Preparation of Proposals

The Technical Proposal

- 3.1 In preparing the Technical Proposal, bidders are expected to thoroughly examine the contents of this RFP. Material deficiencies in providing the information requested may result in rejection of a proposal.
- 3.2 The original proposal shall be prepared in indelible ink. It shall contain no interlineations or overwriting, except as necessary to correct errors made by the firm itself. Any such corrections must be countersigned by the person(s) authorized.
- 3.3 While preparing the Technical Proposal, bidders must give particular attention to the following:
- i. Each firm is expected to present its own bid without associating with other investment managers. Joint bids will automatically be disqualified.
 - ii. All key professional staff proposed for this assignment must be permanent employees of the bidding firm.
 - iii. Proposed professional staff must as a minimum, have the relevant experience in investment management.
- 3.4 The Proposal shall provide the information requested in Sections 7 to 9 of this RFP.

The Financial Proposal

- 3.5 The Financial Proposal shall provide the information requested in the financial bid. The global tender sum shall be quoted in Kenyan Shillings.

4. Submission, Receipt and Opening of Proposals

- 4.1 The bidders shall prepare two sets of each bid. Each Technical bid shall consist of one original marked “**original**” and one copy each marked “**copy**”. Likewise, each Financial bid shall consist of one original marked “**Original**” and one copy marked “**Copy**”. If there are any discrepancies between the original and the copy of the bids, the original shall prevail.
- 4.2 The original and the copy of the Technical Bids shall be placed in a sealed envelope clearly marked “Technical Bid” and the original and copy of the Financial Bids shall be placed in a sealed envelope clearly marked “Financial Bid”. The envelope containing the Financial Bid must clearly state the name and address of the bidder. Both envelopes shall be placed into an outer envelope, marked and sealed.
- 4.3 The Proposal shall be placed in an outer sealed envelope clearly marked “**Proposal For Provision of Fund Management Services**”. The envelope shall bear the following submission address:

CEO & Trust Secretary
KenGen Staff Retirement Benefits Scheme
KenGen Pension Plaza 2
11th Floor, Kolobot Rd
P. O. Box 47936 - 00100
NAIROBI

- 4.4 The completed Proposal must be delivered and deposited in the tender box next to the lift lobby located at KenGen Pension Plaza 2, 11th Floor, Kolobot Road, Nairobi, Kenya on or before **Friday, 29th September, 2017 at 1400 hrs**. Any proposal received after the closing time for submission of proposals shall not be accepted.

5. Evaluation of Proposals & Communication to the Bidders

From the time the bids are opened to the time the Contract is awarded, if any bidder wishes to contact the Scheme on any matter related to his proposal, he should do so in writing at the submission address indicated above. Any canvassing shall result in the rejection of the bidder's proposal.

The Trustees shall evaluate the Proposals and the results of the evaluation will be communicated to all the bidders at an appropriate time that will be decided by the Trustees.

During this stage, bidders' responsiveness to the tender mandatory requirements will be determined based on a "YES/NO" basis (implying compliance or non-compliance respectively). Only bidders that comply with the mandatory requirements shall proceed to any evaluation.

For the preliminary evaluation, please attach certified copies of the following:

- i. Company registration certificate
- ii. Current tax compliance certificate
- iii. PIN registration certificate
- iv. VAT registration certificate
- v. RBA/CMA registration certificate
- vi. Audited financial statements for the last three years

Each responsive proposal shall be evaluated and awarded marks as shown below:

	Area	Points
1	General Information on the Company (See 7)	Mandatory
2	Capability (technical team & financial) (See 8.1)	30
3	Relevant experience (See 8.2)	30
4	Adequacy of the proposed Methodology in responding to the objectives of the assignment (See 8.3)	40
	Total Points	100

Minimum overall score required to pass is 70%.

The bidder(s) with the highest overall score (technical & financial) will be the winner of the evaluation process and will be awarded a three-year contract.

The formulae for determining the Financial Score (Sf) shall, be as follows:-

$Sf = 100 \times \frac{Fm}{F}$ where Sf is the financial score; Fm is the lowest priced financial proposal and F is the price of the proposal under consideration.

Proposals will be ranked according to their combined technical (St) and financial (Sf) scores using the weights (T=the weight given to the Technical Proposal; P = the weight given to the Financial Proposal; $T + P = 1$)

The combined technical and financial score, S, is calculated as follows: -

$S = Sf \times T\% + St \times P\%$. The firm achieving the highest combined technical and financial score will be invited for negotiations.

6. Award of Contract and Confidentiality

6.1 Discussions will be held at the submission address mentioned above. The aim is to reach an agreement on all points and to sign a contract.

6.2 Having selected the firm based on, among other things, an evaluation of proposed key professional staff, the Board of Trustees expect to negotiate a Contract based on experts named in the proposal. Before contract negotiations, the Board of Trustees will require assurances that the experts will be available. The Board of Trustees may choose to visit the service provider at their premises. The Board will not consider substitutions during contract negotiations unless both parties agree that undue delay in the selection process makes such substitution unavoidable or that such changes are critical to meet the objectives of the assignment. If this is not the case and if it is established that key staff were offered in the proposal without confirming their availability, the firm may be disqualified.

6.3 To complete negotiations, the Board of Trustees and the selected firm(s) will initial the agreed Contract. If negotiations fail, the Board will invite the firm whose proposal received the second highest score to negotiate a Contract.

6.4 The Contract will be awarded following negotiations. After negotiations are completed, the

Board of Trustees will promptly notify other bidders on the shortlist that they were unsuccessful.

6.5 The selected firm(s) is (are) expected to commence the assignment on a date mutually agreed upon for a term of three years, subject to an annual performance evaluation. The selected firm(s) will also enter into a Service Level Agreement (herein referred to as “SLA”) with the Board of Trustees before commencement of the contract term and shall be evaluated based on this SLA.

7. General Information about the Bidder

7.1 Name and Location of the Bidder

7.1.1 Please provide the following information about your company:

- (a) Name of the bidder
- (b) Registered office
- (c) Postal Address
- (d) Telephone number
- (e) Fax number
- (f) Email address
- (g) Date of incorporation
- (h) Country of incorporation
- (i) International Affiliations-branches/dealing counterparties
- (j) Main company objectives and business areas

7.1.2 Please provide the following information for each of the members of your Board of Directors:

- (a) Name
- (b) Nationality
- (c) Date of Appointment
- (d) Academic and professional qualifications
- (e) Proportion held of company's shares

In addition also provide:

- An organizational flow chart or an organogram of the firm. Clearly show the internal controls with regard to investment decision-making.
- An indication of turnover of investment management personnel and specify the number of personnel who have left and joined over the last three years
- The growth in your company's business over the last three years and how your company's internal structure has changed to accommodate that growth.
- The following information for the funds under management in the form of a table as at each of 31 December 2014, 2015 and 2016: Value in KShs of:

- (i) Government securities (treasury bills and bonds)
- (ii) Equity stock quoted on the NSE
- (iii) Unquoted Stock
- (iv) Fixed-income securities
- (v) Corporate bonds
- (vi) Commercial Paper
- (vii) Direct property holdings
- (viii) Offshore equity investments
- (ix) Offshore fixed-income investments
- (x) Cash
- (xi) Private equity
- (xii) Other (please specify)

8.0 Technical Evaluation

<i>Area</i>	<i>Points</i>	<i>Cut off</i>
<p><u>8.1 Capability</u></p> <p><i>Professional Qualifications:</i></p> <p>1) The Fund Manager (firm) shall be: Minimum experience of 10 years in fund management.....5 marks</p> <p>Duly registered as RBA service provider.....3 marks</p> <p>2) The Fund Manager shall provide evidence of Professional Indemnity Insurance Cover with a reputable insurance company. 4 marks</p> <p>(State whether there are any major exclusions)</p> <p>3) The Fund Manager shall submit curriculum vitae of at least one portfolio manager and three other key personnel proposed as part of the Fund Management team.....1 mark for each CV</p> <p>-Analysts -Researchers -Client Service/Marketing/Any other professionals, including Overseas professionals (if applicable)</p> <p><i>Academic qualification (Economics, Finance, Actuarial Science or any other related areas)</i></p>	30	20

<p>Portfolio Manager (1): Masters & CFA..... 4 Marks <i>Degree & CFA.....3 marks</i> <i>Degree..... 2 marks</i></p> <p>Investment Analysts/ Researchers/Client Service (3): Degree & CFA.....2 marks each <i>Degree..... 1 mark each</i></p> <p>Financial Capability Healthy bank statement(s) for the last three months.2 marks Good annual turnover for the last three years.2 marks</p>		
<p><u>8.2 Experience</u> The consultant must demonstrate experience in carrying out Fund Management services for pension schemes with a fund value of Kshs. five (5) billion or more (Attach Written and certified References from at least three (3) existing clients complete with telephone & email addresses.)3 Marks (for each)</p>	30	20

<p>Relevant technical experience</p> <p>Portfolio Manager (1):</p> <p>Over 10 years’ experience.....6 marks</p> <p>5-10 years’ experience.....5marks</p> <p>3-5years’ experience. 4 marks</p> <p>Analysts/Researchers/ Other Investment Personnel (3):</p> <p>Over 5 years’ experience.....5 marks each</p> <p>3-5 years’ experience.....4 marks each</p> <p>1-3 years’ experience. 3 marks each</p> <p>(provide copies of CVs and Certificates for all proposed staff in this assignment)</p> <p>Performance (3Yr Annualised Return for the period ending 31st December 2016) for the 3 Schemes stated in 9.1 above</p> <p>Over 10%..... 10 marks</p> <p>6-10%..... 5 marks</p> <p>3-5%. 2 marks</p> <p>The return should be split into:</p> <ul style="list-style-type: none"> • Total assets for your balanced/multi-asset funds excluding property; 		
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<ul style="list-style-type: none"> • The equity stocks component of your multi-asset funds; • The Government securities component of your multi-asset funds; • The other fixed income (including corporate bonds) component of your multi-asset funds; and • The offshore securities (equities and fixed income) component of your multi-asset funds. <p>Please note that this information MUST be provided in the form of time-weighted rates of return.</p>		
<p>8.3 Methodology</p> <p>Adequacy of the proposed Methodology in responding to the Terms of Reference of the Assignment. The Fund Manager should capture in the proposal the following;</p>	40	30
<p>Satisfactory “model” for asset allocation to which funds must adhere (provide sample)</p>	5	
<p>Demonstrate whether if there is a separate economics and/or quantitative research team there is “value addition”.</p>	5	
<p>Whether there is preparation of periodic alerts or newsletters on your investments to the clients. (provide evidence)</p>	5	
<p>The Internal control systems in relation to fund management including asset allocation, stock selection, etc and how you ensure that potential non-compliance is addressed ex ante.</p>	4	
<p>Evidence of a client specific benchmark which the Fund Manager has matched and /or beat over the last 3 year period.</p>	4	
<p>A copy of a sample client agreement.</p>	2	

**KenGen Staff Retirement Benefits Scheme
 Invitation to Tender for Provision Fund Management Services, 2018 - 2020**

Whether there is a specific software to maintain and update your portfolio information which can provide to the client -Monthly reconciliation of cash and book values, -Quarterly valuation/portfolio review and -Quarterly reconciliation of figures with those of the custodian on book and market value basisIn an electronic format (Attach sample reports)	<i>10</i>	
The Turnaround time for providing reports after month and quarter end	<i>5</i>	
Total Points	<i>100</i>	<i>70</i>

9.0 Standard Forms

Financial Proposal

[Date]

To:

CEO & Trust Secretary

KenGen Staff Retirement Benefits Scheme

KenGen Pension Plaza 2

11th Floor, Kolobot Rd

P. O. Box 47936 - 00100

NAIROBI

Dear Sir,

1. Having examined the Tender document the receipt of which is hereby duly acknowledged, we, the undersigned, offer to provide Scheme Fund Investment services in accordance with the said tender document for the total annual sum of *[Percentage/ Amount in words and figures]* inclusive of the taxes on the basis of the initial assets to be allocated to us and on the assumption(s) that *[state the assumptions, if any]*.

Indicate what the basis of your fee will be (e.g a certain stated percentage of the fund value, or a fixed fee etc).

Please also let us know:

- (a) Does your firm charge a minimum annual fee, and if yes, how much?
- (b) Whether you can charge performance based fees.
- (c) Under what circumstances your fees negotiable?
- (d) What is your billing frequency?

**KenGen Staff Retirement Benefits Scheme
Invitation to Tender for Provision Fund Management Services, 2018 - 2020**

2. We undertake, if our proposal is accepted, to provide Scheme Fund Management Services in accordance with the conditions of this tender.

3. We agree to abide by this tender for a period of **90 days** from the date fixed for tender opening, and it shall remain binding upon us and may be accepted at any time before the expiration of that period.

4. This tender, together with your written acceptance thereof and your notification of award, shall constitute a basis signing of the contract by both parties.

5. We understand that the Board of Trustees is not bound to accept the lowest or any proposal they receive.

Yours faithfully,

[Authorized Signature]

[Name and Title of Signatory]

