

# **KENYA PIPELINE COMPANY RETIREMENT BENEFITS SCHEME**



**TENDER NO: KPCRBS/PROC/006/2018**

**REQUEST FOR PROPOSALS ('RFP') FOR THE  
PROVISION OF FUND AND INVESTMENT  
MANAGEMENT SERVICES TO THE KENYA  
PIPELINE COMPANY RETIREMENT BENEFITS  
SCHEME**

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## 1. Introduction and Background

- 1.1. The Kenya Pipeline (“KPC”) Staff Pension Scheme is established under an irrevocable trust and covers permanent employees and pensioners of the Scheme. The Scheme was established in 2006 and currently has approximately 1,700 active in-service members.
- 1.2. The Trustees of the Scheme are reviewing their investment management arrangements and seek tenders from a fund manager for the management of an active multi-asset fund of approximately KES 4.1 billion. The fund manager will be responsible for the investment of existing fund assets and any future contributions to the Scheme from the Sponsor in compliance with the RBA regulations
- 1.3. The Scheme will select one firm among those invited to submit proposals, in accordance with the method of selection set out in this Request for Proposals (‘RFP’) document.
- 1.4. The bidders are invited to submit a Technical Proposal and a Financial Proposal, as specified in this document for Scheme and investment management services required. The proposals will be the basis for negotiations and ultimately for a signed Contract with the selected firm.
- 1.5. To obtain information on the Scheme or to seek any clarifications, bidders are requested to liaise with the Scheme Secretariat regarding any information that they may require before submitting a proposal.
- 1.6. At any time before the submission of proposals, the Trustees of the Scheme may for any reason, whether at their own initiative or in response to a clarification requested by an invited firm, amend the RFP. Any amendments shall be issued in writing through addenda. The Scheme may at its discretion extend the deadline for the submission of the proposals.
- 1.7. Please note that:
  - 1.7.1. The cost of preparing the proposal and of negotiating the Contract, including any visits to the Scheme are on the account of the bidder.
  - 1.7.2. The Scheme is 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 RBA Act, RBA Regulations and the Scheme's Investment Policy Statement.
- 2.2. The key areas to be addressed by the selected fund manager include, inter alia: -
  - 2.2.1. Provide overall investment advice on the suitability and risk return characteristics of asset classes available to the Scheme;
  - 2.2.2. Provide the Client and its Administrator, on a monthly basis, with inter alia:
    - (i) a portfolio statement reflecting the book and market value of each Financial Asset;
    - (ii) a statement of the capital transactions;
    - (iii) a statement of the revenue receipts; and
    - (iv) a call deposit account statement; reflecting the status of the Scheme 's portfolio as at the last day of the previous month.
  - 2.2.3. Make available a specialist investment analyst at all reasonable times for queries and advice as well as for discussions with the Scheme.
  - 2.2.4. Make records pertaining to the financial assets available for inspection by the Scheme's auditors or their duly authorized representatives, whenever reasonably necessary for audit and control purposes.
  - 2.2.5. Realize such financial assets as the Scheme may request in writing from time to time.
  - 2.2.6. In liaison with the Custodian monitor the collection of all income and other benefits arising from the financial assets, which are paid into the Scheme's account or invested on the Scheme's behalf.
  - 2.2.7. Act in the best interest of the Scheme at all times; the Fund Manager 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 or any person engaged in carrying out Fund Management duties on behalf of or as an agent of the Fund Manager.

### **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. While preparing the Technical Proposal, bidders must give particular attention to the following:
  - 3.2.1. Firm may NOT associate i.e. each firm is expected to present its own bid without associating with other Fund Managers. Joint bids will be automatically disqualified.
  - 3.2.2. All the key professional staff proposed for this assignment must be permanent employees of the bidding firm.
  - 3.2.3. Proposed professional staff must, as a minimum, have the relevant experience in fund management.
  - 3.2.4. Alternative professional staff shall not be proposed and only one Curriculum Vitae (CV) may be submitted for each staff member.
- 3.3. The Technical Proposal shall provide the information requested in Sections 7 to 12 of this RFP.
- 3.4. The Technical Proposal shall not include any financial information.

#### **The Financial Proposal**

- 3.5. The Financial Proposal shall provide the information requested in Sections 13 and 14 of this RFP.

## 4. Submission, Receipt and Opening of Proposals

- 4.1. The bidders shall prepare three sets of each proposal. Each Technical Proposal shall consist of one original marked “**original**” and two copies each marked “**copy**”. Likewise each Financial Proposal shall consist of one original marked “**original**” and two copies each marked “**copy**”. If there are any discrepancies between the original and the copies of the proposal, the original shall prevail.
- 4.2. The original and all copies of the Technical Proposal shall be placed in a sealed envelope clearly marked “**Technical Proposal,**” and the original and all copies of the Financial Proposal shall be placed in a sealed envelope clearly marked “**Financial Proposal**”. The envelope containing the Financial Proposal must clearly state the name and address of the bidder. Both envelopes shall be placed into an outer envelope and sealed. This outer envelope shall bear the following submission address:
- The Trust Secretary/Administrator  
Kenya Pipeline Retirement Benefits Scheme  
Crescent Business Centre, 5<sup>th</sup> Floor  
Off Parklands Road, Opp. M.P. Shah Hospital  
Parklands  
P O Box 13633 - 00800  
Nairobi  
Kenya
- 4.3. The completed Technical and Financial Proposals must be delivered and deposited in the Tender Box in the Scheme & Fund Offices at the submission physical address or location above on or before 4<sup>th</sup> July 2018 at 10 am. Any proposal received after the closing time for submission of proposals shall be returned to the respective bidder unopened.
- 4.4. After the deadline for submission of proposals, the Technical Proposal shall be opened immediately at the **Crescent Business Centre** by the evaluation committee. The Financial Proposal shall remain sealed and shall be held by the Administrator until the evaluation of the technical proposals is completed. Thereafter the financial proposals of those who have qualified will be opened publicly as set out in Clause 5.6.

## **5. Evaluation of Proposals**

- 5.1. 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 effort by any bidder to influence the evaluation committee in the proposal evaluation, proposal comparison or Contract award decisions may result in automatic disqualification.

### **Evaluation of Technical Proposals**

- 5.2. Evaluators of Technical Proposals shall have no access to the Financial Proposals until the technical evaluation is concluded.
- 5.3. The evaluation committee shall evaluate the Technical Proposals on the basis of their responsiveness to the objectives of the assignment, applying broadly (but not exclusively) the evaluation criteria as follows:-
- 5.3.1. Completeness of bidding information, corporate structure, specific experience of the bidder to similar briefs;
  - 5.3.2. Qualifications and competence of the key staff for the assignment, proposed team, quality and depth of research, investment process;
  - 5.3.3. Administrative capability, corporate governance, risk controls;
  - 5.3.4. Past performance and future potential; and
  - 5.3.5. Asset transfer restrictions, training and transfer of relevant skills.
- 5.4. Each responsive proposal will be given a technical score. A proposal shall be rejected at this stage if it does not respond to important aspects of the objectives of the assignment or if it fails to achieve the minimum technical score of 70%.

### **Public Opening and Evaluation of Financial Proposals**

- 5.5. After Technical Proposal evaluation, the Administrator of the Scheme shall notify those bidders whose proposals did not meet the minimum qualifying mark or were considered non-responsive to the RFP indicating that their Financial Proposals will be returned unopened after completing the selection process. The Scheme shall simultaneously notify the bidders who have secured the minimum qualifying mark, indicating the date and time set for opening the

Financial Proposals and stating that the opening ceremony is open to those bidders who choose to attend.

- 5.6. The Financial Proposals shall be opened publicly in the presence of the bidders or their representatives who choose to attend. The name of the bidder and the prices contained in the Financial Proposal shall be read aloud and recorded when the Financial Proposals are opened.
- 5.7. The evaluation committee will determine whether the Financial Proposals are complete. In all cases, the total price of the Financial Proposal as submitted shall prevail.
- 5.8. While comparing proposal prices between local and foreign firms participating in the selection process in financial evaluation of Proposals, firms incorporated in Kenya where indigenous Kenyans own 51% or more of the share capital shall be allowed a 15% preferential bias in proposal prices. However, there shall be no such preference in the technical evaluation of the tenders. Proof of local incorporation and citizenship shall be required before the provisions of this sub-clause are applied. The bidder in the Financial Proposal shall attach details of such proof.

### **Method of Evaluation**

- 5.9. The method of Evaluation shall be Quality and Cost Based.

### **Presentations to the Board of Trustees**

- 5.10. Selected bidders may be invited to make presentations to the Board of Trustees at a date to be advised.



## **6. Negotiations, Award of Contract and Confidentiality**

- 6.1. Negotiations will be held at the submission address mentioned above. The aim is to reach an agreement on all points and sign the Contract.
- 6.2. Having selected the firm on the basis of, among other things, an evaluation of proposed key professional staff, the Trustees of the Scheme expect to negotiate a Contract on the basis of the experts named in the proposal. Before contract negotiations, the Trustees of the Scheme will require assurances that the experts will actually be available. The Scheme 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 Trustees of the Scheme and the selected firm will enter into a contract. If negotiations fail, the Scheme 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 Trustees of the Scheme will promptly notify other bidders on the shortlist that they were unsuccessful and return the Financial Proposals of those bidders who did not pass the technical evaluation.
- 6.5. The selected firm is expected to commence the assignment on a date mutually agreed upon for a term to be determined by the Trustees.
- 6.6. Information relating to evaluation of proposals and recommendations concerning awards shall not be disclosed to the bidders who submitted the proposals or to other persons not officially concerned with the process, until the winning firm has been notified that it has been awarded the Contract.

## **7. General Information about the Bidder**

### **7.1. Name and Location of the Bidder**

Please provide the following information about your firm:

- (i) Name of the bidder
- (ii) Registered office
- (iii) Postal Address
- (iv) Telephone number
- (v) Fax number
- (vi) Email address
- (vii) Date of incorporation
- (viii) Certificate of incorporation Number
- (ix) Country of incorporation
- (x) Income Tax Personal Identification Number
- (xi) Income Tax Reference Number (if applicable)
- (xii) Date of last Annual General Meeting

### **7.2. Attachments**

Please attach certified copies of the following:

- (i) Audited report and accounts for the last three years.
- (ii) Certificate of incorporation.
- (iii) CMA registration certificate.
- (iv) RBA certificate of registration
- (v) Tax compliance certificate
- (vi) Company PIN Number

### **7.3. Relevant Services Carried Out Previously (References)**

Please provide five references from pension funds and/or provident funds that your firm is currently managing in the capacity of Fund Manager. A written confirmation from the selected clients is required.

### **7.4. Background**

7.4.1. Please provide a brief description of your firm's history, ownership structure (including proportions owned by locals and foreigners) and the main objects and main business areas.

### **7.5. Fund Management Personnel**

7.5.1. Please provide the following information in respect of your fund management personnel in Kenya:-

Total employees split as:-

- (i) Portfolio Manager
- (ii) Analysts
- (iii) Researchers
- (iv) Client Service/Marketing
- (v) Administrators
- (vi) Other Professionals
- (vii) Other full-time employees
- (viii) Overseas Professionals (if applicable).

7.5.2. Please provide an organizational chart/organogram of the firm.

7.5.3. Please give an indication of turnover of personnel and specify the number of personnel who have left and joined over the last three years.

Note that administration and other non-fund management personnel should not be included in the above.

### **7.6. Professional Indemnity**

7.6.1. Does your company have in place Professional Indemnity insurance for the current year?

7.6.2. If yes, please state the amount of cover and the name of the insurer.

## 7.7. Funds Under Management

7.7.1. Please provide the following information for the funds under management:

<b>Item Description</b>	<b>KES &lt;100m</b>	<b>KES 100m- 1bn</b>	<b>KES 1bn - 5bn</b>	<b>KES &gt;5bn</b>	<b>Total</b>
Number of segregated pension/provident funds					
Total Value					
Annualized return over 1 year period to 30 June 2017					
Annualized return over 3 year period to 30 June 2017					

7.7.2. Please also provide the following information for the funds under management in the form of a table: -

Value in KES 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) Other (please specify)

as at 30 June 2015, 2016 and 2017 for each.

- 7.7.3. Kindly indicate for assets (accounts) under your management as at 30 June 2015, 2016 and 2017 the:
- (i) Value of the largest pension/provident fund
  - (ii) Value of the smallest pension/provident fund
  - (iii) Number of new accounts won in the last three years
  - (iv) Provide total size of new accounts won in each of last three years
  - (v) Number of accounts lost in the last three years
  - (vi) Provide total size of accounts lost in each of last three years
- 7.7.4. List the market value at the time of addition and the number of accounts gained in each of the last three years.
- 7.7.5. List the market value at the time of departure and the number of accounts lost in each of the last three years.
- 7.7.6. Please explain briefly the reasons for the additions and the departures.
- 7.7.7. Please specify 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.

## **7.8. The Brief**

- 7.8.1. Please indicate with reasons whether you propose segregated investment for the Scheme funds or whether you propose making use of pooled funds.
- 7.8.2. Explain what experience you have of managing a mandate of the nature proposed in this RFP.
- 7.8.3. Please note that the Scheme will be managed in accordance with the requirements of the Retirement Benefits Act 1997 and the Scheme's Investment Policy Statement. Please confirm that you are familiar with the RBA Act and all RBA Regulations.
- 7.8.4. How would you accommodate a client-specific benchmark?
- 7.8.5. If you have client specific benchmarks for your other clients, please provide information on these.

## 7.9. The Team

Please provide a brief background of the proposed technical staff for this assignment e.g. fund director and fund manager. Please include at least three (3) CVs in the format prescribed below, the number of client responsibilities for each staff and the degree of responsibility held in various assignments over the last three years.

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Name of Staff:

Profession:

Date of Birth:

Years with Firm:

Nationality:

Number of client responsibilities:

Membership in Professional Societies:

Proposed Position in Team:

Detailed Tasks Assigned:

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Key Qualifications:

*[Give an outline of staff member's experience and training most pertinent to tasks on assignment. Describe degree of responsibility held by staff member on relevant previous assignments and give dates and locations].*

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Education:

*[Summarize college/university and other specialized education of staff member, giving names of schools, dates attended and degree[s] obtained.]*

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Employment Record:

*[Starting with present position, list in reverse order every employment held. List all positions held by staff member since graduation, giving dates, names of employing organizations, titles of positions held, and locations of assignments.]*

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Certification:

I, the undersigned, certify that these data correctly describe me, my qualifications, and my experience.

[Full name of staff member]

[Signature of staff member]     [Date]

**OR**

[Full name of authorized representative]

[Signature of authorized representative of the firm]

[Date]

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## **8. Asset Allocation and Investment Process**

- 8.1. Please describe your asset allocation process.
- 8.2. Who would be responsible for the asset allocation of this mandate?
- 8.3. Do you operate a “model” for asset allocation to which funds must adhere? If not, please explain why.
- 8.4. How much discretion does the fund manager have regarding asset allocation?
- 8.5. Please show in a table your average asset allocation history for multi-asset funds over the last two years?
- 8.6. Do you have specific research departments for the various asset classes?
  - 8.6.1. If yes, how many personnel in each of the departments and where are the personnel located (Kenya/Overseas)?
  - 8.6.2. Describe briefly your research process.
- 8.7. Do you prepare periodic alerts or newsletters on your investments?



## **9. Individual Asset Classes**

### **9.1. Fixed-Income Securities**

- 9.1.1. Describe briefly your approach to managing fixed interest portfolios.
- 9.1.2. What do you regard as the most important sources of additional performance when managing fixed-income portfolios in Kenya at the present time (e.g. market timing, anomaly switching, yield curve plays, investment in other related classes)? How do you expect these to change?
- 9.1.3. For corporate bonds, what restrictions are put on credit risk?
- 9.1.4. How actively do you manage bond portfolios i.e. what turnover (purchase and sales) as a proportion of the value of the portfolio would be expected in a typical year? What level of turnover would you expect for a brief of this nature?
- 9.1.5. How much freedom of action do fund manager have in deciding the strategy within bond portfolios?
- 9.1.6. Do any internal controls apply?
- 9.1.7. Would you propose to use a pooled or segregated approach for the bond portfolio?

### **9.2. Equity Stocks Quoted on the NSE**

- 9.2.1. Please describe your philosophy.
- 9.2.2. Does the fund manager carry out their own fundamental research, or do you separate fund management from research? Explain clearly how this research is carried out?
- 9.2.3. Do you have a separate economics and/or quantitative research team? If so, please give details and indicate how these assist in “adding value”?
- 9.2.4. Are “top down” or “bottom up” considerations most important to the structure of your Kenyan equity portfolio?
- 9.2.5. What level of performance have you achieved relative to the NSE 20 Share Index? What level of out-performance over these indices do you expect to achieve?

9.2.6. If you propose using a pooled fund for all or part of the Kenyan equity exposure, please provide details of the size and performance objective of the fund(s).

### **9.3. Overseas Securities (Equities and Fixed-Income)**

9.3.1. Do you propose a pooled or segregated approach to overseas equity exposure?

9.3.2. If pooled, please detail the name, fund size and performance objective of all the pooled overseas equity and fixed-income funds in which you propose to invest for this mandate?

### **9.4. Cash**

9.4.1. Please provide details of how cash deposits are invested.

9.4.2. How are client funds ring-fenced?

9.4.3. What criteria (e.g. credit rating) for selecting counter parties do you operate? Is it possible for this to be tailored to the client's requirements?

## **10. Risk Controls**

### **10.1. General**

- 10.1.1. Do you have a house view on investments?
- 10.1.2. To what extent is there an “independent” check in relation to client and house guidelines (where independent means independent of the fund manager and/or director)?
- 10.1.3. Who is responsible for monitoring and controlling the assets in which a fund manager invests?
- 10.1.4. What risk control measures are in place?
- 10.1.5. How do you ensure that potential breaches in your client agreements are addressed ex ante?
- 10.1.6. When breaches are noted are these disclosed to the client?
- 10.1.7. Please enclose a copy of a sample client agreement.

### **10.2. Asset Allocation**

- 10.2.1. What controls do you operate at the asset allocation level?
- 10.2.2. Are there any controls in place to ensure consistency between the asset distributions of similar funds? If so, who is responsible for monitoring these?
- 10.2.3. Is it possible for a fund manager to deviate from your house policy or the client’s Investment Policy Statement towards asset allocation? If yes, why and to what extent?

### **10.3. Stock Selection**

- 10.3.1. What controls do you operate at the stock selection level? How do you ensure, in advance, that unauthorized trades are not made?
- 10.3.2. To what extent can the fund manager use discretion within these controls?

## **11. Administration**

- 11.1. How many personnel do you employ in your administration department?
- 11.2. Do you use a specific software to maintain and update your portfolio information?
- 11.3. Please confirm that you are able to provide the following: -
  - (i) Monthly reconciliation of cash and book values
  - (ii) A quarterly valuation/review of portfolio
  - (iii) Quarterly reconciliation of figures with those of the custodian on book and market value basis
- 11.4. Approximately how long, after the month and quarter ends, are you able to dispatch the relevant valuation? Are you able to guarantee this?
- 11.5. Are you able to provide data and performance information in an electronic format for performance measurement?
- 11.6. Does the system integrate with other dealing parties?
- 11.7. Custody
  - 11.7.1. Do you have a preferred custodian?
  - 11.7.2. If yes, who and why?
  - 11.7.3. How often are records reconciled with that of the custodian?
  - 11.7.4. Are breaches identified and reported to the client?

## 12. Performance Statistics

12.1. Please provide annual time-weighted rates of return from 30 June 2013, 2014 and 2015 for the following:-

12.1.1. Total assets for your balanced/multi-asset funds excluding property;

12.1.2. The equity stocks component of your multi-asset funds;

12.1.3. The Government securities component of your multi-asset funds;

12.1.4. The other fixed-income (including corporate bonds) component of your multi-asset funds; and

12.1.5. The overseas securities (equities and fixed-income) component of your multi-asset funds.

This information **must** be provided in the form of time-weighted rates of return.

## **13. Fees**

13.1. Please provide the following information regarding your fees for this assignment:

13.1.1. Please list or attach your fee schedule. Please explain exactly what this would include. Please indicate if your fees include taxes – if this is not indicated the Trustees of the Trust will assume that the fees include taxes. In addition your fee quotation must remain valid for at least 120 days from the date of submission of the proposals.

13.1.2. What is the basis of your fees?

13.1.3. What is the minimum size of account your firm will accept?

13.1.4. What is the minimum annual fee?

13.1.5. Under what circumstances are your fees negotiable?

13.1.6. What is your billing frequency?

## 14. Financial Proposal Submission Form

*[Date]*

**To:**

The Trust Secretary/Administrator  
Kenya Pipeline Retirement Benefits Scheme  
Crescent Business Centre, 5<sup>th</sup> Floor  
Off Parklands Road, Opp. M.P. Shah Hospital  
Parklands  
P O Box 13633 - 00800  
Nairobi  
Kenya

Dear Sir,

We, the undersigned, offer to provide investment and fund management services in accordance with your Request for Proposal dated *{insert date}* and our Technical and Financial Proposals. Our attached Financial Proposal is for the sum of *{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 your assumptions, if any}*.

We understand that the Trustees of the Scheme are not bound to accept any Proposal they receive.

We remain,

Yours faithfully,