



BUDGET AND FINANCIAL AFFAIRS SERVICE

OP/EUI/BFA/2017/001

Open Call for Tender for the management of the investment portfolio of
the European University Institute's Pension Reserve Fund

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YEAR 2017

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CHAPTER I – GENERAL INFORMATION

Article 1 – Presentation of the European University Institute

The European University Institute (EUI) is a postgraduate and post-doctoral research institute in the field of social sciences, established by a [Convention](#) dated 19 April 1972, ratified by the Member States of the European Community, with the aim of providing advanced academic training for doctoral researchers and of promoting research at the highest levels. The Convention setting up the EUI includes the “Protocol on the Privileges and Immunities of the EUI”.

The EUI Community numbers about 1.300 members. Researchers, academic and administrative staff are for the most part – though not exclusively – citizens of the Member States.

The EUI's headquarters are at the Badia Fiesolana, Via dei Roccettini 9, in San Domenico di Fiesole (near Florence, Italy).

For more information, please see the EUI's official website at www.eui.eu.

Article 2 – Definitions

“Company” and “Contractor” and “Investment firm” mean the company to which the tender has been awarded and to which the provision of the services object of these Tender Specifications (T.S.) is entrusted. “Tenderer” refers to the company that presents a bid.

“Contracting Authority” and “Institute” mean the European University Institute, which entrusts the services object of these Tender Specifications to the Company.

Article 3 – Object

The European University Institute (EUI) is launching an Open Call for Tenders for the selection of Investment firms to entrust, either exclusively or with other investment firms, the services related to the management of the portfolio investment of the Pension Reserve Fund.

Article 4 – Duration of the contract

The management mandate will have a duration of one year extendable to a maximum of seven years.

Article 5 – Present value of the Pension Reserve Fund assets

The assets of the Pension Reserve Fund, at present, present an amount of around 50 million euro and it is expected that this value will not diminish substantially in the course of the period foreseen for the duration of the contract.



CHAPTER II – DESCRIPTION OF SERVICES

Article 6 – Characteristics of the mandate

The main purpose of the mandate is to increase the real purchasing power of the assets with the target of limiting the probability of capital losses on a mid-term horizon (3 years), without precluding any opportunities deriving from a positive trend in financial markets. Specific risk measures will be defined to target the objectives of the mandates.

The mandate will be a Total Return one, paying special attention to the relation between expected yields and risk management skills. Therefore the investment firm will not be driven by a predefined asset allocation but by an inflation plus target; will be subject to risk guidelines and maximum and minimum exposures to single asset classes or currencies.

The mandate (“management of investment portfolio of the Pension Reserve Fund”) must follow the guidelines defined in the High Council Decision No. 6/13 of 6 December 2013.

The investment firm will be informed regularly of any changes in the investment’s directives decided by the Institute’s High Council, with which the manager must comply.

The European University Institute will inform the investment firm(s) within 10 days after the approval or changes of the guidelines.

Article 7 – Benchmark

The mandate has the objective to realise an average annual return, net of the management costs, higher than the Eurozone CPI (Eurostat Eurozone HICP Ex Tobacco Unrevised Series NSA index) + 150bps. Should exceptional market conditions exist, the target could be re-evaluated. In case the manager should propose a fee structure with performance fees, the latter should include a “high-water mark” clause.

Article 8 – Investment limits

The principal risk limits are implicit in the constraint of limiting the probability of a negative performance on a 3 years horizon.

A limit is set of a maximum monthly VAR of 3% (95% of confidence, 36 months rolling data).

Article 9 – General investment guidelines

The investments portfolio must comply with the following general guidelines:

- a) The minimum management objective is to preserve the capital over a period of five years.
- b) The management remits shall mainly be of the "total return" type, with a view to ensuring a maximum capacity to preserve the capital in the event of negative market conditions.
- c) The funds invested and awaiting investment shall remain the property of the Institute at all times

When assigning the assets in the portfolio, the investment firm shall take account of the Institute's tax privileges.

Article 10 – General investment guidelines - Composition

The composition of the investment portfolio must also comply with the following guidelines:

- a) Preferred types of investment include fixed-interest securities and other debt securities issued by public or private institutions with a good credit rating.

Securities acquired from a single issuer should not, as a rule, exceed 5% of the assets of the fund, except for debt securities issued by European Union Member States and/or their institutions, where the limit is 20%.

The reserve fund may not hold more than 5% of its assets in debt securities which have no rating or where the rating would be below the minimum level of "investment grade".

- b) In addition to specific securities, the reserve fund may invest in investment funds and unit trust companies and similar products regulated and approved by a financial authority of the EU or a Member State.
- c) The reserve fund may invest up to 10% of its assets in hedge funds and in funds of hedge funds. However, it may not invest more than 0.50% of its assets in a single hedge fund
- d) Derivatives designed to cover risks on investment funds may be used. Derivative instruments must be contracted on liquid markets and with counterparties having a good credit rating
- e) Investments may be made in currencies other than those of the Member States of the Institute, but in this case the positions not covered against exchange risks may not exceed 25% of the amount invested in currency
- f) In no case may more than 30% of the assets in the reserve fund be invested in stocks and shares with a risk level similar to the stock markets. This ceiling shall be reduced by the amount of any investments in hedge funds (3.3).
- g) The reserve fund may invest up to 20% of its assets in closed-end funds or vehicles with a long-term investment period, longer than 5 years but reasonably expected not above 10 years, on the advice of the fund's financial advisor. These funds or vehicles can be invested in real estate, private equity, corporate loans and other financial assets in a well-diversified portfolio. No unlisted direct investments will be allowed. Any closed-end investment vehicle must have its annual statements audited by a registered auditing company and have a governance which prevents/limits conflict of interests.
- h) No investments may be made in works of art or non-financial assets.

Any other type of investment must be submitted to the High Council for approval.

Article 11 – Tender specific investment guidelines

In addition to the content of article 9 and article 10 of these tender specifications, the investments must also comply with the following requirements:

- a) Investments in below investment grade bonds can be done up to the B rating class and implemented only through well diversified instruments, such as mutual funds.
- b) Currency exposure. The reference currency is Euro. Exposure to currency exchange risks may include mainly the currencies of the European Union member states, the US\$ and the JPY. The total exposure to other currencies will be allowed only up to 10% of the portfolio and only to those currencies whose countries’ rating is not below B and only implemented within well diversified instruments, such as mutual funds. Emerging market and developing market currencies (as defined by the IMF) should be capped to 5% of the portfolio.

- c) Financial leverage equals 1.
- d) Indicative maximum risk budget: monthly Value at Risk -3% (95% confidence, monthly data on a 36 months-time horizon).
- e) The maximum risk target of the portfolio could be re-evaluated upon request of the Supervisory Board in the event of negative cumulative returns of the portfolio on a three years horizon.

Article 12 – Limits on the portfolio duration

A portfolio duration limit is not predefined, thus it may change subject to manager decision. However, it must always be coherent with the mandate risk guidelines.

Article 13 – Reporting requirements

The investment firm shall provide the Institute with the following information:

- a) A monthly valuation in euros of the portfolio of securities, based on the market price and the average official exchange rate of the last working day of the month in question, with a breakdown of the securities by category. Valuations must be submitted within three weeks of the end of the month to which they refer.
- b) A quarterly management report containing accurate information on the performance achieved and a comparison of this performance with the corresponding stock-market indices. Reports must be available within one month of the end of each quarter.
- c) In addition to an annual report audited by a registered auditing company, the external manager of a closed-end fund must provide at least half-year unaudited updates on the evolution of its underlying investments.

The currency used in the report shall be the euro.

Article 14 – Other reporting dispositions

The investment firm shall give the Institute timely notice of any transaction liable to lead to a conflict between its own interests and those of the Institute (such as the purchase of securities to be invested by a financial institution associated with the manager).

The investment firm shall immediately provide any information requested by the Institute. They shall also provide any information requested by the Institute's auditors.

CHAPTER III - EXCLUSION, SELECTION AND AWARING CRITERIA

Article 15 – Exclusion criteria

Shall be excluded from participating in the present call for tenders, any Tenderer that:

- a) is bankrupt or being wound up, is having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is the subject of proceedings concerning those matters, or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;



- b) has been convicted of an offence concerning grave professional conduct by a final judgment of a competent judicial authority or administrative decision or decisions of international organisations;
- c) is not in compliance with its obligations relating to the payment of social security contributions or the payment of taxes in accordance with the legal provisions of the country in which it is established or with those of Italy being the country of establishment of the Institute or those of the country where the contract is to be performed. This breach needs to have been established by a judgement or administrative decision having final and binding effect in accordance with the legal provisions of the country in which the economic operator is established or of Italy being the country of establishment of the Institute;
- d) has been the subject of a final judgment for fraud, corruption, involvement in a criminal organisation, money laundering, terrorist-related offences, child labour or other forms of trafficking in human beings or any other illegal activity, where such illegal activity is detrimental to the Institute's financial interests;
- e) has been in serious breach of a contract financed by the Institute or has been the subject of an offense of serious irregularity established by a final judgment of a competent judicial authority or administrative decision;
- f) is subject to an administrative penalty for being guilty for grave professional misconduct, or for having made substantial errors or committed irregularities or fraud, or have been declared to be in breach of their obligations under contracts covered by the Institute’s budget (Article 41 of the EUI’s Public Procurement Regulation (President’s Decision No. 36/2016 of 4 August 2016));
- g) has a conflict of interest in connection with the contract; a conflict of interest could arise in particular as a result of economic interests, political or national affinity, family, emotional life or any other shared interest, including conflicting professional interests; at present or occurred over the past 5 years;

Tenderers must prove that they are not in any of the above situations.

Article 16 – Documents proving eligibility in relation to the exclusion criteria

The Contracting Authority will accept, as satisfactory proof that the Tenderer is not in any of the situations described in the article 15, a formal signed Declaration on Honour concerning exclusion criteria, as in Annex II - C.

The Institute reserves the right to verify the accuracy of this information and to request documents providing further evidence before the contract is signed.

Article 17 – Selection criteria

To be eligible for the tender procedure, tenderers must comply with general and specific requirements.

Companies in default in even one of the requirements listed in article 18 and article 19 will be excluded from the procedure.

Article 18 – General selection criteria

- a) Enrolment in the Chamber of Commerce, Industry, Arts and Crafts Registry of Companies (CIAA), or in an equivalent registry in the country where the Company has its official and legal headquarters,

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registered as practising business activities in the field that is the object of this tender procedure, or at least a field that is consistent with the object of the tender;

- b) Anti-mafia certificate. Whether the successful Tenderer has its registered office in Italy, the Institute reserves the right to request the competent Prefecture to issue the related Anti-mafia certificate; an equivalent document will be requested in case the successful Tenderer’s registered office is located outside of Italy;
- c) To be in compliance with the provisions aimed at legalizing the position of undeclared employees (Individual legalization plans - Piani Individuali di Emersione);
- d) To be in compliance with all obligations relating to the payment of social security and insurance contributions in favour of its employees, in full observance of existing legislation; and to apply the employment conditions envisaged in the sector’s national collective labour agreement;
- e) To undertake, in the event it is awarded the tender, to provide any and all required documentation in order to prove that it is fully up-to-date in its payment of social security and insurance contributions (e.g., through a DURC certificate), in compliance with existing legislation;
- f) Declaration confirming that it has taken note of all general, particular and local circumstances, barring none, and of all other elements which may directly or indirectly influence the performance of the service, or the calculation that has led to the Offer submitted with its bid; and that this Offer is profitable, and that the Company undertakes to hold said Offer valid and binding for one-hundred-and-eighty (180) days, starting from the deadline for submission of its bid;

Article 19 – Specific selection criteria

- a) Registered office in a country belonging to the EU area – with the exception of the off-shore centres.
- b) Management of capital or activity covering the technical reserves of the life branches, of not less than 1.000 million Euro.
- c) Competence in asset management for an institutional clientele.
- d) Competence of portfolio management for mandate with total return objective and active risk control.
- e) Definition of a clear and transparent policy regarding conflict of interests (i.e. rebates/marketing agreements with third parties).

The Institute reserves the right to perform sample checks in order to verify the accuracy of the statements submitted by Tenderers.

Article 20 – Awarding criteria

Only the Offers that respect the criteria indicated in Article 15 and meet all the requirements listed in Article 18 and Article 19 shall be eligible for the next stage of the procedure, the technical and economic evaluation.

The contract will be awarded to the most economically advantageous tender (“**best value for money**”), based on the evaluation that will be carried out by the Institute’s internal committee entrusted with this task (Evaluation Committee), which will attribute a score to each bid, according to the following parameters:

MAXIMUM SCORE	
Technical and quality evaluation	40/100
Economic evaluation	60/100

The total score (Points) assigned to the offer is made up of the sum of its economic evaluation points plus its technical evaluation points:

$P \text{ offer} = P \text{ economic evaluation} + P \text{ technical evaluation}$
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The score for the technical and economic evaluation follows the described in Article 21 and Article 22.

The Tenderer(s) whose offer obtains the highest final score is the Tenderer(s) who will be awarded with the contract.

Article 21 – Technical evaluation

The assignment of the scores shall be made through a comparative analysis of all the submitted and accepted tenders.

	DESCRIPTION	Maximum weight	Score
A1	COMPANY STRUCTURE	12,5%	1 to 4
	Evaluation of the corporate structure; this criteria is based on variables such as its experience in investments, equity capital (also of the Italian company if applicable), rating, AUM and its historical evolution, experience on institutional investors, number of managed portfolios > EUR10mn. Evaluation of the conflict of interest procedure (i.e. marketing agreement with third parties, primary market activity)		
A2	TOTAL RETURN MANAGEMENT TEAM	37,5%	1-4

	Evaluation of the total return management team; this criteria is based on variables such as investment process (decision making process), experience, downside risk focus, AUM in total return mandates, specialized team and its turnover, third parties’ product selection team, access to multi-manager platform. Evaluation of the experience in selecting alternatives investment (i.e. hedge funds); track records of the group alternative products (returns, volatility, max drawdown, reduced liquidity events)		
A3	TRACK RECORD	37,5%	1 to 4
	Evaluation of the total return management team track record; this criteria is based on variables such as realized returns, volatility, max drawdown, asset allocation turnover.		
A4	RISK MANAGEMENT	12,5	1 to 4
	Evaluation of the risk management system; this criteria is based on variables such as professionalism of the team, control and monitoring systems, independence from the management team. Evaluation of the periodic reporting, with a particular focus on the portfolio risk exposures analysis.		

Scores will be assigned in accordance with the evaluation presented in the following table:

EVALUATION DESCRIPTION	SCORES
Excellent	4
Good	3
Adequate	2
Inadequate	1

Article 22 – Economic evaluation

The assignment of the scores shall be made through a comparative analysis of all the submitted and accepted tenders.

	DESCRIPTION	Maximum weight
B1	MANAGEMENT FEE	83,3%

	Evaluation of the management fee proposal	
B2	PERFORMANCE FEE	16,7%
	Evaluation of the performance fee proposal	

Scores will be assigned in accordance with the evaluation presented in the following table:

EVALUATION DESCRIPTION	SCORES
Excellent	4
Good	3
Adequate	2
Inadequate	1

Article 23 – Award requirements

The successful Tenderer, on the date established by the Contracting Authority, for the purposes of the final award, must:

1. Provide certified true copies of all certificates presented as documentation for the tender procedure;
2. A copy of the Court records of the legal representative of the Contractor.

If the successful Company does not promptly comply with the obligations above, does not submit all the requested documents or does not provide proof that they meet the requirements for the tender, namely that the proof is not considered conforming with the declarations made at the time of the bid, the Institute reserves the right to declare the bid lapsed and to award the contract to the next bidder on the ranking, or to launch a new call for tender, without prejudice to further costs incurred by the Contracting Authority to be charged to the bidder at fault.

Should the assessment of the items above result in a positive outcome, the bidder will be awarded the contract and formally invited to sign the contract.

CHAPTER IV – FINAL PROVISIONS

Article 24 – General information

All aspects of the tender procedure shall be performed in compliance with the Institute's internal regulations, and especially in accordance with High Council's Decision No.6/2015 laying down the EUI's regulatory and financial provisions, and with the President’s Decision No.36/2016 on Public Procurement, all of which are available on the EUI's website: <http://www.eui.eu/About/Tenders/Index.aspx>.



Participation in this tender procedure implies full acceptance of the above-mentioned regulations.

The rules governing the future relationship between the Contracting Authority and the Contractor to whom the tender is awarded are contained in the Draft Service Contract provided by the Institute and included in the tender documents.

Article 25 – Person responsible for the contract

The Contracting Authority appoints the Chief Accountant as person responsible for this tender procedure and contract.

The Person responsible shall be in charge of all exchanges and communications with the Company that is awarded the contract, on all issues relating to the performance of the services in question, and shall be responsible for ensuring that contractual obligations are observed, enacting coercive provisions and applying penalties whenever necessary.

Article 26 – Reference person of the contract

In order to ensure that the contract is performed satisfactorily and to guarantee a correct contractual relationship with the Company that is awarded the contract, the Chief Accountant, Júlia Serrano, will be the Reference person for the contract. Among other tasks, the Reference person shall:

- act as contact person for all operational and practical exchanges with the Contractor;
- follow up and act on requests for interventions in cases when it becomes necessary to introduce changes and/or new provisions, during the implementation of the contract;
- oversee the correct performance of the service and verify the results;
- propose to the Secretary General the application of penalties and, if necessary, the termination of the contract;

Article 27 – Final provisions

The tender documents are composed of the Draft Service Contract provided by the Institute, this Tender Specification (Annex I) and the Contractor’s tender (Annex II), including the following documents:

- II B - Self-certification form
- II C - Declaration on honour on exclusion criteria and absence of conflict of interests
- II D - Technical offer
- II E - Economic offer

Signature of Legal Representative

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Company’ stamp

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Signed for acceptance by the Legal Representative

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