

I. AGENCY & CONTRACTING DIVISION

Federal Retirement Thrift Investment Board
OCFO Contracting Division
77 K Street N.E., Suite 1000
Washington, D.C. 20002

II. NATURE AND/OR DESCRIPTION OF THE ACTION BEING APPROVED

The Office of Investments is seeking approval to extend the current Thrift Savings Plan (TSP) International Stock Index Investment Fund (I Fund) contract (TIB-2013-C-0013) with BlackRock 12 months from March 16 2019 to March 15, 2020 to allow for the full and open competition of the multi-manager procurement.

III. DESCRIPTION OF THE PRODUCTS/SERVICES REQUIRED TO MEET THE AGENCY'S NEEDS

The FRTIB administers the Thrift Savings Plan (TSP) for Federal employees. The TSP is a defined contribution plan similar to 401(k) plans in the private sector. The Office of Investments utilizes firms to provide investment management services for the TSP I Fund.

The incumbent receives and invests monies representing the TSP cash flows that are managed under TSP I Fund. Management of the TSP I Fund involves managing a daily-valued, passive, MSCI EAFE Index Strategy, employing a custodial agent to maintain the custody of the portfolio, achieving investment performance that closely tracks that of the underlying index, accommodating a daily deadline for trading, and serving as a securities lending agent to lend securities in the separate account index Fund portfolio.

The incumbent serves as service provider to the FRTIB Board related to the management of the TSP I Fund by providing monthly and annual reports, producing annual financial statements for separate accounts, maintaining a disaster recovery plan, and producing firm level quarterly financial statements.

The FRTIB competed the current contract (TIB-2013-C-0013) in 2013 and exercised each of the four (4) one-year options. Option period four (4) ended on September 15, 2018. There was a need to extend the period of performance (PoP) in accordance with FAR 52.217-8, which allows an extension of services not to exceed six (6) months. Contract modification M009 was executed on June 22, 2018 to extend the PoP four (4) months until January 15, 2019 at no additional costs to the Government. Contract modification M010 was executed on September 11, 2018 to extend the contract two (2) additional months until March 15, 2019, at no additional costs to the Government. This modification utilized the entire six (6) months allowed by FAR 52.217-8 and no additional options to extend services remained.

IV. AUTHORITY PERMITTING OTHER THAN FULL AND OPEN COMPETITION

Check all that are applicable.

a. Only one responsible source (e.g. – vendor):

Only one responsible source and no other products or services will satisfy FRTIB requirements. Provide an explanation based on the below instructions:

[Click here to enter text.](#)

b. Proprietary Software and/or related services:

Proprietary software and/or related services. (Same authority as above). Limited explanations are needed for these types of products and/or services. Provide a brief explanation based on the below instructions:

[Click here to enter text.](#)

c. Unusual and compelling urgency:

Unusual and compelling urgency (delay in award of a contract would result in serious injury, financial or other, to the FRTIB; not to be used for failure to plan). Provide an explanation based on the below instructions:

According to Federal Acquisition Regulation (FAR) Part 6.302-2, full and open competition need not be obtained when delay in award of a contract would result in serious injury, financial or otherwise, to the Government.

For the FRTIB, and specifically the Office of Investments, to accomplish its unique mission of administering the TSP, a firm capable of providing investment management services is required. The current TSP I Fund contract enables the FRTIB to secure investment management services from an independent firm. The FRTIB seeks to avoid disruption in the management of the TSP I Fund, currently based on a single investment manager, as it pursues a multi-manager structure replacement contract. A competitively placed new multi-manager structure contract, which as envisioned would include an I Fund placement, cannot be awarded before the current TSP I Fund contract expires. An extension of the current TSP I Fund contract allows for continuity of existing services during the upcoming transition.

A disruption in the continuity of the management of the TSP I Fund impacts over five (5) million participants and beneficiaries who are eligible to invest in this Fund directly and indirectly and who depend on this Fund to provide support for and during retirement. If the TSP I Fund is not properly managed or experiences a less than successful transition to new investment management services, the participants and beneficiaries faith in the FRTIB to administer the TSP will be harmed. This may result in curtailment of contributions or withdrawal of funds from the TSP as participants and beneficiaries seek “shelter” in other investment options outside of the TSP, likely impacting FRTIB’s ability to administer the TSP.

The current TSP I Fund contract expires on March 15, 2019. FRITB seeks to use full and open competition for its contracts when appropriate. The FRTIB Board recently required an additional months-long study and subsequently reiterated its direction

from 2015 discussed below, causing a delay in beginning the TSP I Fund contract re-compete initiative.

Historically, the TSP Funds, including the I Fund, were competed one (1) Fund at a time to attain the services of one index investment manager at a time. The continued use of only one (1) investment manager, however, was seen as an organizational concentration risk by the FRTIB Board upon review of an investment consultant's report that addressed the issue. The FRTIB Board voted in 2015 for the Agency to implement a multi-manager fund structure for TSP's F, C, S, and I Funds. The construct ensures that two (2) independent index investment managers would be contracted for each of the four (4) Funds in order to ensure adequate "back-up" if for any reason a manager were deemed unable to continue in the full capacity in which it was hired to serve. Further, the FRTIB Board instructed the Agency to explore any potential implementation issues and report on how best to implement the change. The Agency performed due diligence and conducted research to identify impacts involving changing to a multi-manager fund structure.

The Board believes that the multi-manager procurement effort would have far-reaching benefits to participants much greater than those available from a single manager placement and has instructed the Agency to implement a multi-manager program. The Agency believes that executing the multi-manager placement across all four (4) Funds at once, an effort inclusive of an I Fund placement, fosters efficiency and accrues the greatest amount of overall benefits to the participants.

In the interest of costs and efficiency, FRTIB believes it is more advantageous to the Agency and TSP participants and beneficiaries, to extend the current I Fund contract until award of the multi-manager procurement. The multi-manager procurement is expected to be awarded in the second quarter of fiscal year 2020.

V. DESCRIPTION OF EFFORTS MADE TO ENSURE THAT OFFERS ARE SOLICITED FROM AS MANY POTENTIAL OFFERORS AS DEEMED PRACTICABLE

The current TSP I Fund contract, managed by a single external investment manager, will be replaced with the Board directed multi-manager fund structure. FRTIB intends to solicit a new multi-manager fund structure requirement through a full and open competition. The short-term TSP I Fund contract extension is being utilized to ensure continuity in the management of the TSP I Fund while the Agency undertakes the competitive process for awarding a new multi-manager fund structure.

VI. DETERMINATION BY THE CONTRACTING OFFICER THAT THE ANTICIPATED COST TO THE AGENCY WILL BE FAIR AND REASONABLE

The existing I Fund contract was awarded based on a conclusion that the technical evaluation, fee arrangement and terms with the investment manager represented best value and were fair and reasonable at the time of award. The Contracting Officer plans to negotiate the extension at no additional cost to the Government. If negotiations do not result in a no cost modification, the Contracting Officer will ensure the change in fees are evaluated to be deemed fair and reasonable.

VII. DESCRIPTION OF MARKET RESEARCH CONDUCTED AND THE RESULTS, OR A STATEMENT OF THE REASONS MARKET RESEARCH WAS NOT CONDUCTED

No market research has been completed at this time. However, based on historical data from previous investment manager solicitations (the most recent being conducted in FY 2018) there is a reasonable expectation that at least four (4) firms will be interested in full and open competition of the multi-manager procurement.

In addition, prior to the aforementioned decision by the FRTIB Board to move forward with the multi-manager procurement, a pre-solicitation notice for the re-compete of the I Fund contract was posted on Federal Business Opportunities in April 2018. However, due to the decision by the FRTIB Board, a solicitation has not been posted. Two (2) firms have followed up with the Contracting Officer in regard to the release of a solicitation after the pre-solicitation notice. Although this is not formal market research, it allows FRTIB to make a reasonable expectation that there is interest in the marketplace.

VIII. ANY OTHER FACTS SUPPORTING THE USE OF OTHER THAN FULL AND OPEN COMPETITION

The use of other than full and open competition for the TSP I Fund contract extension allows the Agency to focus its resources on securing the new multi-manager fund structure solution, an action that is expected to have broader benefits not only for the I Fund but also for the other three (3) TSP Funds managed by external investment managers. All of these benefits flow through to TSP participants.

By focusing efforts on the multi-manager fund structure, the Agency will address several factors that will help it fulfill its mission, including focusing on ensuring competition, risk associated with management transitions including the I Fund benchmarking conversion, inefficient use of time and resources, and avoiding costs supporting duplicative contract actions.

Maintaining competition:

Competition is a vital consideration for achieving best value in the placement of investment management mandates. Public knowledge of an impending multi-manager solicitation immediately following an individual I Fund contract re-competition could adversely impact the interest of potential vendors to submit a proposal. If the I Fund contract period of performance is known to be short, because of the pending multi-manager fund structure solution, it is reasonable that vendors may be reluctant to provide best available terms for the re-competed TSP I Fund contract or even compete at all.

TSP I Fund benchmark consideration:

The Agency committed to mandate that the next TSP I Fund investment manager awardee conduct the benchmark conversion from the MSCI EAFE Index to the MSCI ACWI ex-U.S. IMI Index, a change deemed beneficial to participants' long-term retirement outcomes and in line with the Board's directive to make the benchmark change. The timing for mandating the TSP I Fund conversion while working on the multi-manager procurement seems suboptimal at best.

While there is always the possibility of execution risk that the Agency should seek to mitigate in the transfer of managers and custodians, there are also unique hurdles and costs to consider in moving securities from one manager to another in some of the emerging countries. It is preferred to mitigate this risk as well, if possible, by making the next I Fund placement through the multi-manager approach where there is greater certainty of longevity of the investment management assignment.

Reducing Agency time burden:

Based on preparations already made and on the experience of having worked with previous investment management solicitations in recent years, FRTIB estimates that a formal re-compete of the TSP I Fund's investment management contract as a single fund with a single manager could take up to six (6) months and require significant allocation of Agency resources from solicitation preparation through contract execution and, if needed, investment management transition. Competing the TSP I Fund alone with a multi-manager mandate would likely add up to three (3) months to the TSP I Fund re-compete effort. A preferred approach because of the desire for efficiency and the benefits of economies of scale is to compete all four (4) Funds together. It's conceivable that the multi-manager RFP process encompassing the four (4) Funds would begin only after an individual procurement and require approximately 12 to 15 months for RFP development, solicitation, evaluation, award, and transition initiation. In total, this could take up to two (2) years. Suspending the I Fund-only procurement and going straight to the multi-manager procurement is more efficient in its use of resources and it eliminates delay in awarding the multi-manager fund structure that the FRTIB Board directed the Agency to pursue in 2015.

Reducing Agency cost burden:

Procurement of the services of an investment manager for the TSP I Fund through the RFP process individually and then again through the multi-manager RFP process immediately thereafter would create an unnecessary expenditure of resources compared to beginning directly with the multi-manager procurement. Any individual Fund investment management re-competition requires significant administrative, operational, and personnel expenditure. A multi-manager effort immediately following an individual effort would result in redundancy in the use of Agency resources. Because participants ultimately pay these costs, it's important to keep focus on various means within the Agency's control to keep these costs to a minimum.

IX. LIST OF SOURCES, IF ANY, THAT EXPRESSED INTEREST IN THE PROCUREMENT

1. State Street
2. BlackRock

X. A STATEMENT OF THE ACTIONS, IF ANY, THE AGENCY MAY TAKE TO REMOVE OR OVERCOME ANY BARRIERS TO COMPETITION BEFORE MAKING SUBSEQUENT PROCUREMENTS FOR THE REQUIRED PRODUCTS AND SERVICES

FRTIB intends to solicit the subsequent multi-manager fund structure requirement through a full and open competition. Full and open competition will overcome any barrier to competition.

XI. TECHNICAL/ REQUIREMENTS REPRESENTATIVE'S CERTIFICATION

As evidenced by his/her signatures on the Coordination and Approval Document, the technical and/or requirements representative has certified that any supporting data contained herein, which is his/her responsibility, is both accurate and complete.

CERTIFICATION OF TECHNICAL OR REQUIREMENTS PERSONNEL		
I hereby certify that any supporting information and data provided, which form the basis for this justification, are accurate and complete to the best of my knowledge and belief.		
Program Office Sean McCaffrey Chief Investment Officer	(Signature) SEAN MCCAFFREY <small>Digitally signed by SEAN MCCAFFREY Date: 2018.12.04 12:48:20 -05'00'</small>	(Date)

XII. CONTRACTING OFFICER'S CERTIFICATION

The Contracting Officer's signature on the coordination and approval document evidences that he/she has determined this document to be both accurate and complete to the best of his/her knowledge and belief.

CONTRACT OFFICE CERTIFICATION		
I certify that this submission is accurate and complete to the best of my knowledge and belief		
Contracting Officer Monique Mitchell	(Signature) MONIQUE MITCHELL <small>DN: c=US, o=U.S. Government, ou=Federal Retirement Thrift Investment Board, cn=MONIQUE MITCHELL, 0.9.2342.19200300.100.1.1=26001003344 636 Date: 2018.12.04 13:16:02 -05'00'</small>	(Date) 12/4/18

APPROVALS

ADDITIONAL APPROVALS				
> \$250K	Division Chief of Contracting	<input checked="" type="checkbox"/> APPROVE <input type="checkbox"/> DISAPPROVE	(Signature) TIMOTHY COSTAS <small>Digitally signed by TIMOTHY COSTAS Date: 2018.12.05 07:09:29 -05'00'</small>	(Date) 12/5/18
	Timothy Costas			
> \$250K to ≤ \$1M	Office Director	<input type="checkbox"/> APPROVE <input type="checkbox"/> DISAPPROVE	(Signature)	(Date)
	N/A- same as Program Office			

<p>> \$1M to ≤ \$10M</p>	<p>Chief Financial Officer/ Chief Acquisition Officer Susan Crowder</p>	<p><input checked="" type="checkbox"/> APPROVE <input type="checkbox"/> DISAPPROVE</p>	<p>(Signature) <i>Susan Crowder</i></p>	<p>(Date) <i>12/6/18</i></p>
<p>> \$10M to ≤ \$20M</p>	<p>Chief Operations Officer ^{ing} Suzanne Tosini</p>	<p><input checked="" type="checkbox"/> APPROVE <input type="checkbox"/> DISAPPROVE</p>	<p>(Signature) <i>Suzanne Tosini</i></p>	<p>(Date) <i>6 Dec 2018</i></p>
<p>> \$20M</p>	<p>Executive Director Ravindra Deo</p>	<p><input checked="" type="checkbox"/> APPROVE <input type="checkbox"/> DISAPPROVE</p>	<p>(Signature) <i>Ravindra Deo</i></p>	<p>(Date) <i>7th Dec 2018</i></p>

