

# Federal Retirement Thrift Investment Board



**2013-2017  
Strategic Plan**

**Helping People Retire With Dignity**

# Our Vision



We help people retire with dignity.

We ensure that FRTIB is a great place to work.

We pursue flawless operations.

We maintain excellent relationships with entities that oversee, regulate, govern, and influence the TSP.

# Our Mission

To administer  
the TSP solely  
in the interest of  
participants and  
beneficiaries.



# Our Values



## Participant-Focused

We are passionate about delivering valuable products and services to participants.

We listen, respect, and carefully consider the needs of participants in all we do.

We respond in a timely and accurate manner to participant requests.

## Integrity

We are trustworthy and value individual and organizational honesty, consistency, and credibility.

We ensure the financial integrity of the Thrift Savings Fund.

We operate with independence and act ethically to carry out our fiduciary responsibility.

## Efficiency

We deliver the best value for our participants.

We simplify processes and optimize technology to deliver secure and cost-effective solutions.

We work as an integrated team and communicate clearly internally and externally.

# Our History

Approximately twenty-five years ago, the TSP received the first employee contributions and became part of the three-part retirement program for employees covered under the Federal Employee Retirement System. However, we do not have to return to those early days in order to illustrate how much the Plan has grown. If we only revisit the last ten years, it becomes clearly evident that the TSP is a continuously evolving and growing plan.

## *Client base*

The TSP had fewer than 3 million FERS and CSRS participants in 2002, the year that uniformed services members were first allowed to contribute to the TSP.

## *Investments*

In 2002, the TSP was a monthly valued plan with \$102 billion in assets under management. The S and I Funds were in their infancy, as they had just been established in May 2001. The TSP would later expand its investment lineup in 2005 to include Lifecycle Funds.

## *Plan Benefits*

In 2003, the Agency converted to daily valuation and entered into a contractual arrangement to build a new TSP recordkeeping system.

During the past ten years, the TSP expanded its benefit features to allow:

- rollovers into the Plan
- partial and mixed withdrawals
- immediate contributions
- automatic enrollment for newly hired and rehired FERS and CSRS employees
- TSP accounts for spouse beneficiaries
- a Roth contribution option

## *Participant Communications*

Enhancements to our participant communications include:

- expansion from one call center to two, with toll-free access (2003)
- annual statements with special messaging and account balance history (2007)
- complete redesign of the TSP website (2010)
- addition of a projected TSP lifetime payment on participant statements (2011)





## *Technology*

A series of technology improvements were implemented between 2006 and 2010. A back-up data center was added in 2006 to support an emergency or disaster situation. In 2009, we completed the move of one of our data centers and in 2010 we completed a system modernization effort, which stabilized a network reliant on end-of-life technology and added redundancy.

## *Vendor relationships*

Concurrent with the conversion of the recordkeeping platform, management of the system was transitioned from a single contract, managed and hosted by the National Finance Center, to a design where FRTIB oversees the full array of system infrastructure and operations, including contracts and service relationships for software support, data center operations, accounting, and call centers.

In the last ten years, the FRTIB has made significant achievements in its efforts to comply with legislative mandates, serve more participants, offer better services, and maintain low costs. Despite these achievements, the Agency recognized that it needed to do a better job in planning the TSP's future. Thus in 2009, the Agency held its first strategic planning retreat and produced a one-year plan. This plan was project-focused and was not integrated into the budget. The following year, the planning retreat was expanded to include senior managers with the goal of leveraging all aspects of the Agency's leadership. In 2011, the strategic plan expanded to cover three years but remained heavily project-focused. Most recently, the plan was further extended to cover a five-year planning period and was fully integrated with the budgeting process in an effort to ensure the Agency's long-term fiscal stability.

# Our Current Environment


The TSP is affected not only by changes in the defined contribution world, but also by changes and volatility in the financial markets as well as the legislative and regulatory environment. In developing the 2013–2017 strategic plan, we carefully examined the current state of the Agency and the environment in which it operates.

The key factors defining the Agency's current environment are:

- The TSP has 4.6 million<sup>1</sup> participants (\$321 billion assets under management). Within this population, just under 16% (725,000) are members of the uniformed services and 28% (1.3 million) represent accounts with no current contributions (largely separated and retired account holders).
- The TSP was built for simplicity, not complexity, with five core indexed options and five custom target date funds. The Roth TSP contribution option has considerably increased the Plan's complexity.
- Benefits will continue to evolve as a result of legislation. Current emphasis is on fee disclosure, retirement income readiness and adequacy, and the possible role of annuities in defined contribution plans.
- We offer limited "intuitive" decision tools for participants making retirement income decisions and do not provide withdrawal options that are as flexible as retail retirement products.
- We largely respond to participant inquiries and requests. Our outbound communication is designed to be one-to-many, i.e., the website. Without the ability to retain participant email addresses, we communicate one-to-one primarily by phone.
- The Agency's internal infrastructure has been neglected in favor of enhanced participant programs and benefits. We are now at a point where internal business processes must be enhanced to keep pace with the Plan's growth and increasing complexity.
- The prior modernization of the Agency's Information Technology (IT) infrastructure addressed long-standing weaknesses and risk in infrastructure management and IT services. However, substantial demands for additional service improvements shaped by the environment described above compel us to pursue a second generation of significant IT improvements in infrastructure, security, and applications.

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<sup>1</sup> As of August 31, 2012

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- The Agency is constrained by human resources. A number of open positions have remained unfilled because the Agency has not had the resources to focus on filling them. This has limited the Agency staff to handling day-to-day operations, while launching Roth TSP, and this has limited our ability to pursue other projects.
  - The Agency recently moved to new office space which relieved some of the space constraints. However, to accommodate future needs, the Agency will likely have to expand use of flexible workplace alternatives such as telework, alternative work site, and hoteling.



# Our Vision of the Future

Over the coming years, the Agency will seek to expand its business intelligence capabilities, partner with external resources (e.g., academic, research, etc.), and engage consulting support when needed, to achieve greater insight into future participant demographics as well as the changing financial and information technology landscape. This knowledge will help us refine our vision of the future, manage and respond to a changing external environment, and anticipate our participants' expectations.

- The wave of Baby Boomers that are now retiring will increase our workload and drive us to innovate programs. Because inertia is a powerful force and the TSP is viewed very favorably, we expect that most retirees will leave their money in the TSP for years following their retirement. Our workload will reach a peak as this generation reaches the statutory withdrawal deadline and life expectancy. The TSP will need a highly effective retirement income strategy, more flexible retirement withdrawal options, and best-in-class decision making tools to retain its strong reputation.
- The new Federal employees that replace the Baby Boomers will have a different set of expectations and will drive innovation in technology, communications, and account services. The benefits and services offered by the TSP will be compared with those offered by other defined contribution plans as well as the financial services industry. The TSP will need to harness technology to communicate and educate participants using whatever method they prefer (e.g., print, postal mail, email, social networks, telephone, Internet, video, games, smartphone applications, etc.). We will need to have effective one-to-one engagement with our participants. We will be able to respond quickly to participant inquiries coming from a variety of sources and, conversely, will be able to have effective targeted and multi-channel outbound communications and education with our participants.
- We expect the TSP's participant base to become increasingly diverse, capturing greater participation of younger Federal workers, as well as separated and retired workers. Additionally, we anticipate that a significant segment of the TSP's population growth will be uniformed services members. We will be challenged to understand our participants, their investment behaviors, preferences, and demographic composition.
- The TSP is very large and is going to get much larger. It will continue to enjoy strong growth in assets under management and participation. The TSP has historically enjoyed growth in excess of private sector defined contribution plans. Using internally generated estimates, the TSP will administer over 7.6 million accounts and manage assets in excess of \$594 billion by 2017. A conservative third party estimates the TSP will reach over 6 million participants and garner assets in excess of \$546 billion by 2017.

# Strategic Goals and Outcomes

We have structured the Agency’s strategic plan around its vision, as these are the principle elements we hold as being fundamental to achieving our mission.

## Strategic Goal 1: *We help people retire with dignity.*

### Outcome

- 1.1. We deliver compelling messaging that encourages Federal employees and uniformed services members to save for their retirement through the TSP.
- 1.2. We educate, communicate, and interact with participants to help them make smart choices with their TSP account.
- 1.3. We deliver innovative products and programs to assist participants in achieving their retirement goals using the TSP.

Performance Metric	Description	Target
FERS participation rate	Percentage of FERS participants in the Plan relative to the eligible FERS population	Above the average of large employers/plans <sup>2</sup>
FERS average deferral rate	Deferral rate determined by relationship of employee contributions to annual base pay <sup>3</sup>	Steady shrinkage of FERS participants deferring less than 5%
Participant satisfaction	Participant satisfaction will be measured biennially via the TSP Participant Survey	Overall satisfaction will be rated a minimum of 80% <sup>4</sup>
Participation of uniformed services members	Percentage of active duty participants in the Plan relative to the eligible active duty population	Steady increase in active duty military participation rate
Average asset allocation	Participants elect asset allocations that reflect greater age-based diversification	Steady annual increase in the dollar amount participants allocate to the L Funds
OPM Benefits survey	All Federal employees rank which benefits are most valued	TSP retains top 3 position

<sup>2</sup> Based on readily available market information (e.g., Hewitt, PSCA, EBRI, etc.)

<sup>3</sup> Data received from OPM

<sup>4</sup> It should be noted that in periods of economic downturn or stress, participant satisfaction will likely be negatively impacted.

## Strategic Goal 2: *We ensure that FRTIB is a great place to work.*

### Outcome

- 2.1. We attract extraordinary people from the public and private sectors.
- 2.2. We offer educational and training opportunities that enhance our employees’ skills and promote professional development.
- 2.3. We foster high performance by creating and maintaining a culture where individuals and diversity are promoted and valued.
- 2.4. We work seamlessly and collaboratively at all levels of the organization.

Performance Metric	Description	Target
FRTIB employee satisfaction <sup>5</sup>	Annual rating received via the Best Places to Work Index based on the Federal Employee Viewpoint Survey	FRTIB score is to be above the Federal Government average
Individual Development Plan (IDP)	Percent (%) of FRTIB employees who complete IDPs	98% of all FRTIB employees complete an annual IDP
Training and Development	Number of training and professional development hours completed <sup>6</sup>	On average, FRTIB employees will complete 40 hours per year of professional training and development

<sup>5</sup> As measured by the OPM administered Federal Employee Viewpoint Survey. Specific questions from the survey are to be identified.

<sup>6</sup> Includes business conference attendance and completion of continuing education requirements.

## Strategic Goal 3: *We pursue flawless operations.*

### Outcome

- 3.1 We manage plan assets consistent with our fiduciary obligations.
- 3.2 We accurately, securely, and consistently receive, value, transact, and distribute participant funds with “dial-tone consistency.”
- 3.3 We apply best-in-class internal business processes to ensure secure and efficient Agency operations.

Performance Metric	Description	Target
Daily Unified processing	Percent (%) of trading days the Unified processing is successfully completed by 6 a.m., Eastern time	98%
Daily investment	Daily investment is performed on time and accurately each day	98%
Availability of participant information	Percent (%) of time the website is available (excluding scheduled maintenance)	99%
	Percent (%) of time the call center is available during established business hours	99%
	Length of call center wait time	At least 85% of all calls are answered within 20 seconds.
Payroll contributions	Percent (%) of valid Agency payroll contribution files processed within standards (2 business days of receipt)	99%
Participant transactions	Percent of transactions processed within standards:	
	Loans	At least 90% of loans are processed within 5 business days of receipt (annual).
	Withdrawals	At least 90% of withdrawals are processed within 5 business days of receipt.
	Death benefits	At least 95% of all all death payments are entered into the system within 5 business days if payment forms received are in good order or do not require legal review and POA/guardianship.
	Court orders	<p>An issue decision letter is completed for at least 95% of all retirement benefit court orders within 25 business days of receipt of the order.</p> <p>An issue decision letter is completed for at least 95% of all child support orders within 35 business days of receipt of the order.</p>

Performance Metric	Description	Target
Financial audit opinion	Maintain unqualified opinion on FRTIB financial statements from independent auditor	Unqualified opinion each year; No significant or material financial weakness. 90% of other issues resolved within the time frame promised
Performance audit	Department of Labor (DOL) and Government Accountability Office (GAO) audit recommendations	90% of findings resolved in time frame promised

**Strategic Goal 4:** *We maintain excellent relationships with entities that oversee, regulate, govern, and influence the TSP.*

Outcome

- 4.1 We foster strong relationships with our external partners<sup>7</sup> to support our legislative, regulatory, and programmatic initiatives.
- 4.2 We provide thorough and sound advice to enable our Board to make prudent decisions.

Performance Metric	Description	Target
Audit reports	FRTIB management has provided requested information and has been cooperative	Prepared By Client (PBCs) requests are responded to on time, a minimum of 90% of the time.
Satisfaction of Board with relevant information	Ability to assist the Board in decision making	Successful Board review

<sup>7</sup> Identified as Congress, Department of Labor, Employee Thrift Advisory Council (ETAC), FRTIB Board, Treasury and the Office of Personnel Management (OPM).

# Setting the Stage

In recent years, the FRTIB has been challenged to achieve its strategic initiatives as the Agency has faced significant resource constraints. With a mission-critical requirement to deliver operational assurance or “dial-tone consistency” to participants, the Agency has been forced to narrow the main focus of its efforts to day-to-day operations and the implementation of Roth TSP.

The implementation of Roth TSP began in July 2010 and proved to be one of the most complicated and “resource rich” efforts undertaken by the Agency in its recent history. Planning, developing, and testing for Roth TSP encumbered the majority of the FRTIB staff, as well as the Agency’s recordkeeping contractor staff. Roth exposed the Agency’s limited ability to undertake major initiatives in a parallel environment, as varying efforts often relied heavily on input from the same individuals. Consequently, a number of important efforts were delayed or postponed in order to properly implement Roth TSP. These effects, which support our “steady state” operations will largely be initiated in the next 12–24 months.

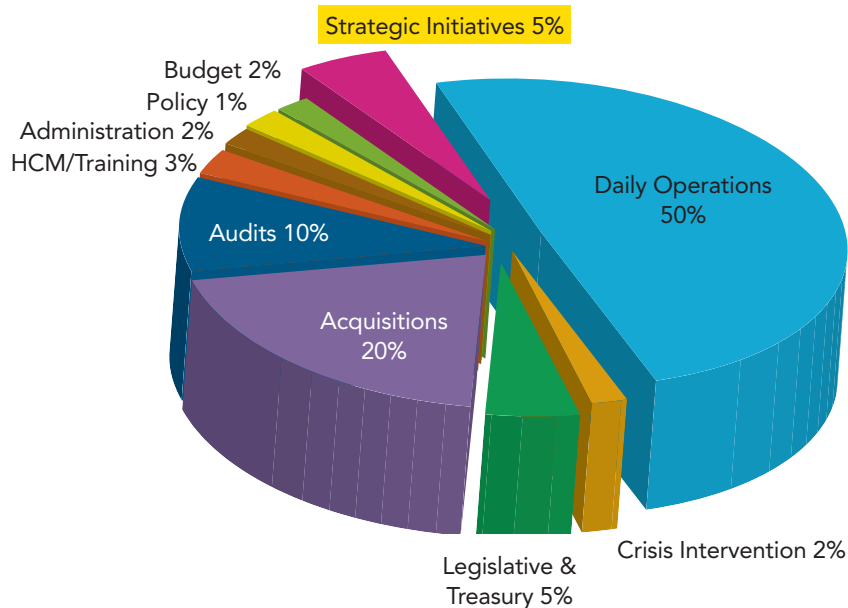
These efforts include:

- Re-bids of several contracts
  - ◆ Investment management
  - ◆ Technology and Enterprise Support Services (TESS) (Recordkeeping)
  - ◆ Annuity
  - ◆ Service Bureau (data entry)
  - ◆ Operations center (processing team—legal, death, etc.)
  - ◆ Call center
- Resolution of IT security-related audit findings
- Implementation of enhanced web user-authentication and participant interactions and functionality on the web
- Systems development/update of court and death benefit processing applications, upgrade of core recordkeeping software (OmniPlus) and associated enterprise upgrades, and improved reporting capabilities
- Updating the voice response system (ThriftLine)
- Capturing participant email addresses
- Rollout of e-messaging to all participants
- Over 100 backlogged systems change requests (SCRs)
- Benefit/process/cost benchmarking
- Ensure participants receive mailed information by developing a process to reduce the level of returned mail and related costs



In identifying and prioritizing the strategic initiatives, the FRTIB estimated that existing staffing has approximately 5% of its capacity available to address strategic initiatives. Consequently, our ability to undertake the previously mentioned efforts, as well as the strategic initiatives that are discussed in the next section, is largely dependent upon our ability to increase the Agency's bench strength by adding key resources in areas such as Human Resources, IT, Communications, Benefits Operations, and Risk Management.

## Estimated Resource Utilization



In recognition of our resource constraints, we prioritized our strategic initiatives to allow for appropriate emphasis to be directed to continued operational excellence the elimination of the current business backlogs and the level of criticality. As a result, the initiatives identified as a part of the Agency's planning process were categorized as Mission Critical (Priority A), Necessary (Priority B) and Important (Priority C). The Agency's fiscal 2013 budget of \$170.5 million was approved after the identification of these strategic initiatives. While funding will allow for meeting numerous operational requirements, it does not provide full funding of strategic initiatives. Consequently, the unfunded initiatives are further broken out from those which the budget allows the Agency to pursue immediately. As the fiscal year progresses, some and possibly all of the unfunded initiatives may be funded from the Agency's contingency funds or other available sources.

# 2013–2017 Strategic Initiatives

Our mission and foremost priority is to administer the TSP and maintain excellence in daily operations. Flowing directly from this objective is the need to address a number of tactical elements and immediately clear the backlog of mission-critical activities, including non-Roth upgrades to our system software that have been postponed or slowed because of efforts to launch Roth TSP.

Looking forward to strategic initiatives, the FRTIB has recognized the need to place greater emphasis on building internal enterprise-wide capacity—strengthening systems, enhancing IT security, streamlining processes, and increasing the capacity to support growth expectations and increased complexity. These priorities are reflected in the key initiatives the Agency will undertake in the near term.

Finally, and as previously noted, the Agency will focus first on Mission Critical and Necessary initiatives that can be immediately funded in the FY 2013 budget. The unfunded initiatives will be reviewed at mid-year and pursued should additional budget flexibility be approved. As additional resources become available, we will increase our efforts on level B and C initiatives.

## Funded Initiatives

### Mission Critical Initiatives

The FRTIB's immediate focus and resources will be directed to the following level A strategic initiatives:

#### A1. Implement Enterprise Information Security & Risk Management (EISRM)

In September 2011, in accordance with the Federal Information Security Management Act (FISMA), the FRTIB Executive Director signed Directive 61 establishing the Enterprise Information Security and Risk Management (EISRM) program. Implementing this program and the 19 related policies will ensure and enable secure operations and strengthen the Agency's IT risk management.

*Alignment with Strategic Goal: 3*

#### A2. Human Capital Management

The key to successfully meeting our strategic goals is the successful implementation of a robust Human Capital Plan. Integral to this initiative is scaling up the Human Resources staff, thereby providing the Agency with the capacity to fill open positions and address future staffing and staff development needs.

The Human Capital Plan incorporates the following elements:

- aligning and planning recruitment against the Agency's strategic plan and budget
- recruiting staff with skills to meet both current and future business and technology requirements

- retaining staff and institutional knowledge
- developing management and staff

*Alignment with Strategic Goals: 1, 2, 3*

## **Necessary Initiatives (Priority B)**

Efforts on Priority B and C strategic initiatives will, in most cases, commence immediately. However, these initiatives will not have a high impact on resource utilization and capacity constraints in the near term. As resources are brought online or redeployed following progress on Mission Critical initiatives, we will increase our focus on these initiatives.

### **B1. Integrated Acquisition Strategy**

While the FRTIB recognizes it is not bound by all requirements of the Federal Acquisition Regulation (FAR), it subscribes to following best practices in acquisition planning and contracting as identified in the FAR. To this end, the FRTIB will establish and enhance its acquisition policies, planning, procedures, and governance to ensure adherence to these standards.

*Alignment with Strategic Goal: 3*

### **B2. Enterprise Risk Management**

The Enterprise Risk goal is to protect and create value for participants and beneficiaries by identifying and proactively addressing enterprise level risks and opportunities.

Implementing and integrating an enterprise-level risk framework will help us:

- align our risk appetite with our business model, budget, and initiatives
- identify and manage risks
- enhance our risk response decisions
- reduce operational surprises

*Alignment with Strategic Goals: 1, 3, 4*

## Unfunded Initiatives

The following initiatives were identified through the Agency's planning process; however, within the constraint of the FY 2013 budget, these initiatives were not explicitly funded. These unfunded initiatives will be revisited at mid-year and pursued if additional funding is approved.

### B3. Information Technology Architecture of the Future

We will define and design the future of our IT architecture to maintain reliable operations and strengthen our IT risk management. The key elements include:

- Moving to a diverse computing digital ecosystem for Board staff over a period of 5 years to improve productivity and system resiliency.
- Executing a call center transformation to a more secure and efficient virtual desktop infrastructure where all programs, applications and data are maintained and processed at our data center (not on individual PC's).
- Performing a comprehensive enterprise platform and availability study in FY 2014.<sup>8</sup>

*Alignment with Strategic Goal: 3*

### B4. Smarter Decision-Making

Our current analytical tools and skill sets provide a limited ability to learn from TSP and marketplace activity and data in order to project future state and participant behavior. We will improve our data mining and business intelligence capabilities; broaden research and analysis relating to our participant population; and engage in the benchmarking of the Plan, key operational processes, and costs.

The intent of such a review would also provide a road map for future procurement processes for the TSP, particularly as assets grow well past \$300 billion.

*Alignment with Strategic Goals: 1, 3*

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<sup>8</sup> This study will: 1) identify viable platforms for the recordkeeping systems (alternative to the mainframe); and 2) design platforms to meet Recovery Point Objectives and Recovery Time Objectives established by conducting a Business Impact Assessment (BIA).



## C1. Integrated Financial Management Information System (IFMIS)

Implementation of a fully functioning integrated financial management system within the Agency will improve governance by providing real-time financial information that managers can use to administer programs effectively, formulate budgets, and manage resources. Sound IFMIS systems, coupled with the adoption of centralized Treasury operations, will not only help our agency improve control over finances, but will also enhance transparency and accountability, identify opportunities for greater efficiencies, and deter the opportunity for fraud.

*Alignment with Strategic Goals: 3, 4*

## C2. New Media Communications

For years, the TSP has relied heavily on print and Web for delivering our messages to participants. We understand that technology, demographics and participant expectations are changing and we need to adapt to those participants who seek greater engagement through email, text, and social media. In recognition of the changing demographics of the Plan, we will develop and implement strategies to deliver compelling programs, tools, and messaging to Federal employees of all levels and at all points in their careers.

*Alignment with Strategic Goal: 1*

## C3. Retirement Income Strategies

With the retirement of the Baby Boomer generation and the increasing importance of individual responsibility for retirement savings, the TSP will play a greater role in the retirement security of its participants. Providing the tools to assist participants in appropriate planning and affording a degree of flexibility in the retirement-related drawdown options available to participants will be vital. A comprehensive approach will encompass potentially restructuring the withdrawal options, examining the annuitization options, expanding education, making appropriate internal policy decisions, gaining any needed legislative and regulatory approvals, and effecting systems changes.

*Alignment with Strategic Goal: 1*

# Summary

The Federal Retirement Thrift Investment Board enjoys unique opportunities and challenges. The Agency has experienced strong historical growth and all indications point to the continued growth in accounts and assets. As benefits, services, and delivery methods evolve to meet the needs of our growing and increasingly diverse participant base, the Plan's complexity will also increase.

Looking forward, we recognize that we must build greater capacity and infrastructure to continue to provide high quality, efficient, accurate, and secure services to a population that could exceed 6 million participants in five years. Consequently, a critical effort will be to build the human capacity needed to implement the programs and enhancements identified. From there, our efforts over the next several years will be directed toward strengthening systems and streamlining processes.

Our attention will also focus on efforts that directly impact our participants. Expanded communications tools and methodologies will be made available. We will initiate new media communications and start developing our overarching approach to helping participants improve their TSP retirement adequacy, preparation, and planning. Additionally, we will re-examine the possibility of offering a mutual fund window to provide greater investment flexibility.

As the Agency matures, we look back over the past 25 years to celebrate our tremendous success and look forward to enthusiastically embracing the growth, activity, and change that lies ahead.