FEDERAL RETIREMENT THRIFT INVESTMENT BOARD
77 K Street, NE Washington, DC 20002

MINUTES OF THE MEETING OF THE BOARD MEMBERS

February 27, 2024

Michael F. Gerber, Chair of the Federal Retirement Thrift Investment Board, convened a meeting of the Board members on February 27, 2024, at 10:00 a.m., Eastern Daylight Time. The meeting was held at the Board's offices at 77 K Street, NE and was open to the public via teleconference. In attendance were Dana K. Bilyeu of Oregon, member; Leona M. Bridges of California, member; Stacie Olivares of California, member; Ravindra Deo, Executive Director; Dharmesh Vashee, General Counsel and Secretary; Suzanne Tosini, Chief Operating Officer and Deputy Executive Director; Kimberly A. Weaver, Director, Office of External Affairs; Gisile Goethe, Director, Office of Resource Management; James Courtney, Director, Office of Participant Experience; Sean McCaffrey, Chief Investment Officer; Vijay Desai, Chief Information Officer; Thomas Brandt, Chief Risk Officer; and Trevor Williams, Chief Financial Officer.

Welcome.

Chair Gerber called to order the monthly meeting of the Federal Retirement Thrift Investment Board (FRTIB or Agency) at 10:02 a.m. and welcomed everyone present to the meeting.

1. Approval of the Minutes of the January 23, 2024, Board Meeting.

Chair Gerber entertained a motion for approval of the minutes of the January 23, 2024, Board meeting. The following motion was made, seconded, and adopted without objection:

> MOTION: That the minutes of the Board meeting held on January 23, 2024, be approved.

2. Monthly Reports.

Mr. Deo then gave opening remarks and provided a summary of the agenda.

a. Participant Activity Report

Mr. Courtney reviewed the monthly Participant Activity Report. See "Participant Activity Report January 2024" (attached). He reported that the Thrift Savings Plan (TSP) added a net of more than 10,000 new participants in January, bringing the total number of participant accounts to over seven million. Additionally, the Agency issued nearly seven million annual statements to participants over the past month. Lastly, he noted that the average wait time to speak to a ThriftLine representative in January was 40 seconds, with 80 percent of callers waiting 20 seconds or less. Caller satisfaction was over 93 percent.

In response to a question from Member Bilyeu, Mr. Courtney confirmed that the number of hangups are tracked and that there was a very low abandonment rate for January.

b. Investment Report

Mr. McCaffrey reviewed the monthly performance relative to benchmarks for the TSP's investment managers. See "January 2024 Investment Program Review" (attached). For the month of January, BlackRock's performance for the F Fund exceeded the Fixed Income Index's return by nine basis points, primarily due to a difference in the timing of pricing by the index provider and by BlackRock on the last trading day of December 2023. Performance for the C and S Funds matched the funds' respective indices. Finally, BlackRock's performance for the I Fund trailed the International Index by 86 basis points, primarily due to fair value pricing.

For State Street in January, performance for the F Fund was ahead of the Fixed Income Index's return by nine basis points, primarily due to year end pricing differences. Performance for the C and S Funds matched the Funds' respective indices for the month. Last, State Street's performance for the I Fund lagged the International Index by 54 basis points, primarily due to fair value pricing.

Mr. McCaffrey reported that large cap stocks outperformed in January, leading to modest gains for the C Fund while the S Fund ended with a loss. Further, the I Fund's return was just slightly negative due to both strength in the dollar and the impact from fair value pricing. Longer-term interest rates edged higher, contributing to a small loss in the F Fund. All L funds finished higher.

As of market close on Monday, February 26, 2024, the C Fund gained 4.75 percent for the month-to-date, the S-Fund gained 4.87 percent, and the I Fund increased 2.91 percent. The F Fund was down 1.63 percent largely because market interest rates have again moved higher. The G Fund earned 0.30 percent.

Mr. McCaffrey next reviewed the L Funds' participation and interfund transfer (IFT) rates. He noted that participation in the L Funds has continued to increase, driven primarily by the automatic enrollment of new participants. IFTs raised no concerns during the month of January, with 2.6 percent of accounts moving money between Funds. This was slightly higher than the long-run median of two percent. There was almost 900 million dollars of net outflows from the G Fund and about 1.15 billion dollars of net outflows from the I Fund, most of that favoring the C Fund with a meaningful amount to the S Fund.

c. Legislative Report

Ms. Weaver provided the legislative report. Funding for four appropriations bills runs out at midnight on Friday, March 1, 2024, for the Department of Agriculture, Department of Energy, Department of Transportation, Department of Housing and Urban Development, and Department of Veterans Affairs. Should there be a shutdown, roughly 100,000 employees could be furloughed. She noted that FRTIB is ready in case individuals need loans or assurance that their loan repayments will not be foreclosed on due to their inability to repay out of their paycheck.

3. <u>Quarterly Metrics Report</u>.

Mr. Brandt provided an overview of the Agency's performance metrics for the first quarter of fiscal year 2024. See "FY24 Q1 Metrics Report" (attached). Mr. Brandt reported on two metrics for which the Agency did not meet its target this quarter. The first was participant overall satisfaction, which dropped to 82 percent from 87 percent the prior year. Mr. Brandt noted that 82 percent is still on par with the Employee Benefit Research Institute (EBRI) Index, which was also 82 percent, and that several actions have been taken since the annual survey was administered that should address this metric. Mr. Brandt also reported that results for the employee satisfaction metric, which is based on the Federal Employee Viewpoint Survey (FEVS), fell below their target, but there was an increase from the prior year's results.

In response to a question from Member Olivares, Mr. Brandt explained that the Agency develops the target for the one-year Federal Employees Retirement System (FERS) post-separation retention rate by looking at a variety of factors around participant makeup, retirement eligibility of the population, and segments that make up the population and then evaluating what a reasonable expectation would be for each of those segments.

4. <u>Enterprise Risk Management Update</u>.

Mr. Brandt also provided the Enterprise Risk Management (ERM) update. See "Enterprise Risk Management Update" (attached). Of the 12 risks identified for tracking, five have scored at medium-high, five at medium, and two at medium-low. Per the Agency's policy, any risks that are scored at medium-high or higher require the development of a risk treatment plan. For 2023, those are procurement, contract management, cybersecurity, supply chain risk management, and reputational risk of TSP operations to customer experience.

Regarding the risk treatment plan for procurement, Mr. Brandt explained that this was a risk associated with how the Agency manages performance-based contracts. Through training for the Agency's Contracting Officers' Representatives (COR) and additional activities to enhance procurement actions such as additional focus on adherence to schedules and milestones and more frequent meetings between procurement and program offices on contract objective actions, the Agency is on track to reduce this risk score from medium-high to medium.

Mr. Brandt explained that the contract management risk is related to the sufficiency and skills of the Agency's CORs. Accomplishments here include training, increasing oversight of COR contract assignments to ensure appropriate levels of coverage, and ensuring the Agency's CORs have the appropriate levels of certification. As a result of those actions and others throughout the year, the Agency expects to reduce this risk score from medium-high to medium.

In response to a question from Member Bilyeu, Mr. Brandt explained that the Senior Procurement Executive (SPE) holds customer engagement meetings with each of the Agency's offices throughout the year to assess how procurements are going and to gain feedback on whether actions associated with the contract management risk treatment plan are addressing the Agency's concerns. For example, as CORs attend training, the SPE gets feedback from their office directors on the training's usefulness.

Mr. Brandt then discussed the cybersecurity risk treatment plan. The Agency expects this risk score to remain at medium-high but to drop several points within the medium-high range. A notable accomplishment in this area was Cybersecurity Awareness Month. The Agency sent out newsletters, held trainings, and brought in outside speakers to enhance the workforce's cybersecurity awareness. In response to a question from Chair Gerber, Mr. Brandt explained that it is possible this risk score could move to medium when the Agency assesses it as a part of the 2024 enterprise risk management cycle. However, the Agency has to factor in changes in the cybersecurity landscape, such as the introduction of Artificial Intelligence (AI) and its use to manipulate, and perhaps perpetuate, fraud. Although the risk treatments that were implemented to address cyber risk as it was identified in 2023 were on target, the nature of the cyber risk landscape continually evolves.

To address supply chain risk, Mr. Brandt reported that the Agency hired a third-party risk analyst. At the end of the fourth quarter, the Agency also reviewed, refreshed, and updated internal policies and procedures and enhanced the Vendor Risk Report the Agency provides to the Board. Through those efforts, the Agency expects that this risk score should be reduced from medium-high to medium during the next assessment.

Regarding the reputational risk of TSP operations, Mr. Brandt noted that a variety of actions have been taken to address customer and stakeholder concerns to help manage this risk, including assessing, analyzing, and acting on participant feedback, carefully measuring and holding Agency vendors accountable for performance, and addressing and acting on feedback the Agency receives. As a result, the Agency expects that this risk score should be reduced from medium-high to medium during the next assessment.

Finally, Mr. Brandt provided a brief look at some of the other initiatives the ERM team has underway, which include implementing its integrated risk management tool and developing an ERM subject matter expert (SME) community of interest encompassing SMEs from across the Agency. This group first convened at an emerging risk workshop in December 2023 where the top emerging risk identified was AI. In response to a question from Member Bilyeu, Mr. Brandt explained that SMEs included the Chief Information Security Officer, the Chief Privacy Officer, and others from the Office of General Counsel and Agency program offices.

5. ORM Annual Office Update.

Ms. Goethe provided the Office of Resource Management (ORM) Annual Update. See "Office of Resource Management Update" (attached). She presented ORM's organization structure and noted that the office currently has 28 employees. In response to a question from Member Bilyeu, Ms. Goethe noted that the two vacancies in the office are support roles: an administrative specialist and program support in the Management Operations Division. In response to an additional question from Chair Gerber, Ms. Goethe provided that the number of ORM employees has decreased over time.

Ms. Goethe explained that ORM's overall function is to partner with Agency leadership by developing and delivering programs that support the Agency mission and its employees. The Human Resources Division is responsible for all human capital programs. The Business Continuity and Security Services Division provides expertise on the Agency Business Continuity Program, personnel and physical security, and the Agency's Insider Threat Program. The Management Operations Division is responsible for internal administrative programs, including records management, travel policy and program, and the office-level budget ORM manages. Lastly, the Equal Employment Office, a separate component of ORM, manages Equal Employment Opportunity compliance and complaints reporting.

Ms. Goethe then discussed some of ORM's accomplishments in 2023, including executing reorganizations for several offices following the transition to a managed service model, closing out the Agency's lease for two floors at Agency headquarters, and adjudicating 334 background investigations while transitioning from the e-QIP platform to the new eApp.

Ms. Goethe then explained the Agency's backfill process, which requires office directors with vacant positions to submit a written justification for backfill to a subcommittee of the Agency's Executive Leadership Council. The subcommittee provides a recommendation to the Executive Director, who determines whether the position may be backfilled. Ms. Goethe stated that this process, along with a robust training and development strategy, aided ORM's goal in creating a workforce of the right size and skills. ORM also reviewed what would change based on the transition to managed services and focused on providing general and technical skills training to assist with this transition. For example, ORM provided training on building effective relationships with vendors.

Ms. Goethe also discussed the Agency's attrition rate, which includes separations due to retirement, resignation, and transfers from FRTIB to another federal agency. She explained that while the Agency's attrition rates over the last three years do seem high, these rates are in line with governmentwide attrition rates. In response to a question from Member Bridges, Ms. Goethe explained that a majority of the separations were transfers to other federal agencies.

In response to questions from Chair Gerber, Ms. Goethe provided that increased telework has not impacted the Agency's ability to onboard and acclimate new employees. She noted that even when employees were fully remote during the pandemic, the Agency had a robust onboarding program. In addition to a half-day orientation on their first day, new employees spend an additional day learning about the Agency, its fiduciary status, compliance obligations, and strategic plans. New employees also meet with the Agency's Executive Director during this program as he discusses Agency goals and expectations for the staff. Ms. Goethe explained that the Agency has been consistent, through the pandemic and upon return to work, in ensuring new employees have the support they need in adapting to their roles at FRTIB.

Ms. Goethe concluded her presentation by discussing the ten human capital framework focus areas. First, under workforce planning, Ms. Goethe drew attention to the Agency's competency assessment. Both the employee and supervisor complete the assessment to identify gaps in the employee's skills and competencies. This assessment, along with supervisor input, informs the employee's training plan. Second, to enhance recruitment and outreach, ORM has expanded and streamlined the public-facing Careers page on FRTIB's website to include information about the Agency, recruitment efforts, and some benefits. Additionally, interested applicants can see an Agency-branded search page on USAJobs that lists all FRTIB vacancies.

Third, for employee development, ORM administers several individual development programs such as the Mentor Program, Academic Degree Program, and the Employee Coaching Program. Additionally, ORM held several general skills workshops with themes such as customer service, organizational savvy, and managing up.

Fourth, Ms. Goethe discussed the Agency's leadership development programs. For example, the Executive Development Program, open to high-performing GS-14 and GS-15 employees, is designed to prepare leaders for more senior-level positions, including those within the executive ranks. ORM also has executive coaching opportunities for GS-14, GS-15, and senior executive employees to help them focus on specific leadership areas. In response to questions from Members Bilyeu and Bridges, Ms. Goethe provided that four individuals, primarily at the GS-15 level, were selected for the Executive Development Program. She listed several executive development programs available to these employees such as the Office of Personnel Management's

(OPM) Leadership for a Democratic Society Program or Harvard Kennedy School's Executive Fellows Program, which is highly competitive and geared towards federal employees.

Fifth, under employee retention, Ms. Goethe noted that ORM conducts both exit and stay interviews throughout the year. Exit interviews determine why an employee is leaving and what the employee views as FRTIB's strengths and weaknesses. These interviews help the Agency determine how to improve. In stay interviews, ORM asks high-performing employees why they continue to work for the Agency, allowing them to assess the degree of employee satisfaction among the Agency's high-performing staff.

Sixth, to support knowledge management, ORM developed a tool for supervisors to capture the knowledge of an employee who is departing the agency. Seventh, to support work-life balance, ORM created a program called "Ask the Expert." Each quarter, a Human Resources staff expert is available for employees to drop in and ask any question on that quarter's topic. Quarterly topics have included retirement benefits and incentive programs.

Eighth, for performance management, ORM continues to develop resources, policies, and procedures including one on non-monetary recognition. She also highlighted the Agency's Honorary Awards Program for which an employee recognition ceremony is held each spring. Ninth, to strengthen diversity and inclusion, ORM is looking to partner with organizations that serve underrepresented communities to expand the Agency's hiring outreach. Ms. Goethe also pointed to the Workforce Recruitment Program, which allows the Agency to connect with college students, graduate students, and recent graduates who are persons with disabilities.

Lastly, in the area of strategic alignment and evaluations, Ms. Goethe provided that ORM developed a Human Capital Operations Plan to track progress for all of the initiatives discussed and reports out quarterly on the status of the goals set under that plan. Additionally, Ms. Goethe mentioned other areas of accountability, such as HR internal audits and the OPM Staffing and Recruitment Audit. In response to questions from Chair Gerber, Ms. Goethe provided that the Agency's biggest challenge is ensuring supervisors are continually supported. She confirmed that her office had the resources needed to manage this ongoing challenge.

6. <u>FEVS Update</u>.

Ms. Goethe presented the results of the FEVS for 2023. See "2023 FRTIB Federal Employee Viewpoint Survey Results" (attached). OPM conducts the FEVS annually with the intent to gauge government-wide perceptions of employees on their organization, workplace, work unit, and leadership. In 2023, 74 percent of FRTIB employees responded and completed the survey. Ms. Goethe noted that the response rate is up from 64 percent in 2022.

Ms. Goethe touched on actions taken since the FEVS was published such as briefing Agency employees on the results of the FEVS and providing reports to the larger offices within the Agency. These reports aid office leadership in determining their challenge areas.

In response to a question from Chair Gerber, Ms. Goethe explained that negative responses at 35 percent or higher are considered challenges and positive response rates below 65 percent may also be considered a challenge. Ms. Goethe noted that areas the FRTIB continues to make incremental improvements in are employee engagement and perceptions around senior leadership. Ms. Tosini emphasized that one continual strength for the Agency is the Agency's supervisors.

Ms. Goethe then highlighted the profiles of Agency employees who took the FEVS. Of those who responded, 47 percent were female, 58 percent were career federal employees with more than 10 years of tenure in the federal government, and 24 percent also indicated that they served in the military.

Regarding the FEVS results, Ms. Goethe first provided that of the 91 questions total, 89 questions had the response options "Strongly agree," "Agree," "Strongly disagree," "Neither agree nor disagree." These responses are grouped into positive, neutral, and negative responses. For these questions, 76 percent of responses were 65 percent positive or higher, and 12 percent of responses were about 90 percent positive or higher. Ms. Goethe noted that the Agency did not have any questions where the negative responses were 35 percent or higher.

Next, Ms. Goethe discussed the results relating to the four FEVS indicators: performance confidence; diversity, equity, inclusion, and accessibility (DEIA); employee engagement; and global satisfaction. The overall confidence rating for the performance confidence index was 93 percent. This number has remained high over the last four years, and it increased by four percentage points from 2022. Next, the overall confidence rating for the DEIA index was 78 percent. This number increased by two percentage points from 2022. The overall employee engagement index was 77 percent positive. The overall global satisfaction index had a 70 percent positive response rate. The questions on the global satisfaction category addressed employees' satisfaction with their job, the pay they receive, the Agency and whether the employee would recommend the Agency as a good place to work. FRTIB uses responses to questions from the performance confidence, employee engagement, and global satisfaction indexes to measure the Agency's employee satisfaction metric mentioned earlier in the board meeting.

Ms. Goethe next provided a more in-depth view of the employee engagement index, which is important because it is used to determine the Agency's rank as a great place to work, based upon the Agency's size. There are three categories surveyed: leaders lead, supervisors, and intrinsic work experience. The positive responses for all three categories have largely remained consistent for the past three years. Ms. Goethe noted that there were minor decreases in three of the five questions relating to supervisors. However, positive response rates for supervisors continue to exceed those of the governmentwide response rate. Ms. Goethe provided that overall, there was a slight increase from 2022.

Ms. Goethe next turned to the Agency-specific questions regarding FRTIB's core values for which positive response rates were high. Regarding the Agency's 2023 FEVS results, Ms. Goethe provided that FRTIB has made a significant increase from some of the results in 2022.

In response to a question from Member Olivares, Ms. Goethe explained that, for the employee engagement index, leaders are defined as the leaders or supervisors above the employee's immediate supervisor. In response to a question from Member Bridges, Ms. Goethe provided that Agency employees have accepted the Agency's current teleworking model.

7. Adjourn.

On a vote taken by the Chair, the members closed the meeting at 11:11 a.m. for executive session.

At 3:40 p.m., upon completion of the executive session, the members reconvened the open portion of the meeting.

Whereupon, there being no further business, the following motion was made, seconded, and adopted without objection and Chair Gerber adjourned the meeting at 3:40 p.m.

MOTION: That this meeting be adjourned.

Digitally signed by DHARMESH VASHEE
Date: 2025.02.10 14:48:24 -05'00'

Dharmesh Vashee
General Counsel and Secretary

Attachments

1. Participant Activity Report January 2024
2. January 2024 Investment Program Review
3. FY24 Q1 Metrics Report
4. Enterprise Risk Management Update
5. Office of Resource Management Update
6. 2023 FRTIB Federal Employee Viewpoint Survey Results