2017-2021 Strategic Plan
(with Addendum)

FEDERAL RETIREMENT THRIFT INVESTMENT BOARD

THRIFT SAVINGS PLAN

1986

Helping People Retire With Dignity

We Help People Retire with Dignity

We provide federal civilian employees and members of the uniformed services with the information and tools to prepare for a secure retirement.

Our Mission

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

Our Vision

- We achieve flawless operations.

- We help participants make smart choices.

- We spend participant money wisely.

- We make the FRTIB a great place to work; and a place where great work gets done.

- We create excellent relationships with TSP stakeholders.

Our Core Values

Participant-Focused

- We are passionate about delivering services that improve financial outcomes for participants.

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

- We value the interests of participants above those of all others.

Integrity

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

- We ensure the security and financial integrity of the Thrift Savings Fund.

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

Collaboration

- We value diversity and respect each other's ideas and contributions.

- We encourage open, candid dialogue and foster relationships based on trust and shared objectives.

- We build partnerships to achieve greater outcomes than we could alone.

Introduction

This strategic plan is a blueprint for the work that the Federal Retirement Thrift Investment Board (FRTIB) will undertake during the next five years in its administration of the Thrift Savings Plan (TSP/Plan). The strategic plan defines our purpose and whom we serve, our ideal future state, and our fundamental beliefs on how we operate, make decisions, and foster our organizational culture. In addition, the plan outlines the strategic goals, enterprise objectives, and milestones by which we will address specific challenges and exploit opportunities for enhancement over the next five years. It establishes the framework for measuring our progress toward attaining the vision of the ideal state and outlines the steps we will take toward that vision over the course of the next five years. Furthermore, the strategic plan is the principle vehicle we use to inform our stakeholders of where we will concentrate our efforts and direct resources.

Our strategic plan establishes agency-level priorities and facilitates decisions we make about resources needed to implement our goals and objectives, including budget, time, and people. The strategic plan has been developed within our enterprise planning framework, which helps us to onboard, prioritize, implement, and report on strategic initiatives, while providing the flexibility to adapt to a changing environment. Our Enterprise Planning Process (EPP) improves organizational awareness through the continual monitoring of our performance and the identification of our successes and areas for improvement.

Our History

The Federal Retirement Thrift Investment Board (FRTIB) was created by the Federal Employees' Retirement System Act of 1986 (FERSA) to administer the Thrift Savings Plan as one element in the three-part retirement pro¬gram for employees covered under the Federal Employee Retirement System (FERS). In the nearly thirty years since the TSP received the first civilian contributions, it has expanded to cover members of the uniformed services (largely voluntary, non-matched contributions) and spousal beneficiaries. It is now the largest defined contribution retirement plan with more than 4.9 million participants and nearly $470 billion in assets under management. While the Plan's growth over the past thirty years represents a tremendous success, expectations of additional growth, demographic changes, and the need for infrastructure and service enhancements present new challenges for the Agency. We are committed to identifying and addressing these challenges as well as recognizing and leveraging opportunities to improve TSP participants' ability to retire with dignity.

Building Foundations and Getting Smarter: A Recap of the 2013-2017 Strategic Plan

During the years covered by the 2013 -2017 Strategic Plan, we focused on strengthening our foundations. This effort to reinforce our foundation was focused on the following key strategic areas: improving information technology (IT) security, establishing an enterprise risk framework, implementing a robust human capital plan, and expanding our capability to make more data-driven decisions.

With the creation of the Enterprise Information Security and Risk Management (EISRM) program, we acknowledged the need to improve our IT policies and security posture. While IT security is an ongoing and continuously evolving challenge, we laid the foundation of our response to this challenge by updating our EISRM policy to ensure continuing compliance with the Federal Information Security Management Act (FISMA) and completing the assessment and authorization of 19 information systems. Most importantly, we created an Information Assurance Division (IAD) within our Office of Technology Services. IAD focuses on establishing and maintaining the Agency's strategy and programs to ensure information assets are adequately protected. This includes protection of personally identifiable information (PII) and sensitive financial information of our participants and beneficiaries from inappropriate access, use, and disclosure.

We also recognized a need to better understand and address risks to our enterprise in a more holistic manner. Consequently, we created the Office of Enterprise Risk Management (OERM)

as the first step along the maturity spectrum of understanding and addressing enterprise risks. OERM enhances enterprise governance by embedding risk management into Agency operations and strategic decision making. OERM is composed of five teams: Anti-Fraud, External Audit Coordination, Internal Audit, Internal Controls, and Risk Assessments. These teams represent the various disciplines in our holistic approach to recognizing, preventing, controlling, and responding to risks.

A key component of our prior strategic plan was tied to developing a Human Capital Plan—a framework for aligning and planning staff recruitment against Agency plans and budget and a guide for identifying the skill sets and training needed to support the business. This Human Capital Plan was crucial in arming the Agency with the tools needed to support the considerable growth in staff experienced from 2013 to 2017. Additionally, the Human Capital Plan strengthened our performance management; introduced enterprise change management; and fostered greater employee development, training, and mentoring.

Finally, we improved our ability to make data-driven decisions. We enhanced our decision intelligence capability by completing a benchmarking of our Plan benefits and services, operational processes, and costs against the defined contribution/financial institution space; conducted a comprehensive impact study of our communication materials and channels; and implemented technology to better facilitate the examination of participant behavior. We also surveyed participants to learn more about their preferences and withdrawal behaviors and hired professionals who greatly strengthen our ability to draw information from data by analyzing, testing, and projecting.

In addition to these strategic initiatives, we also completed other notable achievements, including successfully gaining legislative authority for and implementing the default investment allocation to the age-appropriate Lifecycle (L) Fund for auto-enrolled participants, implementing the tax penalty changes to the Internal Revenue Code regarding public safety employees, and completely restructuring our recordkeeping contract (now

referred to as Technology Enterprise Support Services or TESS). We continue to adapt to a rapidly changing environment that includes significantly higher audit activity and an increased focus on the mitigation of IT vulnerabilities.

We successfully executed the initiatives identified in our 2013 – 2017 Strategic Plan, and the lessons learned from many of these efforts have informed and shaped several of the strategic initiatives identified in the 2017- 2021 Strategic Plan.

The Environment in Which We Operate

Legacy Information Technology Architecture

The current IT architecture dates back to our 2003 transition to the recordkeeping system OmniPlus. While OmniPlus is at the core of our plan administration platform, the enterprise IT architecture comprised multiple other applications and hardware. Since 2003, we have improved functionality and capacity in portions of the architecture, but we have not conducted a comprehensive overhaul of the IT architecture. As a result, we are now operating in an IT environment that has grown organically, is not integrated, and relies upon end-of-life software products, many of which are custom-coded and have duplicative functionality. These deficiencies lead to lengthy implementations of enhancements, constrained system integration efforts, an inability to adopt innovative technology, difficulty in accessing and analyzing data, and security vulnerabilities.

Our outlook: Significant challenges

Modernizing the IT architecture is a complex and necessary effort that supports our business mission, aligns with our strategic goals, and moves us to a future state that applies best practices of IT system design. We believe that a move to a Service Oriented Architecture (SOA), which consists of loosely coupled, highly cohesive modular software components wrapped in Application Program Interfaces (APIs), will eliminate our key deficiencies and allow us to take advantage of innovative

software products and technologies. In addition, it will facilitate the addition and removal of commercial or custom applications with no or limited impact on other components of the architecture and will greatly improve our data access. Thus, we will be able to more quickly respond to environmental and service changes and adopt best practices in plan administration. Most importantly, a new IT architecture provides an improved guard against cybersecurity threats, which will be discussed in more detail in the following section. We do recognize that this effort is a massive undertaking and will consume the bulk of our IT resources, thus limiting our ability to implement other IT-dependent initiatives. Furthermore, the implementation of a new IT architecture must be managed in an organized manner to reduce the risk to our business systems and enterprise security posture.

Cybersecurity Threats

Cybersecurity is an ongoing and continuously evolving challenge. This threat is faced by public and private sector organizations alike and is one that requires specialized skillsets and technologies to manage. Because the frequency and intensity of cyber threats are expected only to increase, organizations are focusing more intently on the quick identification and containment of these threats, sometimes with a trade-off of service delivery/availability.

Our outlook: Significant challenges

It is imperative that we continuously improve and strengthen our security posture and ensure that our information technology is both trustworthy and resilient. The increase in cyberattacks has shifted the focus and priority for how enterprises are designed, implemented, and operated to provide services over the Internet. The Agency's current architecture must be hardened and matured in areas like access control and multifactor authentication to strengthen our cyber posture. Additionally, cybersecurity must be embedded as a core element of our business processes and reflect the best practices of industry and government. Our commitment to a secure environment will require the appropriate mix of people, policy,

and technology and, across the next several years, will require a revamped architecture. In the near term, this commitment will place constraints on our ability to implement new initiatives and will potentially impact daily operations (e.g., result in extended outages). However, this emphasis will not only result in enhanced security but will ensure new services and features reside in a more secure environment.

Legislative Landscape

While the priorities of the next administration are not yet known, it is likely that federal budgetary pressures will continue. Downward pressure on the federal budget has frequently translated into pressure on federal employee pay and benefits. Some of these changes could impact TSP participants and the Plan.

The National Defense Authorization Act that passed in late 2015 authorized the new Uniformed Services Blended Retirement System (BRS), which will make the TSP a more significant component of the retirement plans of many uniformed services members. We are mandated to have this new system, which includes matching and automatic service contributions for covered members, in place on January 1, 2018.

Our outlook: Cautious optimism

BRS represents a major opportunity to increase retirement benefits for members of the uniformed services. Participation rates for active duty uniformed services members have not exceeded 45% since they became eligible to contribute to the TSP without agency

contributions in 2001. With BRS, which will be mandatory for new members and optional for members with fewer than 12 years of service, increased numbers of uniformed services participants will result in significant growth for the Plan. Estimates of participant growth in the first two years of BRS have been in the range of 500,000 – 600,000 new uniformed services participants. Implementing the new system will consume significant resources and require us to address increased capacity needs in back-end and participant-facing technology and services.

Regulatory Oversight

Over the past two years, the Employee Benefits Security Administration (EBSA) has dramatically increased the number of Plan performance audits from 5 - 6 annually to 20-25 annually. While increased audits benefit the Plan and our participants by identifying areas for improvement, the FRTIB must adjust staffing levels to support the increased number of audits.

Our outlook: Cautious optimism

The FRTIB has added staff but needs additional support in offices absorbing the bulk of the audits in order to field and respond to audits and remediate findings. Additionally, it will be critical for us to coordinate with EBSA on the schedule and scope of audits. We will also increase our focus on internal controls and continuous improvement activities as a means of root-cause mitigation of potential process weaknesses.

Investment Environment

Expectations in the United States for modest economic growth and a slight rise in inflation over the near term, along with low unemployment, come amidst a backdrop of slower growth and inflation in other developed markets and some developing economies. Such potential headwinds have continued to put into question the ability of our economy to gain momentum and have created uncomfortable market disruptions at times. The possibility of these conditions persisting and impacting both equity and fixed income markets could lead to continued uncertainty or participants.

Our outlook: Cautious optimism

Historically, our participants have been resilient in down markets. Even dips in participation and contribution deferral rates during the 2008 recession were reversed quickly. The inertia of our growing automatically enrolled population decreases the likelihood of participants overreacting to shifting economic winds, but a slower economy and more volatile markets may challenge some participants at the end of their careers and cause them to reconsider their retirement plans or their withdrawal decisions.

Defined Contribution Industry

The DOL fee disclosure rule continues to reshape the focus of the defined contribution industry as plan sponsors and participants pay greater attention to fees. Additionally, there has been a marked shift in focus from balance accumulation to improved retirement outcomes and readiness. The emphasis on retirement readiness reflects concerns about participants being able to retire with sufficient savings, understanding the implications of longevity risk, and converting account balances into retirement income.

Our outlook: Favorable

The TSP has been able to consistently provide a low-cost defined contribution plan. While we have communicated this advantage over the years, awareness of plan fees has seeped into the general market consciousness and conversation. This awareness favors the TSP as the low-cost option for consolidating retirement assets and retaining these assets after separation from service. As we consider the pros and cons of providing services to assist participants in retaining and consolidating qualified balances in the TSP, as well as offering retirement-focused financial advice, we must carefully consider the implications of the new DOL fiduciary rules on the TSP and our service providers.

Responding to the Environment

We examined our environment, both internal and external, and harnessed the insights and outputs from the 2013-2017 Strategic Plan. This led to the development of four key goals for the 2017-2021 Strategic Plan:

- **Goal A** – Implement a physical and technology infrastructure that optimizes and supports plan administration, agency operations, and the evolution of a new participant experience

- **Goal B** – Ensure that the FRTIB has the right skills, competencies, and leadership at all levels

- **Goal C** – Optimize business processes to allow continuous improvement of TSP and Agency operations

- **Goal D** – Develop a new participant experience that enables participants to identify and achieve their targeted retirement outcomes

Within each of these strategic goals are more specific objectives that define how we will achieve the goal and milestones that will measure our progress toward achieving our objectives.

The strategic goals for 2017 through 2021 have been developed to address four key areas: infrastructure, people, processes, and participants. While we will pursue objectives and initiatives in all goal areas over the course of the five year strategic period, we will concentrate efforts on new information technology (IT) architecture, the Blended Retirement System, and audit remediation during the early part of this strategic cycle, before turning to the other initiatives. The prioritization of strategic initiatives will be addressed later in this plan. The following pages outline the four strategic goals and enterprise objectives, along with associated milestones.

Strategic Goal Focus over the Next Five Years
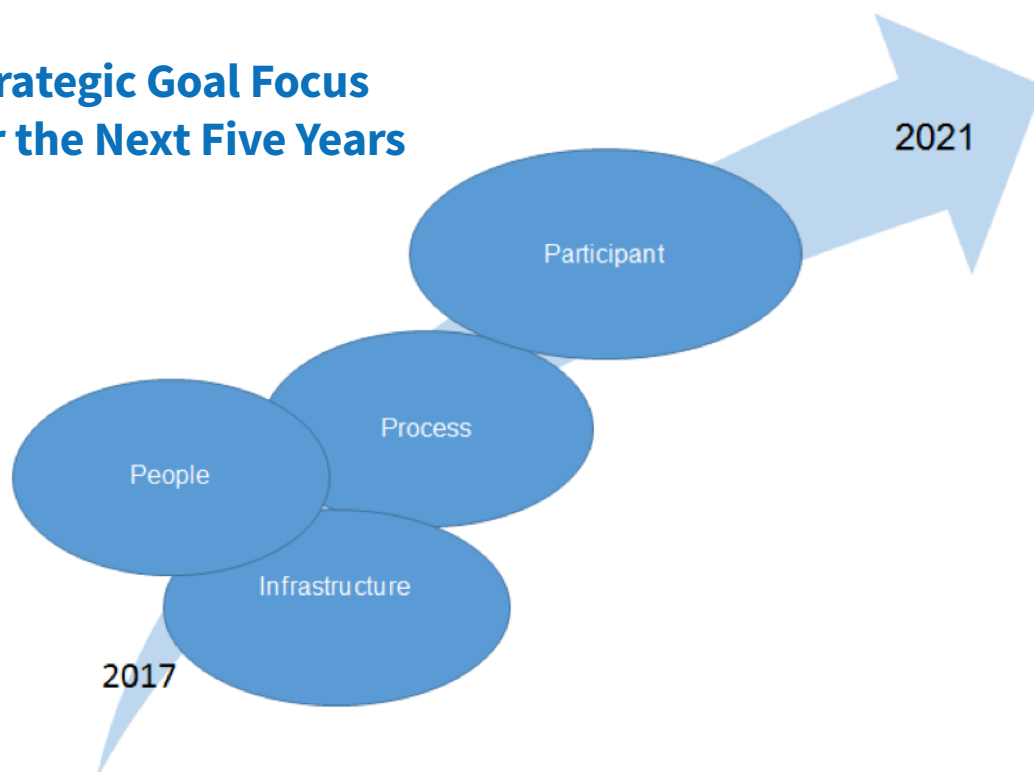
People · Infrastructure · Process · Participant · 2017 · 2021

Goal A	Implement a physical and technology infrastructure that optimizes and supports plan administration, agency operations, and the evolution of a new participant experience

Enterprise Objectives

A1. Build and operate a highly scalable, integrated, available, compliant, adaptable, and increasingly secure IT environment

Milestones

A1.1. Define and approve the IT Target Architecture

A1.2. Implement and operationalize the IT Target Architecture, which includes application portfolio modernization

A1.3. Implement and operationalize policies and technology that strengthen our cybersecurity posture

A1.4. Define and implement a rigorous set of IT asset management controls

A1.5. Define and maintain IT internal controls that enhance risk mitigation

A1.6. Assess and report on key IT internal controls

A2. Provide a physical work environment that is safe, secure, adaptable, and resilient

Milestones

A2.1. Validate Business Impact Analysis (BIA) and establish a two-year cycle for updates to BIA

A2.2. Establish a fully operational Continuity of Operations Plan

A2.3. Develop and implement an enterprise space management plan

Goal B

Ensure that the FRTIB has the right skills, competencies, and leadership at all levels

Enterprise Objectives

B1. Identify the skills and talent needed to support a new participant experience

Milestones

B1.1. Complete skills assessment to include identifying new skill requirements, current competencies and proficiency levels, and skill needs for our workforce

B1.2. Implement strategies to address findings from the skills assessment

B2. Understand and strengthen individual and enterprise capacity to meet mission needs

Milestones

B2.1. Establish a framework to delegate decision-making authority to the appropriate employee level, in order to alleviate bottlenecks with single points of authority

B2.2. Implement a resource management system that can identify, allocate, and forecast resources for plan administration, agency operations, and project and program teams

B3. Establish a strong organizational culture that exemplifies our core values

Milestones

B3.1. Embed clear expectations for executives, managers, and staff regarding core values as part of performance plans

B3.2. Establish a methodology to measure the extent to which we operate according to our core values

<table>
<tr><td>**Goal C**</td><td>**Optimize business processes to allow continuous improvement of TSP and Agency operations**</td></tr>
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Enterprise Objectives

C1. Identify the skills and talent needed to support a new participant experience

Milestones

C1.1. Verify ownership and accountability for business processes

C1.2. Develop a risk-based methodology to more holistically evaluate audit findings

C1.3. Assess and monitor internal controls for key business processes

C1.4. Synchronize key business processes with existing policies, procedures, the business continuity plan, and internal controls and establish their central and readily available location

C2. Produce high-quality data on business process performance and make it available to those who need it, when they need it, in support of decision-making

Milestones

C2.1. Identify business processes that require performance metrics

C2.2. Establish baseline performance metrics for business processes where needed

C2.3. Identify key data needs of decision makers

C2.4. Create dashboard of current and historical performance metrics and baselines

C3. Evaluate and reengineer business processes and associated performance standards for opportunities to improve efficiency, increase scalability, and facilitate straight-through processing

Milestones

C3.1. Launch Service Review Committee to ensure an enterprise view of business process performance, challenges, and opportunities

C3.2. Analyze and prioritize gaps and redundancies in key business processes

C3.3. Reengineer 100% of prioritized gaps in key business processes

C3.4. Establish multiple asset managers and direct custodial bank relationships

C3.5. Implement a fully integrated financial and procurement systems solution that will also support project accounting, business intelligence, and activity-based costing integration

Goal D	**Develop a new participant experience that enables participants to identify and achieve their targeted retirement outcomes**

Enterprise Objectives

D1. Educate and proactively engage participants via their preferred communication channels so they can make smart choices about their TSP accounts

Milestones

D1.1. Identify critical touch points in a participant's life that represent opportunities for the participant to make important TSP decisions

D1.2. Make the policy decision on offering "advice" to participants

D1.3. Begin collecting key participant demographic data, such as salary, deferral rate, and gender data, that will facilitate individualized communications

D1.4. Implement outbound and individualized communications based on life events

D2. Formulate and implement plan design improvements that increase the likelihood that participants do not outlive their TSP assets

Milestones

D2.1. Implement additional withdrawal options to accommodate post-retirement needs

D2.2. Implement capability to invest and withdraw Roth and traditional balances separately to facilitate participant tax advantages

D2.3. Launch additional Lifecycle (L) Funds in five-year intervals, e.g., 2025, 2030, 2035, etc. to allow participants to more closely align their L Fund investment decisions with their future withdrawal plans

D2.4. Launch Mutual Fund Window to increase investment flexibility

D2.5. Implement changes on participant annual statements to inform participants on the expected sufficiency of their current and projected TSP savings

Executing Our Strategy

As we prepare for the transition from strategic planning to strategic execution, we have overlaid our strategic initiatives with critical steady-state work to identify and deconflict areas where we are competing for the same limited resources. To facilitate efficient implementation of key initiatives, we created portfolios (packets of related work) to organize both strategic efforts and related operational activities.

While flawless operation of our steady-state environment, i.e., plan administration and agency operations, is always our number one priority, the prioritization of the strategic portfolios was based on the following criteria:

1. Risk . . . mitigation of high-risk items
2. Mandated . . . required by law or statute
3. Public Commitment . . . strategic imperative
4. Industry Benchmark . . . close any gap in performance
5. Service Enhancement . . . improvements and efficiencies

This planning framework is designed to allow us the flexibility to periodically reprioritize or onboard initiatives as we adapt to a changing environment. Should any changes in our portfolios or prioritization occur, there will be a formal updating of the strategic execution plan.

It is clear that implementing the new IT architecture is not only critical to supporting steady-state operations but sets the foundation for modernizing our financial systems and providing enhanced participant services. Therefore, over the next three years, our primary focus will be on the following:

1. Improving and hardening our cybersecurity posture
2. Meeting our legislative mandate to implement the Blended Retirement System and ensuring our system is prepared for the influx of 500,000 - 600,000 new participants
3. Architecting and building the information technology platform that will provide operational agility, scale, resilience, and security

4. Improving controls and audit remediation

Modernizing the financial system; ensuring that the FRTIB is a great place to work; and enhancing participant services, benefits, and flexibilities are initiatives that will be implemented only to the extent they do not require resources that are working on our high-priority initiatives. If information technology resources are needed to support these secondary initiatives, the work will be done after the work on cybersecurity, Blended Retirement, audit remediation, and the building of the new IT infrastructure have largely been completed. In addition to allowing us to focus on our priorities, delaying several initiatives will mean we can implement them on the new IT infrastructure, rather than in our current legacy environment. At the same time these strategic initiatives are being implemented, we must always deliver operational accuracy and availability.

> " If information technology resources are needed to support these secondary initiatives, the work will be done after the work on cybersecurity, Blended Retirement, audit remediation, and the building of the new IT infrastructure have largely been completed. "

It is worth emphasizing that there are initiatives and activities that will not use resources that are focused on our top priorities. Those initiatives and activities are being encouraged to advance but only on a "non-interference" basis relative to the top priorities.

The following is a brief description of each of the strategic initiatives and a "cross track" to the milestones identified in our strategic goals or a prioritization criterion. Note, in several instances, the strategic initiative may be associated with multiple goals and objectives.

Cybersecurity

A1.3. Implement and operationalize policies and technology that strengthen our cybersecurity posture

The effort to quickly identify, contain, and remediate cybersecurity threats is critical. The cybersecurity initiative represents a continuous uplift to our security posture, embeds cybersecurity into all Agency activities, and helps remediate a significant portion of related audit findings. With this initiative, we want to ensure that our IT infrastructure is both trustworthy and resilient, strengthen IT security practices and capabilities, establish a robust and comprehensive security architecture, and retain the confidence of participants and other key stakeholders in our IT security policies and practices.

Blended Retirement System

Legislative Mandate

This initiative implements the legislatively mandated, automatic enrollment of uniformed services members into the Thrift Savings Plan. As noted previously, we believe the Blended Retirement System will drive significant growth in our participant population, resulting in higher processing volumes and capacity requirements. In preparation for this growth, we will streamline key manual processes that may be stressed by increased volumes, address many systems capacity concerns, revamp the website, enhance participant support capabilities, revise and create education and communication for participants and service personnel and payroll representatives, and update the OMNI recordkeeping system and other appropriate applications to support the business rules for the new BRS.

Target Information Technology Architecture

A1.1. Define and approve the IT Target Architecture

A1.2. Implement and operationalize the IT Target Architecture which includes application portfolio modernization

A1.4. Define and implement a rigorous set of IT asset management controls

The Target Architecture Portfolio (TAP) is a compilation of requirements and projects needed to build a new target IT architecture. The TAP will eliminate the current legacy environment and deliver an information technology infrastructure that is contemporary, agile, scalable, and secure. The target architecture is the platform that will facilitate a new service model, provide integrated and secure systems, and support future growth. Benefits of the TAP include the following:

◆ Remove complexities from and/or simplify application integration

◆ Efficiently and securely connect applications in the distributed environment to our recordkeeping platform

◆ Improve security, reliability, and supportability of interfaces with external systems

◆ Improve data availability, accuracy, and quality across all databases

◆ Improve capabilities and security of public-facing applications

◆ Enable successful execution of life event detection and follow-up actions to support the new participant experience

This strategy entails a massive amount of work, which will be carefully planned, governed, and implemented over multiple years.

Improved Controls & Audit Findings Remediation

A1.5. Define and maintain IT internal controls that enhance risk mitigation

A1.6. Assess and report on key IT internal controls

A2.1. Validate Business Impact Analysis (BIA) and establish two-year cycle for updates to BIA

A2.2. Establish a fully operational Continuity of Operations Plan

C1.1. Verify ownership and accountability for business processes

C1.2. Develop a risk-based methodology to more holistically evaluate audit findings

C1.3. Assess and monitor internal controls for key business processes

C1.4. Synchronize key business processes with existing policies, procedures, business continuity plan, and internal controls and establish their central and readily available location

C2.1. Identify business processes that require performance metrics

C2.2. Establish baseline performance metrics for business processes where needed

C2.3. Identify key data needs of decision makers

C2.4. Create dashboard of current and historical performance metrics and baselines

C3.1 Launch Service Review Committee to ensure enterprise view of business process performance, challenges, and opportunities

C3.2. Analyze and prioritize gaps and redundancies in key business processes

C3.3. Re-engineer 100% of prioritized gaps in key business processes

This initiative is structured to position the Agency to have the bandwidth to handle the current schedule of 20-25 annual audits without introducing unreasonable risk to agency administration and Plan operations, to improve and speed remediation of audit findings, and to ultimately reduce the level of new and repeat audit findings by identifying and addressing root cause issues and strengthening internal controls.

Financial Systems Modernization (FSM)

C3.4. Establish multiple asset managers and direct custodial bank relationships

C3.5. Implement a fully integrated financial and procurement systems solution that will also support project accounting, business intelligence, and activity-based costing integration

We use numerous, disparate, legacy financial systems that limit our flexibility and ability to fully capture and understand data. Additionally, these systems cannot be scaled to meet the changing needs of our agency or to enable us to provide best-in-class service. During 2015, we completed an assessment of our existing financial system and determined that it should be replaced with an integrated financial system that will not only allow for scale and flexibility but will also facilitate activity-based costing, streamline business operations, improve efficiency, create traceability of transactions through a single system, and improve resource planning.

The initiative to replace our current financial system will be planned during the early part of the 2017-2021 strategic planning period, and the considerable efforts to cleanse our data will be undertaken, with the procurement and implementation of the system occurring towards the end of the planning period. In addition to planning the replacement of our financial system, we believe we can also move forward with two changes to our investment operations during the early years of this strategic planning period. As noted previously, our enterprise risk practice continues to mature, and we recognize and accept that some risks with a very low likelihood of occurrence represent the potential for significant consequence. Thus, we are compelled to take preemptive action. The potential consequences of a significant economic event on our investment operations drive us to pursue multiple asset managers and a direct relationship with a custodial bank as a risk mitigation strategy. We believe that this effort will have limited impact on our IT resources and can proceed on a non-collision basis.

Great Place to Work

A2.3. Develop and implement an enterprise space management plan

B1.1. Complete skills assessment to include identifying new skill requirements, current competencies and proficiency levels, and skill needs for our workforce

B1.2. Implement strategies to address findings from skills assessment

B2.1. Establish a framework to delegate decision-making authority to the appropriate employee level, in order to alleviate bottlenecks with single points of authority

B2.2. Implement a resource management system that can identify, allocate, and forecast resources for plan administration, agency operations, and project and program teams

B3.1. Embed clear expectations for executives, managers, and staff regarding core values as part of performance plans

B3.2. Establish a methodology to measure the extent to which we operate according to our core values

Making the FRTIB a great place to work and a place where great work is done is the principal goal of this initiative. We cannot underestimate the importance of human capital to the long-term success of any initiative we pursue and to the Agency. Therefore, a key objective of this initiative is to ensure we have the right competencies and skills among our employees and contractors to achieve our strategic goals and successfully maintain steady-state operations. This collection of initiatives will help us to assess skills needs, identify gaps, and develop strategies to address those gaps and ensure that our staff is ready for the evolution of the TSP. We will focus attention on several areas related to the development and support of our employees, as follows:

- Change Management Implementation

- Performance and Recognition

- Resource Management Plan

- Workforce Development and Training

- Work Life, Onboarding, Employee Appreciation, and Inclusion

TSP 3D – Dialogue, Delivery, and Data,

D1.1. Identify critical touch points in a participant's life that represent opportunities for the participant to make important TSP decisions

D1.2. Make the policy decision on offering "advice" to participants

D1.3. Begin collecting key participant demographic data, such as salary, deferral rate, and gender data, that will facilitate individualized communications

D1.4. Implement outbound and individualized communications based on life events

D2.1. Implement additional withdrawal options to accommodate post-retirement needs

D2.2. Implement capability to invest and withdraw Roth and traditional balances separately to facilitate participant tax advantages

D2.3. Launch additional Lifecycle (L) Funds in five-year intervals, e.g., 2025, 2030, 2035, etc. to allow participants to more closely align their L Fund investment decision with their future withdrawal plans

D2.4. Launch Mutual Fund Window to increase investment flexibility

D2.5. Implement the Zone of Confidence on participant annual statements to inform participants on the expected sufficiency of their current and projected TSP savings

During the past five years, we made significant headway in laying the foundations for the new participant experience, which we called "Now and Later." Now and Later was the starting point for defining our new service model. We have synthesized our learnings to focus attention on three key areas: improved dialogue with our participants, the delivery of expanded Plan features and services, and the improved utilization of data to facilitate FRTIB and participant decision making. Accordingly, we have branded our new service model TSP 3D: Dialogue, Delivery, and Data, which will provide, among other benefits,

- a new engagement model that will proactively support participants with their retirement decisions,

- expanded options for personalization with improved tools and guidance,

- greater self-service features with robust digital communication and transaction options,

- investment and withdrawal flexibility, and

- targeted participant engagement using the participant's preferred communication channels.

As noted earlier, the planning process has facilitated our ability to prioritize, coordinate, and adjust to changes in the environment. Consequently, as we respond to new information and environmental change, the portfolio structure and its prioritization may be altered over the five-year planning period. The diagram below provides a high-level visual illustration of the Agency's strategic focus for the 2017-2021 planning period. At all times the Agency pursues the flawless operation of steady state, i.e., plan administration and agency operations. The diagram also highlights that improving our cybersecurity posture not only stands as a critical initiative, but will be embedded in all Agency activities, steady state, strategic initiatives, and culture. Further, building the new target information technology architecture is a foundational activity, which will enable

the implementation of several other strategic initiatives. Along with these, the implementation of the Blended Retirement System and the remediation of audit findings will be our primary focus for the next 18 to 24 months as these efforts represent the highest priority and risk.

Summary

We look forward to the challenges and opportunities that the FRTIB faces over the next five years. We know that we will strengthen our IT infrastructure and cybersecurity posture and achieve the maturation of our enterprise risk management framework. Furthermore, by optimizing our business processes and focusing on staff skills and competencies, we will move closer to our vision of achieving flawless operations.

While we are enthusiastic about the changes and initiatives that will improve our people, processes, and technology, we always keep our participants at the forefront. There is nothing more important than ensuring operational availability and excellence and the validity and security of participant PII. As we celebrate 30 years of achievements, we look forward to the continued evolution of the TSP. We believe that our transition to TSP 3D: Dialogue, Delivery, and Data will result in better service to our participants and improved retirement outcomes. The goals, objectives, and milestones outlined in this plan reflect our commitment to helping people retire with dignity.

Portfolio Prioritization

16
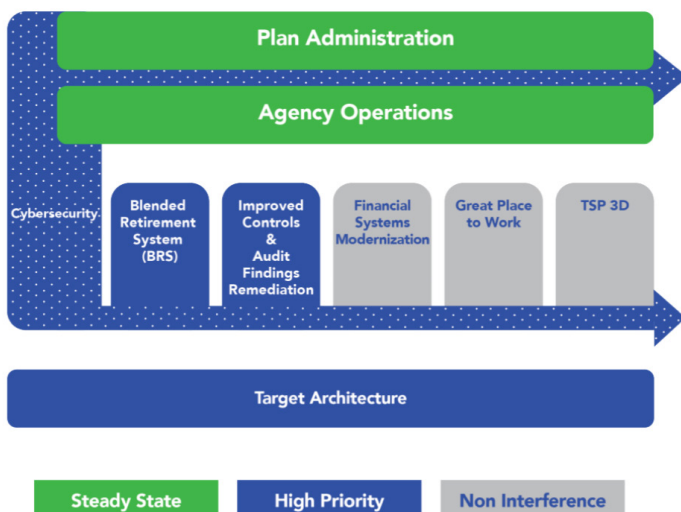
Addendum to the FY2017 – 2021 Strategic Plan

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The FY2017 – 2021 Strategic Plan identified and described the long-term goals, objectives and milestones of the Agency. The FRTIB remains committed to all of the goals and objectives outlined in that plan. However, the FRTIB has shifted its approach for the delivery of a key initiative for achieving its strategic objectives. Specifically, the Agency's approach to defining and implementing an information technology target architecture to replace existing legacy IT applications and infrastructure (IT Infrastructure) has changed from the approach originally envisioned in the Strategic Plan. After extensive research, a decision was made to procure bundled recordkeeping services (IT infrastructure and services) from the marketplace, as opposed to continuing the practice of owning and maintaining all IT hardware and applications in support of the Plan and Agency. It was determined that the total outsourcing and replacement of the legacy IT platform would allow the Agency to leverage industry best practices for technology and recordkeeping, and facilitate agile responses to environmental shifts in the defined contribution market. The initiative to build a new IT architecture is a foundational element of the FY2017-2021 strategic plan, and the revised approach is designed to not only deliver on the objective of having secure and modern IT systems, but to also transform the Plan's recordkeeping platform, thereby delivering services and benefits to our participants and beneficiaries that lead to desired retirement outcomes

The intent of this addendum is to document the research undertaken and the approach the FRTIB is taking to address its information technology and security requirements.

Background

The Agency established the 2017-2021 Strategic Plan to address service, operational, security and control issues by establishing the following goals and objectives:

- Goal A: Implement a physical and technology infrastructure that optimizes and supports plan administration, agency operations and the evolution of a new participant experience

  - Build and operate a highly scalable, integrated, available, compliant, adaptable and increasingly secure IT environment

  - Provide a physical work environment that is safe, secure, adaptable and resilient

- Goal B: Ensure that the FRTIB has the right skills, competencies and leadership at all levels

  - Identify the skills and talent needed to support a new participant experience

  - Understand and strengthen individual and enterprise capacity to meet mission needs

  - Establish a strong organizational culture that exemplifies our core values

- Goal C: Optimize business processes to allow continuous improvement of TSP and Agency operations

  - Ensure that existing business processes are properly documented and repeatable and have clear ownership and accountability

  - Produce high-quality data on business process performance and make it available to those who need it, when they need it, in support of decision-making

  - Evaluate and re-engineer business processes and associated performance standards for opportunities to improve efficiency, increase scalability and facilitate straight-through processing

- Goal D: Develop a new participant experience that enables participants to identify and achieve their targeted retirement outcomes

  - Educate and proactively engage participants via their preferred communication channels so they can make smart choices about their TSP accounts

◆ Formulate and implement plan design improvements that increase the likelihood that participants do not outlive their TSP assets

Through the planning process in 2016, the Agency determined that architecting and building a new IT platform was foundational, as it would address multiple organizational priorities, including:

◆ Delivering an improved recordkeeping platform along with associated processes and services,

◆ Enabling an enhanced participant experience; and

◆ Improving our cybersecurity posture.

Concurrent with this initiative, the Agency recognized the immediate and on-going need to update and harden the existing IT infrastructure, improve controls, and remediate audit findings. This led to a series of IT-centric projects that have been undertaken over the last three fiscal years. Realizing the benefits of these investments has taken time, as they were multi-year efforts to implement new tools and processes. These investments yielded significant improvements in the annual FISMA audit and closures of audit findings. Furthermore, the Agency continues to focus on making additional IT and security improvements (in terms of both technology and process) at the same time it pursues a new acquisition strategy, to ensure that the Agency's cybersecurity posture is maintained and enhanced.

Buy versus Build

While initially the plan was to manage the work of replacing the legacy IT infrastructure internally, in the fall of 2016, a decision was made to investigate alternate implementation strategies. In February 2017, a senior-level team was established, chartered and given the resources to conduct in-depth market research and analysis on how to best execute the Agency's goals, to build an acquisition strategy, and to develop an associated business case.

Given the scope and breadth of this transformational effort, the team organized the work into a project portfolio (called the Plan Operations Modernization Portfolio (POMP)) to ensure enterprise-level integration and coordination across all offices. All requirements needed to replace the Agency's existing IT infrastructure, and discontinue the practice of serving as an integrator and owner of hardware and software were deemed to be within scope for POMP. These requirements were further segmented into three (3) work streams for ease of management and understanding:

- Recordkeeping Services Acquisition (RKSA): Consolidate existing operations and call center contracts with participant records, into a single recordkeeping services acquisition. This is a design that can be filled by traditional defined contribution recordkeepers or IT support contractors.

- Financial systems Modernization (FSM): Replace and procure a financial management system that integrates financial accounting/ reporting, travel and contracting systems.

- Agency Information Technology Services (AITS): Procure the systems and services needed to support integration between RKSA and FSM as well as fulfill Agency-specific needs such as laptops, phones, communications/productivity software, etc. AITS represents all remaining FRTIB IT requirements separate from RKSA and FSM.

When implemented, RKSA, FSM and AITS will result in the complete replacement and modernization of the Agency's entire IT Infrastructure. Accordingly, with the initiation of POMP, the Agency engaged in an exhaustive research and discovery effort, and Analyses of Alternatives were completed for each line of business. Moreover, the implementation of this three-pronged acquisition strategy also includes a human capital transition strategy (HCTS), by which the Agency proactively manages the significant organizational change expected from these procurements and the associated change in operations.

RKSA Overview

The majority of the Agency's activities support the Plan, and are, therefore, captured within the RKSA work stream. Thus, RKSA – the consolidation of operations, call centers, and participant records – represents the most significant impact on the Agency's processes and IT infrastructure. As a result, the Agency researched and analyzed multiple perspectives before deciding on its RKSA approach.

Analysis of Alternatives

An Analysis of Alternatives (AoA) was completed that objectively examined the merits of building a new in-house solution or buying commercial recordkeeping services. Based on the results of the AoA, a determination was made that the FRTIB should no longer own the IT infrastructure and applications supporting Plan and Agency operations, given the availability of commercial solutions. The research determined that defined contribution (DC) recordkeepers and other providers offer comprehensive and secure recordkeeping and IT solutions that could fulfill the Agency's requirements.

Traditional Recordkeeping Providers (Multiple Vendors)

In 2018, the Analysis of Alternatives was expanded to include an investigation into the merits of procuring services from more than one commercial recordkeeper (multi-recordkeepers or MRK) in order to evaluate the possibilities of continuous competition, improved business resilience and reduced switching costs. However, this research found that large §401(k) plans (100K+ participants) do not generally employ a multi-recordkeeper operating model, that the marketplace does not

offer multi-recordkeeper models unless there is an opportunity to capture new business and increase revenues, and that commercial recordkeeper participation and/or competitive pricing was unlikely. Based on these findings, leadership determined to continue the pursuit of a single vendor RKSA acquisition strategy.

Technology Innovators

Also in 2018, the Agency investigated the feasibility of partnering with technology innovators – a community that does not currently serve the defined contribution (DC) market – to create a recordkeeping platform that would be scalable, secure, agile and innovative. A project team developed a business case for encouraging these entities to consider entering the financial services arena by developing a participant recordkeeping platform. As these technology innovators were not particularly familiar with DC industry characteristics or recordkeeping requirements, the team provided background and operational information.

While FRTIB leadership was enthusiastic about some of the ideas and approaches put forth by the technology companies, the solutions were potentially expensive and proposed staggered implementation starting with non-core recordkeeping applications and services. Additionally, the Agency would continue to have to procure staffing for Plan operations and contact centers. Consequently, work on the single vendor solution was again determined to be the optimal solution.

Recordkeeping Services (RKSA) Execution

The execution of RKSA has three areas of focus— the procurement of the recordkeeper, the resolution of legacy contracts, and the transition to the new recordkeeping environment.

Procurement

The RKSA team implemented an advisory multi-step procurement strategy, which allowed potential bidders to submit information on their capabilities and experience. The Agency in turn provided the submitters with its determination of their viability.

Through this exercise, the Agency reaffirmed sufficient competitive interest in the procurement for managing recordkeeping operations. The Agency then proceeded with a minimum qualifications "down-select". In this step, interested vendors were asked to submit information on the size of their recordkeeping operations and years of experience. Those vendors not meeting the minimum qualifications were not eligible to advance in the procurement process. This down-select phase confirmed that a sufficient number of potential vendors met the minimum qualifications.

Following the down-select phase, the Agency provided a draft RFP to those vendors who met the minimum qualifications. These entities responded with questions and feedback on the draft RFP. After the receipt of the responses, the agency conducted discovery sessions with each qualified vendor. During these sessions, the Agency addressed questions from the draft RFP and provided more information about the Plan's unique operational and compliance requirements. The discovery phase also provided the Agency an opportunity to learn more about each vendor's possible approach to managing TSP operations and security.

The final RFP was released to qualified vendors on August 21, 2019. The Agency expects to receive formal bids in late-October 2019 and award the contract in September 2020. At that point, the Agency will begin the transition and implementation to the new recordkeeping solution.

Legacy Contracts

Per the acquisition strategy, the existing recordkeeping and Agency IT contract), operations contracts and contact center contracts have been or are being extended to align with the expected timing of the RKSA and AITS acquisitions. These contracts, in conjunction with Agency-owned hardware and software, support current operations and must be maintained until the transition to the future RKSA vendor is complete.

Transition

Following the award of the RKSA contract, the Agency and new provider will enter the transition phase to decommission old systems, convert data and implement new systems. Market research

and interviews with other entities that have made similar transitions indicate that the transition period could last between 18-24 months, which would then lead to a final go-live on the new RKSA solution in late-2021 to mid-2022. This time will be used for planning, development, and implementation work required for the new vendor to take on all responsibilities for TSP recordkeeping, contact center and benefit operations activities. It is anticipated that some TSP processes and regulations may have to be changed or amended to conform to the vendor's processes and workflows.

Transition will also incorporate considerable testing to ensure a seamless conversion to the new operational environment. It should be noted that during the transition and testing period, the Agency will be running two recordkeeping systems in parallel, as a risk mitigation strategy. The impact of running two systems concurrently (the new RKSA platform and FRTIB's legacy system) may result in a meaningful increase in the FRTIB budgets for the FY 2021 through FY 2022 transition period.

Financial Systems Modernization (FSM) Overview

The need to better integrate its financial accounting/reporting, travel and contracting systems caused the Agency to pursue a financial system modernization.

Analysis

The FSM team initiated extensive market research to develop an FSM Analysis of Alternatives (FSM AoA) and business case. The FSM team met with financial system providers, federal agencies that implemented financial management systems, and state governments that had implemented Enterprise Resource Planning (ERP) solutions. The results of the FSM AoA identified two high scoring options that were explored further in the FSM business case:

1) procure financial management support services via a Federal Shared Service Provider (FSSP) or
2) pursue a Software as a Service (SaaS) solution to replace existing FSM applications.

A FSSP aggregates resources and systems to improve the quality, timeliness, and cost effectiveness of common Federal agency functions, such as human resources or financial management. SaaS, on the other hand, is software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted. Both options were consistent with the Agency's desire to discontinue owning IT hardware and software and presented opportunities for cost savings and operational efficiencies. Thus, the Agency initiated a "discovery" period with one of the Federal government's four (4) FSSPs, the Interior Business Center (IBC) at the Department of the Interior, while concurrently developing a Request for Quote for a SaaS solution, should the FSSP solution not be viable.

FSM Execution

In March 2019, the team presented their findings from discovery and Agency leadership approved pursuing the FSSP solution with IBC. The IBC solution met over 94% of the Agency's requirements, and the provider offered acceptable solutions to address the gaps. The transition for FSM will require the complete inventory and preparation of financial data.

Agency IT Services (AITS) Overview

AITS was established to address the Agency's remaining technology needs after transitioning to the new RKSA and FSM providers. The residual needs are: 1) ensuring integration between the RKSA vendor and the FSM system, and 2) providing Agency personnel with laptops, phones, communications/productivity software, etc.

The AITS effort is considering services in four areas:

- Help desk support for FRTIB employees (assistance with laptops, phones, etc.)

- Back-end infrastructure support

- Security operations as a Service

- Applications support

In 2018, AITS completed an Analysis of Alternatives for an integration platform as a service (iPaaS) which identified multiple viable options, all of which offered solutions consistent with the Agency's desire to procure managed solutions and discontinue the practice of owning and maintaining software and hardware. The Agency subsequently procured the iPaaS solution (which has been FedRamped) and will start implementing the solution by calendar year end 2019.

Security as a Service is expected to further improve the security posture of the Agency by providing expanded and new IT security capabilities reflecting industry standards. Award of this contract is expected in the Q2 FY 2020.

The procurements for the four AITS lines of businesses are being sequenced and aligned with the existing Agency IT Support contract, which provides these services as well as Plan recordkeeping services, to ensure continuity of services through the transitions to RKSA, FSM, and AITS. In March 2019, the first planned market research effort was completed in support of these procurements

Human Capital Transition Strategy Overview

In 2017, Agency leadership recognized that the transformational nature of POMP would result in significant change to FRTIB business processes as well as contract management and oversight and, thereby, have an impact on our employees. As a result, POMP includes a comprehensive Human Capital Transition Strategy (HCTS). The purpose of the HCTS is to ensure employees understand (and are trained for) anticipated changes to the Agency and the way work will be structured and adapt to the expected changes. The HCTS incorporates four components, which include a change management strategy, organizational structure and design,

workforce planning, and position mapping and classification. Efforts to communicate with employees and share information have already begun and will increase as the Agency gets closer to awarding the various new contracts under the POMP portfolio.

Other Considerations

Agency leadership is very aware that there are risks associated with consolidating multiple contracts into a single contract. Significant consideration has been given to possible alternatives should any of the new vendors fail to perform as expected:

- The Agency has made meaningful investments in improving and hardening its IT infrastructure over the last several fiscal years and this work will continue. In preparation for the transition, an assessment of IT applications and hardware is being undertaken and will be an important input should the Agency have to maintain operations on its existing platform.

- Current contracts have been/are being extended to ensure the current recordkeeping system is in place until the new RKSA contractor has successfully passed all system tests and there are no significant risks to daily operations.

- The new POMP managed services contracts will be proactively managed by Agency Contracting Officer Representatives (CORs). The Agency is currently providing training to current and future CORs to ensure those responsible for contract management and oversight have the requisite skills and competencies required to manage/oversee the new RKSA, FSM and AITS contracts.

- The RKSA contract will be structured with incentives and disincentives to encourage the desired performance and outcomes.

- Should the RKSA vendor's performance require the Agency to discontinue the contract, the Agency anticipates leveraging the learnings and information gained from the POMP procurement to facilitate a significantly shorter timeline for award to another qualified vendor.

Summary

When the FY2017-2021 strategic plan was initially rolled out, FRTIB management anticipated continuing its current business model of owning and operating IT hardware and applications and, therefore, envisioned building a new IT platform to deliver on Goal A (implement a new IT platform). However, as the Agency explored what would be required to build a new platform, robust research was undertaken and led leadership to shift its approach to take advantage of industry expertise by procuring the infrastructure, processes, applications and people needed to support FRTIB's operations. Consequently, recordkeeping, benefits operations and contact center services were consolidated into one procurement, with financial systems requirements and remaining Agency IT support requirements separated into additional procurements. These three groupings represent the totality of FRTIB's Agency and Plan operations.

Considerable work has been completed on these procurements in the last two plus years. The FSM procurement has advanced to the point awarding to a Federal shared service provider. Agency IT service requirements have been identified and related procurement activities are underway. Finally, the procurement for recordkeeping services has advanced to the posting of the final RFP to those vendors who previously met our minimum qualifications.

Additionally, the Agency is actively preparing for the transition to and the integration of the RKSA solution by procuring an IT platform that will facilitate integration of the new recordkeeping solution with Agency operations; developing a strategy to inventory, store and access historical Agency and participant data; and implementing a change management program that will ensure the appropriate human capital resources and skills are available to manage and oversee the contracts and services supporting the FRTIB and TSP mission.

Concurrent with the POMP initiative, the Agency has invested considerable human and financial resources in improving and hardening its legacy IT infrastructure. These investments have resulted in meaningful improvements in the Agency's control and cybersecurity posture, as evidenced by audit closures, its FISMA maturation, etc. As the Agency prepares for the implementation of the POMP acquisitions, investments will be required to prepare for integration with the new service providers, as well as continuing to upgrade and secure the IT environment. Finally, during the transition and testing phase, there will be a period where the Agency will have to support running two concurrent recordkeeping systems (current recordkeeping platform and the new recordkeeping solution). These investments will allow the Agency to ensure operational accuracy and effectiveness and minimize the possible downside to our 5.7 million participants. During this period and until the "go-live" and full decommissioning of the legacy system, there may be a temporary increase in the Agency's budget. It is expected that following the complete conversion to the new recordkeeping vendor, the consolidated cost of the recordkeeping platform, contact centers and operations will total less than current costs.

The planning process has been agile and allowed management to capitalize on market research and efficiencies to achieve the strategic objectives envisioned in the FY2017-2021 Strategic Plan. By embracing the approach described in this addendum, the Agency expects to realize a secure, flexible and contemporary IT solution, along with significant process improvements and most importantly, the delivery on our goal to provide participants a much improved experience.

The Next Strategic Plan

The Agency is approaching the conclusion of its current (FY2017 – FY2021) strategic planning cycle. Normally, work on the next strategic plan would begin in 2020. However, significant procurement and transition activities will take place in 2020 and details of the POMP procurements and their respective delivery against Agency objectives will not be fully known until the end of 2020/early 2021. Consequently, the Agency will delay publishing the next strategic plan by one year, to cover the FY2022 – FY2026 planning period.