



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

September 23, 2013

**MEMORANDUM FOR:** BOARD MEMBERS KENNEDY, BILYEU, JONES, MCCRAY  
AND JASIEN

**FROM:** GREG LONG  
Executive Director

A handwritten signature in blue ink, appearing to be "G. Long", written over the printed name and title.

**SUBJECT:** Fiscal Year (FY) 2014 Budget and Fiscal Year (FY) 2015 Budget Estimate

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**BACKGROUND**

Section 8472(i) of the Federal Employees' Retirement System Act of 1986 states:

The Board shall prepare and submit to the President, and, at the same time, to the appropriate committees of Congress, an annual budget of the expenses and other items relating to the Board which shall be included as a separate item in the budget required to be transmitted to the Congress.

Attached is the Agency's proposed administrative budget for FY 2014 and the estimate for FY 2015. The figures are provided by Agency office and function (see Appendix A).

Following discussion and approval, the Agency's FY 2014 budget (together with the FY 2015 estimate) will be provided to the Congress and to Office of Management and Budget for inclusion in the President's budget.

The FY 2013 budget of \$170.5 million represented an increase of 19.1% over the FY 2012 of \$143.1 million. The full budget request (steady state and strategic initiatives) for FY 2014 of \$201.0 million represents an increase of 17.9% over FY 2013. The rate of budget growth slows sharply in FY2015 where an estimated budget of \$209.2 million reflects a 4.1% increase over FY 2014.

The tables below assume the Thrift Savings Plan (TSP) grows in participants and assets at both moderate and conservative rates through FY 2015, as follows:

Historical Average Growth Estimate (last 10 years)						
Category	FY 2013 Steady State	FY 2013 w/All Initiatives*	FY 2014 Steady State	FY 2014 In-flight Initiatives	FY 2014 w/ All Initiatives	FY 2015 w/All Initiatives
<b>Assets</b>	<b>\$369B</b>	<b>\$369B</b>	<b>\$418B</b>	<b>\$418B</b>	<b>\$418B</b>	<b>\$474B</b>
<b>Participants</b>	<b>4.6M</b>	<b>4.6M</b>	<b>4.8M</b>	<b>4.8M</b>	<b>4.8M</b>	<b>5.2M</b>
<b>Budget</b>	<b>\$166.4M</b>	<b>\$170.5M</b>	<b>\$193.8M</b>	<b>\$198.8M</b>	<b>\$201.0M</b>	<b>\$209.2M</b>
<b>Ratio of Budget to Participants(\$)</b>	<b>\$36.20</b>	<b>\$37.10</b>	<b>\$40.40</b>	<b>\$41.40</b>	<b>\$41.90</b>	<b>\$40.20</b>
<b>Budget to Assets Ratio (in basis points)</b>	<b>4.5</b>	<b>4.6</b>	<b>4.6</b>	<b>4.7</b>	<b>4.8</b>	<b>4.4</b>

Conservative Growth Estimate (Market growth of zero, normal cash flow, flat participants)						
Category	FY 2013 Steady State	FY 2013 w/All Initiatives*	FY 2014 Steady State	FY 2014 In-flight Initiatives	FY 2014 w/ All Initiatives	FY 2015 w/All Initiatives
<b>Assets</b>	<b>\$369B</b>	<b>\$369B</b>	<b>\$379B</b>	<b>\$379B</b>	<b>\$379B</b>	<b>\$389B</b>
<b>Participants</b>	<b>4.6M</b>	<b>4.6M</b>	<b>4.6M</b>	<b>4.6M</b>	<b>4.6M</b>	<b>4.6M</b>
<b>Budget</b>	<b>\$166.4M</b>	<b>\$170.5M</b>	<b>\$193.8M</b>	<b>\$198.8M</b>	<b>\$201.0M</b>	<b>\$209.2M</b>
<b>Ratio of Budget to Participants (\$)</b>	<b>\$36.20</b>	<b>\$37.10</b>	<b>\$42.10</b>	<b>\$43.20</b>	<b>\$43.70</b>	<b>\$45.50</b>
<b>Budget to Assets Ratio (in basis points)</b>	<b>4.5</b>	<b>4.6</b>	<b>5.1</b>	<b>5.2</b>	<b>5.3</b>	<b>5.4</b>

While the FY 2015 budget will depend upon board decisions to approve or modify the FY 2014 budget, the current estimate for the steady state budget for FY2015 is \$201.3 million.

## **FY 2014 BUDGET**

We have continued the planning and budgeting processes initiated last year which segregated steady state work from new initiatives. This year we added an additional change by making a distinction between initiatives that are "in-flight" and those that are newly proposed. We start the FY 2014 budget discussion by looking briefly at in-flight initiatives.

## Strategic Initiatives “In-Flight”

Within the FY 2013 - FY 2017 Strategic Plan, nine initiatives were proposed and the Board approved FY 2013 budget funding sufficient to undertake four initiatives, as identified below. As implementation of these initiatives is still in progress, we now categorize these as “in-flight” initiatives. The overview of the funding required to support these initiatives is as follows: (A detailed discussion on the status of each of these in-flight initiatives is in Appendix B)

In-Flight Initiatives	FY 2013	FY 2014	FY 2015
<b>A1- Implement Enterprise Information Security &amp; Risk Management (EISRM)</b>	\$3,987,185	\$2,494,184	\$2,271,518
<b>A2 - Human Capital Management</b>	\$152,505	\$0	\$0
<b>B1 - Integrated Acquisition Strategy</b>	\$168,673	\$521,240	\$538,116
<b>B2 - Integrated Enterprise Risk Management</b>	\$356,169	\$1,868,421	\$2,124,914
<b>Total</b>	<b>\$4,664,532</b>	<b>\$4,883,845</b>	<b>\$4,934,548</b>

Total budget in FY 2013 associated with the Agency’s in-flight initiatives is \$4.7 million. The budget required to support the on-going requirements of these initiatives is estimated to be \$4.9 million in each of FYs 2014 and 2015. As these initiatives are completed, any on-going costs will be reflected as a part of the Agency’s steady state operations.

## Steady State Overview

Steady State refers to the permanent and ongoing operations and maintenance functions required to run the TSP. The bulk of our budget and attention is focused on steady state work. The total steady state budget for FY 2014 is \$193.8 million, or \$27.5 million above the FY 2013 steady state budget of \$166.4 million.

Agency Steady State	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$124,694,532	\$145,668,934	\$149,881,193
<b>Communications</b>	\$3,982,000	\$3,003,000	\$2,763,000
<b>Personnel</b>	\$23,029,566	\$27,322,406	\$30,635,928
<b>Other Agency Operations</b>	\$14,678,902	\$17,869,855	\$17,999,600
<b>Total</b>	<b>\$166,385,000</b>	<b>\$193,864,195</b>	<b>\$201,279,721</b>

**Recordkeeping:** The primary driver of the FY 2014 budget increase is IT related recordkeeping costs that are higher due to current contract modifications to improve our security posture (as a result of initiative A1), along with the following significant technology related events:

- ◆ **Technology and Enterprise Support Services (TESS) Acquisition** - On August 9, 2013, FRTIB selected Science Applications International Corporation (SAIC) as the TESS contractor. After developing a detailed acquisition plan and conducting an in-depth evaluation, the Agency achieved its strategic goal of securing a full and open,

robustly competed multi-year contract. We view this as a watershed moment in our Agency's history. We are now beginning the transition (phase-in) activities leading up to the start of contract performance on February 1, 2014. Activities during the phase-in will require a substantial commitment of numerous Agency resources.

- ◆ **Mainframe Acquisition** – This acquisition is necessary based on a combination of business requirements and end of market technology factors. We have planned for this acquisition for a number of years and have ensured that we have the government staff necessary to successfully deploy this essential technology refresh.
- ◆ **Upgrade OMNI Software** – Our recordkeeping software ("OMNI") is licensed from SunGard. In 2011, they announced a strategy to bring all their clients to a common software version. This is standard and appropriate practice in the software industry. Because of higher priority activities (e.g. 2012 Roth Project, TESS) FRTIB has not upgraded to the common version, but it is in our best interest to do so and that planning and design work commences in earnest in FY 2014, with a targeted completion in FY 2015. This is a significant effort that will draw heavily upon the IT Applications group over the next two years and is predicated on the assumption that TESS is operational and stable.

The cumulative impact of these critical steady state enhancements is an estimated increase of \$21 million in the FY 2014 budget.

**Personnel:** Personnel costs are also increasing. In FY 2013, the Board approved a substantial increase to the steady state budget to accommodate additional hiring to support on-going operations. This action was required because for several years, the FRTIB was significantly understaffed relative to its steady state duties which led to delays in important maintenance and eventually to unacceptable risk.

The FY 2013 budget has allowed us to start closing this capacity gap and stabilize our operations. Because substantial growth takes time, our capacity building effort will take about two years and we are now approximately halfway through our steady state staff augmentation effort. While the staff augmentation is not yet complete, it is already increasing our capacity and output.

The increased staff allows us to complete significant work that was previously deferred or slowed due to resource limitations, and to take action on other time sensitive projects. Some of the most significant steady state activities and projects for FY 2014 include:

- ◆ **Closing Audit Findings** – Considerable progress has been made towards closing existing audit findings. This work has, and will continue to draw most heavily from the Offices of Enterprise Risk Management, Technology Services and Participant Operations and Policy. We started the year with 60 open audit findings and due to the work of these teams, anticipate closing 30 of these findings by the end of the fiscal year.

- ◆ **Fully Implement Project Management** - In FY 2012, we created the Project Management Office (PMO). The PMO created policies, trained staff, and implemented a framework for the first two phases of the project management lifecycle: Initiating and Planning. We will complete the implementation of the lifecycle by developing the policies for and operationalizing the Executing, Monitoring, and Closing phases. This is an effort that includes cultural change and touches virtually the entire Federal Retirement Thrift Investment Board (FRTIB) team.
- ◆ **Beneficiary Designation Process Enhancement Project** - TSP participants designate their beneficiaries by completing form TSP-3. We have selected this for our first formal business process re-engineering project.
- ◆ **Address Cleanup Project** - In FY 2012, the TSP received over 400,000 pieces of returned "undeliverable" mail. The purpose of the Address Cleanup Project is to implement procedures that will help the TSP collect and maintain accurate and up-to-date addresses for all participants.

All of our steady state work contributes to the strategic goals which were outlined in the FY 2013 – 2017 Strategic Plan:

- ❖ We help people retire with dignity
- ❖ We pursue flawless operations
- ❖ We maintain excellent relationships with entities that oversee, regulate, govern and influence the TSP
- ❖ We ensure that FRTIB is a great place to work

### **Steady State by Office (FY 2014 – 2015)**

In the discussion below we provide the steady state budget details by Office for the FY 2014 budget and related activities, as well as our estimated budget for FY 2015. The principal components of the steady state budget by office are:

- **Office of Technology Services (OTS):** \$111.1 million (\$20.5 million above the FY 2013 budget)

We note that while recordkeeping costs are increasing, the OTS FY 2014 costs are less than we projected a year ago. OTS has updated and refined the TESS cost estimate and modified the phase-in schedule from the legacy contracts to TESS.

OTS	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$82,520,497	\$101,446,934	\$103,383,643
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$6,127,975	\$7,276,192	\$7,973,692
<b>Other Agency Operations</b>	\$1,987,250	\$2,340,838	\$1,779,641
<b>Total</b>	<b>\$90,635,722</b>	<b>\$111,063,964</b>	<b>\$113,136,976</b>

**Recordkeeping:** \$101.4 million for Recordkeeping (\$18.9 million above the FY 2013 budget), consisting of the following:

- ◆ **TESS:** The IT services the Agency is procuring through TESS include recordkeeping, information security, software development, IT infrastructure support, and other IT services. We identified two strategic programmatic objectives tied to these services: 1) incorporate robust information security requirements to better protect FRTIB's data and information and 2) achieve superior quality and performance in the Information Technology and business process fields by raising FRTIB's service delivery standards to those commensurate with contemporaries in the government and financial services sectors.

We approached this by defining a series of service towers that are in turn integrated through "Cross Functional Services" to ensure end-to-end service reliability. We are adopting global best practices in our implementation of Cross Functional Services as reflected in the Information Technology Infrastructure Library (ITIL) Framework. We also defined 144 Service Level Requirements to monitor, measure, and continuously improve business processes and services. Additionally, the new TESS contract and many of its clauses are required steps toward closing multiple audit recommendations. Note that costs associated with TESS are lower in FY 2014 than we projected in the budget last year. This is due to the fact that we moved the expected implementation from October 2013 to February 2014. Consequently, TESS will have only a partial year impact on FY 2014, but will have full impact on the FY 2015 budget.

- ◆ **Mainframe:** The Agency will acquire an upgraded mainframe computing solution and associated software to be deployed at both the primary and back-up data centers. The current mainframes were acquired in FY 2007 and activated in FY 2008. This acquisition is driven primarily by increasing TSP business requirements including substantial growth in both the number of participants and assets under management necessitating a mainframe replacement. We are evaluating all available acquisition options to ensure we fully meet the Agency's business requirements.

**Personnel:** \$7.3 million for OTS Personnel (\$1.2 million above the FY 2013 budget)

During FY 2013, OTS' authorized steady state staffing level increased from 38 to 43. The FY 2014 impact of this increase in staff plus five additional FY 2014 hires (48 total) is \$1.2 million over FY 2013. This increased staffing allows OTS to improve its capabilities in IT business management and numerous technical disciplines including mainframe and distributed systems, recordkeeping, and telephony. In FY 2015, we are budgeting to hire two additional personnel (50 total).

**Other Agency Operations:** \$2.3 million for Other Agency Operations (\$0.3 million above the FY 2013 budget)



A primary function of the OTS Other Agency Operations funds is to provide End-User IT services to FRTIB staff. These costs will increase \$1.2 million in FY 2014. This increase was driven by the increase in the total number of Agency staff and additional office space requiring support.

■ **Office of Participant Operations & Policy (OPOP, previously the Office of Benefits):** \$38.5 million (\$5.7 million above the FY 2013 budget)

OPOP	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$30,103,035	\$35,427,000	\$37,701,550
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$1,795,300	\$2,571,000	\$3,349,000
<b>Other Agency Operations</b>	\$884,000	\$506,500	\$517,380
<b>Total</b>	<b>\$32,782,335</b>	<b>\$38,504,500</b>	<b>\$41,567,930</b>

**Recordkeeping:** \$35.4 million for Recordkeeping (\$5.3 million above the FY 2013 budget), consisting of the following:

- ◆ **\$13.5 million for Call Centers:** These contractor costs increased by \$2.2 million (\$1.2 million to cover standard periodic increases and enhanced security and an additional \$1.0 million for an increase in staffing at the Maryland call center related to e-messaging volume increases and to improving service level metrics for both Call Centers).
- ◆ **\$21.9 million for Participant Operations:** Participant Operations includes all forms processing, legal/death processing, lockbox, exceptions processing, etc. Contractor costs increase in FY 2014 largely due to the cost of the Beneficiary Designation Process Enhancement Project, initiated in FY 2013. This process is the focus of our first formal business process re-engineering effort. Additionally, Congress made TSP accounts subject to IRS Levy, which has required us to add contractor staff to process IRS levies.

**Personnel:** \$2.6 million for Personnel (\$0.8 million above the FY 2013 budget)

During FY 2013, OPOP's authorized steady state staffing level increased from 12 to 19 (five benefits specialists and two supervisory benefits specialists) and is budgeted for an increase of four additional supervisory benefits specialists in FY 2014 for a total staff of 23. In FY 2015, its budget provides for two additional supervisory benefits specialists and two additional benefits specialists for a total staff of 27. The additional benefits specialists will increase our capacity to provide quality service to participants and more promptly resolve issues. This will allow current, more experienced staff to focus on programs, policies, business processes, and contract management while new staff will focus primarily on case work. The new supervisory specialists will aid OPOP in transitioning to an organization built around service teams.

**Other Agency Operations:** \$0.5 million for Other Agency Operations (\$0.4 million below the FY 2013 budget)

OPOP uses several consultants to supplement operations such as call center oversight, technical interaction with the TSP recordkeeper, call forecasting support and benefits consulting. Additionally, OPOP's budget covers training and travel expenses for OPOP staff related to vendor oversight.

- **Office of Communications and Education (OCE):** \$15.8 million (\$1.0 million below the FY 2013 budget).

While substantial enhancements related to communications and education in the future as a result of a proposed initiative are possible, staffing for steady state work remains largely unchanged in FY 2014 and FY 2015 and anticipated expenditures are reduced.

OCE	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$9,171,000	\$8,795,000	\$8,796,000
<b>Communications</b>	\$3,961,000	\$2,863,000	\$2,763,000
<b>Personnel</b>	\$3,464,595	\$3,901,000	\$4,227,500
<b>Other Agency Operations</b>	\$248,000	\$280,000	\$287,000
<b>Total</b>	<b>\$16,844,595</b>	<b>\$15,839,000</b>	<b>\$16,073,500</b>

**Recordkeeping:** \$8.8 million for Recordkeeping (\$0.4 million below the FY 2013 budget)

OCE's recordkeeping costs include the printing of all notices, statements, PIN and password mailers, and the postage and processing costs related to the mailing of these items. The reduction in this budget category considers our current Address Clean-Up project which is expected to decrease the number of returned and undeliverable participant mail the TSP processes annually. Returned mail presently drives up postage costs (as well as increases the chance of fraud, causes multiple participant transaction attempts, and detracts from participant satisfaction). Improvements brought about by this project should lower postage and mail costs.

**Communications:** \$2.9 million for Communications (\$1.1 million below the FY 2013 budget)

The funding under this category supports costs related to the printing of forms, brochures, posters, and the postage related to the mailing of ancillary brochures. OCE's steady state communication costs will realize savings primarily from printing costs. This is a result of a changing environment whereby: (1) fewer products are being printed and mailed to participants, (2) there has been a decrease in the quantities being requested by agencies/services (e.g., Plan Summaries), and (3) a significant savings was realized by our primary print vendor (UNICOR) as a result of combining and streamlining the ordering and printing processes -- a savings that was passed on to the TSP. As an example, the cost of regular annual statement



enclosures such as the Highlights newsletter and the Executive Director's annual letter to participants were budgeted at \$450,000, slightly more than the previous year's costs for these items. The cost for these products in FY 2013 was approximately \$236,900 -- a savings of 47%.

**Personnel:** \$3.9 million for OCE Personnel (\$0.4 million above the original FY 2013 budget)

The budget increase for staff is driven primarily by calculating the full year expenditures for those hired during FY 2013, along with the addition of one staff member in FY 2014 (bringing our total staff to 33 employees) and one staff member in FY 2015 (for a total of 34 employees).

**Other Agency Operations:** \$0.3 million for Other Agency Operations (relatively unchanged from the FY 2013 budget)

The budget includes training, travel, graphic supplies, and publications.

- **Office of Financial Management (OFM):** \$11.4 million (relatively unchanged from the FY 2013 budget)

OFM	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$2,900,000	\$0	\$0
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$4,703,000	\$4,967,003	\$5,240,127
<b>Other Agency Operations</b>	\$3,822,902	\$6,481,200	\$6,033,450
<b>Total</b>	<b>\$11,425,902</b>	<b>\$11,448,203</b>	<b>\$11,273,577</b>

**Recordkeeping:** \$0.0 million for Recordkeeping (\$2.9 million below the FY 2013 budget)

The reduction in recordkeeping costs is due to the in-sourcing of the TSP system accounting function. As of May 2013, TSP Accounting was brought in-house and staffed by federal employees, as opposed to contractors; therefore, system accounting contractor (recordkeeping) will be reduced to zero. Offsetting internal staff and related costs were increased, but the net effect was to reduce overall expenses while increasing control and reducing risk exposure.

**Personnel:** \$5.0 million for OFM Personnel (\$0.3 million above the FY 2013 budget)

The Accounting Division is scheduled to add two new positions in FY 2014. New staff will be added to accomplish the following objectives: establish system accounting positions within OFM and enable compliance with Treasury's Intra-Governmental Payment and Collection (IPAC) mandate (an automated, standardized, interagency expenditure/transfer mechanism). FY 2013 authorized

staffing was 41. With the addition of two in FY 2014 and one in FY 2015 to meet securities lending program demands, total staff will be 44.

**Other Agency Operations:** \$6.5 million Other Agency Operations (\$2.7 million above the FY 2013 budget)

Our contracting team has been substantially under-resourced and the next two years (with TESS phase-in, investment, participant operations and risk related RFPs) will be a particularly active procurement period. This circumstance would normally require a substantial build-up in permanent Federal contracting staff. However, initiative B1 is designed to simplify our procurement practices and may serve to reduce staff requirements. We are therefore solving our resource constraints through temporary external sources. Over \$1.5 million of the budget increase is attributable to temporary contracting augmentation, which closes a business gap and addresses an audit recommendation.

Additionally, we will be researching approaches and options around consolidating financial applications into an integrated financial management system. OFM currently uses over 20 disaggregated systems to execute and monitor all financial operations of the TSP and the Agency. We intend to engage consultant support as we determine our requirements for any future design and analyze costs vs. benefits of different approaches to satisfying those requirements. Finally, all Agency contingency funds (\$3.0 million), which are used to cover unforeseen events, have been aggregated within the OFM budget.

■ **Office of Resource Management (ORM):** \$8.7 million (\$1.0 million above the FY 2013 budget)

ORM's steady state budget supports the lease of Agency office space, agency-related commercial contracts and inter-agency agreements (e.g. employee life support programs such as personnel background investigations and security), and salary and benefits of an expanding ORM staff.

ORM	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$0	\$0	\$0
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$2,067,900	\$3,063,500	\$3,526,500
<b>Other Agency Operations</b>	\$5,687,000	\$5,682,267	\$6,744,904
<b>Total</b>	<b>\$7,754,900</b>	<b>\$8,745,767</b>	<b>\$10,271,404</b>

**Personnel:** \$3.1 million for ORM Personnel (\$1.0 million above the FY 2013 budget)

Office of Resource Management's authorized staffing for FY 2013 was 19. At the end of FY 2013, four staff members transitioned to steady state due to the completion of the A2 strategic initiative. For 2014, we are budgeted for an increase of three additional personnel; a Physical Security Specialist, a Records Management Specialist, and a Human Resources Specialist. With the addition of the two new

staff members in FY 2015, an HR Employee Relations Specialist and a Program Analyst to support agency continuity operations, the total staff will be 24.

**Other Agency Operations:** \$5.7 million Other Agency Operations (relatively unchanged from the FY 2013 budget)

The budget includes \$3.9 million for office rent. The Agency has experienced a significant increase in staff from the end of FY 2012, with 50 new hires on board as of July 30, 2013. Staff increases also brought about a need for additional office space and in FY 2013 we leased 9,000 square feet of fully furnished space on the 9<sup>th</sup> floor. ORM has secured a lease to build-out the remaining unfinished office space on the 9<sup>th</sup> floor to accommodate the increase in Agency-wide staff through the end of FY 2017. The expansion in leased space has limited impact on the FY 2014 budget, but has full-year impact in FY 2015.

- **Small Offices** – The following offices have been consolidated, as each budget is below \$3.0 million.

- Office of Enterprise Planning (OEP)
- Office of General Counsel (OGC)
- Office of Investments (OI)
- Office of the Executive Director (OED)
- Office of External Affairs (OEA)
- Office of Enterprise Risk Management (OERM)

OEP, OGC, OI, OED, OEA & OERM	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$0	\$0	\$0
<b>Communications</b>	\$21,000	\$140,000	\$0
<b>Personnel</b>	\$4,870,796	\$5,543,711	\$6,319,109
<b>Other Agency Operations</b>	\$2,049,750	\$2,579,050	\$2,637,225
<b>Total</b>	<b>\$6,941,546</b>	<b>\$8,262,761</b>	<b>\$8,956,334</b>

**Personnel:** \$4.5 million for Personnel (\$0.9 million above the FY 2013 budget)

OEP has eight authorized staff members for FY 2013. The increase in personnel costs reflects the impact of a full year of the FY 2013 new hires. There are two additions planned in the PMO in FY 2015, bringing staffing total to ten.

OGC is budgeting for two additional attorneys in FY 2014 to handle expected increases in workload. Authorized staffing for FY 2013 was eight. With the addition of two in FY 2014 and none in FY 2015, total staff will be ten.

OI added an additional staff member in mid-FY 2013 as work related to Requests for Proposal, operational structure and securities lending oversight are all increasing. Total staff of 3 people is projected to remain unchanged.

The OED budget, increases modestly in FY 2014. This funding also supports costs associated with Board Member part-time salary. Authorized staffing for FY 2013 was three and is projected to remain unchanged.

The OEA budget will remain largely unchanged. With no additional staff authorizations in FY 2014 and FY 2015, total staff remains at two.

OERM authorized staffing for FY 2013 was six. OERM plans to add two additional staff members to support the external auditors in each of FY 2014 and FY 2015, for a total staff of ten.

**Other Agency Operations:** \$1.5 million Other Agency Operations (relatively unchanged from the FY 2013 budget). This budget category includes training, travel, contracts, consultants and publications.

OEP intends to engage consultant support in FY 2014 and in FY 2015 to provide scheduling and training services in support of the Project Management Office and also to support the Agency's organizational development efforts.

OERM intends to engage auditor and consultant support in two areas: 1) financial audit, 2) development of Business Continuity Plans including Business Impact Assessments, respectively.

### **New FY 2014 Strategic Initiative**

The strategic initiatives started in the current fiscal year are focused on placing the Agency on a firmer footing and strengthening resources, skills, business practices, and systems. While the Agency stabilizes its steady state capabilities and builds capacity, we will also be setting the stage for a major new initiative - the new participant experience. However, before we can build this new participant experience, we must first complete the essential research to enable us to make the fact-based decisions about what that new experience should be. Consequently, we are proposing that only one new initiative from the FY 2013 – 2017 Strategic Plan be funded in the FY 2014 budget – Enhancing Decision Intelligence (previously branded Getting Smarter – B4).

We propose to enhance our decision intelligence by analyzing the research to gain greater understanding and answer critical questions such as:

- ◆ How do the quality, speed, security and ease-of-use of our transaction and information delivery systems compare to best-in-class DC service providers and our participants' expectations?
- ◆ How can we better use the participant data we have to drive better outcomes?

- ◆ How can we learn more about our participants? And how can we use this data to help them?
- ◆ What drives our participants' decision-making? How effectively do our current communication efforts nudge participants toward smart choices? What more can we do to positively influence this behavior?
- ◆ In running the TSP, what do we do that participants like? And what frustrates them? How are they likely to react to new/modified services under consideration?

Building our decision intelligence will give us the information to make informed decisions when re-casting our benefits, services and tools to build an improved and much enhanced participant experience. The budget related to this initiative is summarized below:

Strategic Initiative B4	FY 2014	FY 2015
<b>Recordkeeping</b>	\$1,235,000	\$1,045,000
<b>Communications</b>	\$0	\$0
<b>Personnel</b>	\$606,213	\$1,105,748
<b>Other Agency Operations</b>	\$450,000	\$850,000
<b>Total</b>	<b>\$2,291,213</b>	<b>\$3,000,748</b>

This initiative will be segmented into two separate portfolios of related projects (see Appendix C): 1) To initiate best-in-class business intelligence methodologies and weave these practices into our standard thinking and operating processes; and 2) To evaluate the TSP participant experience today and define the optimal customer experience of the future. These projects will be managed in accordance with protocols defined by the FRTIB Project Management Office. We expect this effort to be approximately two-years in duration and at a projected cost of \$2.3 million for FY 2014 and \$3.0 million for FY 2015.

### ***Business Intelligence***

**Measure and Continuously Improve Business Process:** This effort starts by benchmarking our key operational processes and costs against other administrators and financial institutions. We will then use this insight toward identifying and tracking the metrics and answering key questions that will drive our success in delivering the services our participants want. For example:

*What is our rejection rate in processing hardship withdrawal forms? What are the root causes of these rejections? When we process these forms, what is the error rate and rate of throughput? What are the root causes of errors? What are the barriers to greater throughput? How does this process compare to peers? What is required to be best-in-class? What does our current process cost and what might be the benefits of a re-engineered process?*

We will drive metrics management and continuous improvement initiatives throughout the Agency by establishing a unit with expertise in process re-engineering. This unit will establish a standard framework for the program offices that will enable them to identify, monitor, and report on various measurements of service, benefits, and operational performance.

**Collect Relevant Data:** There are critical data points about participants that do not exist in our systems, including salary, TSP deferral rate, marital status, gender, e-mail address and phone numbers. The typical large-plan recordkeeper has all of these participant data points available to them. We can (and plan to) collect some of these data points directly from participants by initiating a project to request the information when participants call the ThriftLine or access My Accounts on the web. However, this will yield uneven results as many participants don't use the web or ThriftLine. Most data points could be collected through new or modified information sharing with payroll offices and OPM and we plan to initiate discussions to determine the feasibility and scope of that project.

Further, as we now recognize that education about the TSP is far more effective when participants have a holistic understanding of their complete retirement benefits package, we will seek to include information about projected benefits from other two legs of FERS – Social Security and OPM defined benefit annuity. We will initiate discussions with OPM and SSA to determine the feasibility and scope of that project.

**Use Data More Wisely:** Our recordkeeping system contains data on millions of participants and includes hundreds of millions of data points that could help us better understand what drives their actions and forecast future actions. However, we are limited in our ability to use this data for several reasons:

- ◆ The data, which is provided by agencies or participants, is subject to error and even good data grows stale – our large volume of returned mail is a clear example of the impact of imperfect and stale data.
- ◆ We have limited tools to extract plan data as useful information and are often limited to pulling from our “production” environment, which creates stress on our nightly processing cycle and introduces risks.
- ◆ We lack the internal skills to apply in-depth data analysis, akin to best-in-class business intelligence approaches used by other large benefits providers.

We plan to overcome these limitations by 1) cleansing existing data; 2) establishing a mechanism to enable gathering and analysis of data; and 3) developing the skills to perform data analysis toward predictive analytics. Getting to the level of being able to derive insights from predictive analytics about “What will happen?” will first require us to get better at understanding descriptive analytics (what happened?) and diagnostic analytics (why did it happen?). We will hire a data scientist and support staff to enable us to perform modeling and analysis, and ultimately, be able to draw predictive conclusions about participant behavior. We plan to acquire and deploy the tools, skills, and technology that will support the initiative. This encompasses data discovery tools,



data storage, and skill sets that will enable us to examine, understand and house our transactional and operational data— along with demographic, market, survey, and other data — in order to better predict participant behavior and respond to their needs.

### ***Participant Experience***

Our participants' experience is defined by everything they see or hear about the TSP, what they learn from us directly through web/print, their feelings about the last interaction they had with a TSP phone center representative, what information they get from their agency/service personnel department and what they read in the paper and hear about from their co-workers and friends. We seek first to better understand what this experience is – and then to improve this experience.

**Survey Constantly:** We currently survey a statistically significant sample of participants on a bi-annual basis. While this effort is important, we could do far more to collect timely feedback and actionable data. We want to know how participants feel about our service when they use it and to constantly track this data. We plan to build automated and permanent surveys offered at the end of web and phone sessions and to mail brief survey cards with mailed transaction confirmations. The data will be a key indicator allowing us to track in near real-time the impact of any changes in our services. The data will also be a key input to the “Measure and Continually Improve” project as we gauge the effectiveness of our programs and identify areas for continuous improvement.

**Research to Evaluate Education Efforts:** Our communication effort is “one-to-many,” designed to create broad awareness of the TSP and its advantages and secondly to increase the likelihood that our participants will make wise choices in their TSP accounts. We propose to step back and with expert third-party assistance, and use of focus groups, to:

- ◆ Evaluate the overall effectiveness of our communication and education program and compare this effort to industry peers. How effective is what we do now in creating broad awareness and favorable impression of the TSP? How effective is what we do now in nudging participants toward smart choices?
- ◆ Consider theories of behavioral finance in evaluating how people make TSP decisions, how they establish their retirement goals, the extent to which these results differ between different segments of our customers (young new Federal employee, mid-career savers and a growing population of retired participants) and how we can best structure TSP choices to help them reach those goals.
- ◆ Employ what we learn to design beta versions of decision support tools (forms, web, and literature) and test the effect of modified tools. This will include important follow-on work from the “Collect Relevant Data” project where we can test the potential impact that collecting and using new data points will have on our ability to communicate effectively and determine whether these approaches will lead to better outcomes.

- ◆ Test the demand for new services and features under consideration, such as consultative phone services, e-mail/text/social media communication, local service options, modified withdrawal program, mutual fund window, and paperless transactions.

**Success measure:** *By June 2015, input from participant surveys and focus groups, recommendations from the communications review, information from the benchmarking initiative, and initial data analytics will be completed. This information will be synthesized to develop a view into participant preferences, retirement needs, and service expectations. This analysis, which is to be completed by year-end 2015, will be the roadmap for re-casting the participant experience. Collectively this work will allow us to draw informed conclusions about participant preferences and behaviors, better understand the participant population and consequently enable us to more effectively target and educate participants.*

*This roadmap will consider participant communications and holistic retirement education and advice/guidance, possible benefit changes, the impact, cost and viability of offering a mutual fund window, customer-centric and extended services, and paperless transactional capabilities. It is our expectation that the FY 2016 – 2020 Strategic Plan will detail the future wide-ranging strategic initiatives that will result from getting smarter about all aspects of our business.*

## **2016 AND BEYOND**

The rate of budget increase in FY 2013 and 2014 has been both significant and appropriate given the capacity constraints that existed prior to FY 2012. The rate of increase in the budget in fiscal years 2015 is sharply lower. We currently expect steady state budget in FY2016 – FY2018 to rise at a modest pace, as no significant new expenditures are foreseen for steady state operations. New strategic initiatives that may arise as a result of the intelligence gathered through the proposed B4 initiative will inform our strategic plan and associated initiatives in the FY 2016-2018 period, and therefore the associated budget.

## **SUMMARY**

In FY 2014 and 2015, we intend to continue and conclude efforts to build capacity and stabilize operations that were initiated in FY 2013. In 2014 we intend to initiate efforts to amass business intelligence and ultimately use this intelligence to deliver a world-class participant experience that is customer-centric and drives more favorable retirement outcomes. We will do this while remaining a simple and low-cost plan and never diverting from our mission.

**Budget 5-Year Forecast**  
**Selected Summary By Interest**

Fiscal Year: 2014

All Budget Types

**Summary By Office and Function****EXECUTIVE DIRECTOR**

Personnel salaries and benefits  
 Other Agency Operations  
 Total OED

**EXTERNAL AFFAIRS**

Personnel salaries and benefits  
 Other Agency Operations  
 Total OEA

**GENERAL COUNSEL**

Personnel salaries and benefits  
 Other Agency Operations  
 All other expenses (eg. supplies, travel, training)  
 Subtotal Other Interest  
 Consultant Services  
 Subtotal Consulting Services  
 Total Other Agency Operations  
 Total OGC

**INVESTMENTS**

Personnel salaries and benefits  
 Other Agency Operations  
 All other expenses (eg. supplies, travel, training)  
 Subtotal Other Interest  
 Consultant Services  
 Subtotal Consulting Services  
 Total Other Agency Operations  
 Total OI

**ENTERPRISE PLANNING**

Recordkeeping  
 Communications  
 Postage (Discretionary Mailings)  
 Subtotal Operations, Accounting & Postage  
 Brochures Printing

Original Budget FY 2013	Current Budget FY 2013	Budget Forecast FY 2014	Budget Forecast FY 2015	Budget Forecast FY 2016	Budget Forecast FY 2017	Budget Forecast FY 2018
761,000	691,375	905,000	911,000	917,000	922,400	928,500
185,000	174,000	203,000	214,000	225,000	236,000	247,000
946,000	865,375	1,108,000	1,125,000	1,142,000	1,158,400	1,175,500
374,400	291,749	399,600	403,700	407,800	411,800	415,900
42,750	43,325	37,050	53,225	42,300	58,848	46,672
417,150	335,074	436,650	456,925	450,100	470,648	462,572
1,061,400	930,521	1,430,000	1,634,500	1,687,000	1,749,000	1,784,000
360,000	294,762	262,000	269,000	276,000	283,000	285,000
360,000	294,762	262,000	269,000	276,000	283,000	285,000
0	19,429	50,000	50,000	50,000	50,000	50,000
0	19,429	50,000	50,000	50,000	50,000	50,000
360,000	314,191	312,000	319,000	326,000	333,000	335,000
1,421,400	1,244,712	1,742,000	1,953,500	2,013,000	2,082,000	2,119,000
491,000	483,302	635,000	680,500	639,000	640,600	642,200
115,000	115,000	149,000	158,000	158,000	166,350	175,068
115,000	115,000	149,000	158,000	158,000	166,350	175,068
310,000	434,800	320,000	330,000	346,500	363,825	382,016
310,000	434,800	320,000	330,000	346,500	363,825	382,016
425,000	549,800	469,000	488,000	504,500	530,175	557,084
916,000	1,033,102	1,104,000	1,168,500	1,143,500	1,170,775	1,199,284
0	0	0	200,000	0	0	0
21,000	21,000	140,000	0	145,000	0	150,000
21,000	21,000	140,000	0	145,000	0	150,000
0	0	0	0	0	0	0

## Budget 5-Year Forecast

## Selected Summary By Interest

Fiscal Year: 2014

All Budget Types

## Summary By Office and Function

	Original Budget FY 2013	Current Budget FY 2013	Budget Forecast FY 2014	Budget Forecast FY 2015	Budget Forecast FY 2016	Budget Forecast FY 2017	Budget Forecast FY 2018
Other Communication	0	0	0	0	0	0	0
Subtotal Print Materials	0	0	0	0	0	0	0
Total Communications	21,000	21,000	140,000	0	145,000	0	150,000
Personnel salaries and benefits	1,025,496	918,859	1,891,924	2,499,852	2,777,579	2,829,677	2,855,177
Other Agency Operations							
All other expenses (eg. supplies, travel, training)	224,000	122,000	160,000	165,000	175,000	180,000	185,000
Subtotal Other Interest	224,000	122,000	160,000	165,000	175,000	180,000	185,000
Consultant Services	270,000	2,495,000	795,000	895,000	385,000	385,000	295,000
Subtotal Consulting Services	270,000	2,495,000	795,000	895,000	385,000	385,000	295,000
Total Other Agency Operations	494,000	2,617,000	955,000	1,060,000	560,000	565,000	480,000
Total OEP	1,540,496	3,556,859	2,986,924	3,759,852	3,482,579	3,394,677	3,485,177

## PARTICIPANT OPS AND POLICY

## Recordkeeping

TSP system contractor support & maintenance	0	0	600,000	400,000	0	0	0
Subtotal TSP Systems	0	0	600,000	400,000	0	0	0
Clintwood Call Center contractor support	5,588,000	8,531,000	5,837,000	6,360,000	6,996,000	7,695,600	8,465,160
Frostburg call center	5,976,035	7,345,045	7,733,000	8,500,000	9,350,000	10,285,000	11,313,500
Subtotal Data and Call Centers	11,564,035	15,876,045	13,570,000	14,860,000	16,346,000	17,980,600	19,778,660
Participant Operations (inbound mail, data entry, etc.)	18,539,000	20,244,415	21,857,000	22,841,550	25,123,650	27,635,750	30,440,645
Subtotal Operations, Accounting & Postage	18,539,000	20,244,415	21,857,000	22,841,550	25,123,650	27,635,750	30,440,645
Total Recordkeeping	30,103,035	36,120,459	36,027,000	38,101,550	41,469,650	45,616,350	50,219,305
Personnel salaries and benefits	1,795,300	1,591,487	2,694,940	3,596,881	4,192,381	4,207,381	4,210,381
Other Agency Operations							
All other expenses (eg. supplies, travel, training)	141,000	96,450	160,500	168,500	176,500	184,500	192,500
Subtotal Other Interest	141,000	96,450	160,500	168,500	176,500	184,500	192,500
Consultant Services	743,000	344,440	346,000	348,880	352,000	406,000	360,000
Subtotal Consulting Services	743,000	344,440	346,000	348,880	352,000	406,000	360,000
Total Other Agency Operations	884,000	440,890	506,500	517,380	528,500	590,500	552,500
Total BEN	32,782,335	38,152,837	39,228,440	42,215,811	46,190,531	50,414,231	54,982,186

## FINANCIAL MANAGEMENT

## Recordkeeping

Personnel salaries and benefits	2,900,000	762,805	0	0	0	0	0
Other Agency Operations	4,703,000	4,168,792	5,197,000	5,537,000	5,675,500	5,723,000	5,922,000
Other Federal Agency Support	570,001	495,066	492,000	504,000	526,000	553,000	575,000
All other expenses (eg. supplies, travel, training)	244,000	193,079	314,200	319,450	332,174	349,657	367,939
		18					



## Budget 5-Year Forecast

## Selected Summary By Interest

Fiscal Year: 2014

All Budget Types

## Summary By Office and Function

	Original Budget FY 2013	Current Budget FY 2013	Budget Forecast FY 2014	Budget Forecast FY 2015	Budget Forecast FY 2016	Budget Forecast FY 2017	Budget Forecast FY 2018
Contingency Funding	3,008,901	855,050	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
<b>Subtotal Other Interest</b>	<b>3,822,902</b>	<b>1,543,194</b>	<b>3,806,200</b>	<b>3,823,450</b>	<b>3,858,174</b>	<b>3,902,657</b>	<b>3,942,939</b>
Consultant Services	0	253,411	2,675,000	2,210,000	295,000	298,000	301,000
<b>Subtotal Consulting Services</b>	<b>0</b>	<b>253,411</b>	<b>2,675,000</b>	<b>2,210,000</b>	<b>295,000</b>	<b>298,000</b>	<b>301,000</b>
<b>Total Other Agency Operations</b>	<b>3,822,902</b>	<b>1,796,605</b>	<b>6,481,200</b>	<b>6,033,450</b>	<b>4,153,174</b>	<b>4,200,657</b>	<b>4,243,939</b>
<b>Total OFM</b>	<b>11,425,902</b>	<b>6,728,202</b>	<b>11,678,200</b>	<b>11,570,450</b>	<b>9,828,674</b>	<b>9,923,657</b>	<b>10,165,939</b>

## TECHNOLOGY SERVICES

## Recordkeeping

TSP system contractor support & maintenance	44,643,495	44,033,085	44,912,722	51,372,641	53,754,159	57,133,592	60,436,258
<b>Subtotal TSP Systems</b>	<b>44,643,495</b>	<b>44,033,085</b>	<b>44,912,722</b>	<b>51,372,641</b>	<b>53,754,159</b>	<b>57,133,592</b>	<b>60,436,258</b>
Primary Data Center contractor support & Data Security	19,787,000	22,541,834	24,844,210	29,459,750	31,058,488	32,942,462	34,777,935
Primary Data Center hardware & software	9,408,001	10,461,717	18,317,001	12,114,501	12,594,001	12,936,001	13,283,501
Backup Data Center contractor support	2,915,000	2,915,000	2,410,000	2,109,750	2,214,488	2,324,462	2,439,935
Backup Data Center hardware & software	1,354,001	1,306,152	4,627,001	1,676,001	1,878,001	1,933,001	1,990,001
Clintwood Call Center hardware, software, and lease direct charges	1,117,000	1,125,518	1,095,000	1,070,000	1,137,000	1,176,000	1,234,800

Communications lines for data and call centers	5,837,000	4,945,638	5,986,000	6,141,000	6,223,249	6,196,181	6,622,000
<b>Subtotal Data and Call Centers</b>	<b>40,418,002</b>	<b>43,295,858</b>	<b>57,279,212</b>	<b>52,571,002</b>	<b>55,105,226</b>	<b>57,508,107</b>	<b>60,348,172</b>
Participant Operations (inbound mail, data entry, etc.)	209,000	14,378	0	0	0	0	0
<b>Subtotal Operations, Accounting &amp; Postage</b>	<b>209,000</b>	<b>14,378</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Recordkeeping</b>	<b>85,270,497</b>	<b>87,343,322</b>	<b>102,191,934</b>	<b>103,943,643</b>	<b>108,859,385</b>	<b>114,641,699</b>	<b>120,784,430</b>

## Personnel salaries and benefits

## Other Agency Operations

IT hardware/software/services (Agency)	1,001,000	1,004,106	1,182,238	1,095,041	1,135,894	1,180,799	1,221,758
All other expenses (eg. supplies, travel, training)	306,250	362,116	381,000	407,000	432,500	452,500	465,000
<b>Subtotal Other Interest</b>	<b>1,307,250</b>	<b>1,366,222</b>	<b>1,563,238</b>	<b>1,502,041</b>	<b>1,568,394</b>	<b>1,633,299</b>	<b>1,686,758</b>
Consultant Services	1,680,000	1,691,652	1,777,600	1,281,391	1,277,600	1,277,600	1,332,265
<b>Subtotal Consulting Services</b>	<b>1,680,000</b>	<b>1,691,652</b>	<b>1,777,600</b>	<b>1,281,391</b>	<b>1,277,600</b>	<b>1,277,600</b>	<b>1,332,265</b>
<b>Total Other Agency Operations</b>	<b>2,987,250</b>	<b>3,057,874</b>	<b>3,340,838</b>	<b>2,783,432</b>	<b>2,845,994</b>	<b>2,910,899</b>	<b>3,019,023</b>
<b>Total OTS</b>	<b>94,385,722</b>	<b>96,172,001</b>	<b>113,689,772</b>	<b>115,581,575</b>	<b>121,047,379</b>	<b>127,158,098</b>	<b>133,517,943</b>

## COMMUNICATIONS

## Recordkeeping

## Communications

Postage (Discretionary Mailings)	9,171,000	8,871,000	8,840,000	8,841,000	8,718,000	8,720,000	8,818,000
<b>Subtotal Operations, Accounting &amp; Postage</b>	<b>650,000</b>	<b>350,000</b>	<b>655,000</b>	<b>655,000</b>	<b>650,000</b>	<b>650,000</b>	<b>645,000</b>
Brochures Printing	538,000	300,964	464,000	466,000	475,000	477,000	482,000

## Federal Retirement Thrift Investment Board

8/26/2013

## Budget 5-Year Forecast

## Selected Summary By Interest

Fiscal Year: 2014

All Budget Types

## Summary By Office and Function

	Original Budget FY 2013	Current Budget FY 2013	Budget Forecast FY 2014	Budget Forecast FY 2015	Budget Forecast FY 2016	Budget Forecast FY 2017	Budget Forecast FY 2018
Other Communication Forms	2,414,000	1,001,587	1,439,000	1,333,000	1,665,000	1,400,000	1,486,000
Subtotal Print Materials	167,000	166,334	137,000	141,000	143,000	151,000	151,000
Distribution and Fulfillment	3,119,000	1,468,885	2,040,000	1,940,000	2,283,000	2,028,000	2,119,000
Subtotal Other Interest	192,000	192,000	168,000	168,000	153,000	153,000	143,000
Total Communications	192,000	192,000	168,000	168,000	153,000	153,000	143,000
Personnel salaries and benefits	3,961,000	2,010,885	2,863,000	2,763,000	3,086,000	2,831,000	2,907,000
Other Agency Operations	3,464,595	2,386,190	3,901,000	4,227,500	4,542,000	4,748,500	4,817,500
All other expenses (eg. supplies, travel, training)	248,000	340,656	330,000	337,000	296,000	308,000	254,000
Subtotal Other Interest	248,000	340,656	330,000	337,000	296,000	308,000	254,000
Consultant Services	0	0	400,000	400,000	0	0	0
Subtotal Consulting Services	0	0	400,000	400,000	0	0	0
Total Other Agency Operations	248,000	340,656	730,000	737,000	296,000	308,000	254,000
Total COM	16,844,595	13,608,730	16,334,000	16,568,500	16,642,000	16,607,500	16,796,500
RESOURCE MANAGEMENT							
Personnel salaries and benefits	2,067,900	1,350,408	3,063,500	3,526,500	3,799,000	3,874,500	3,939,000
Other Agency Operations	0	0	271,000	229,000	241,000	253,000	266,000
Office Rent	4,024,000	3,814,000	3,853,267	5,205,362	5,431,479	5,665,350	5,852,548
All other expenses (eg. supplies, travel, training)	1,663,000	1,867,000	1,558,000	1,310,542	1,492,405	1,498,866	1,512,250
Total Other Agency Operations	5,687,000	5,681,000	5,682,267	6,744,904	7,164,884	7,417,216	7,630,798
Total RSM	7,754,900	7,031,408	8,745,767	10,271,404	10,963,884	11,291,716	11,569,798
RISK MANAGEMENT							
Personnel salaries and benefits	1,157,500	936,700	2,099,500	2,645,500	2,810,741	2,825,500	2,839,000
Other Agency Operations	655,000	563,825	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000
All other expenses (eg. supplies, travel, training)	655,000	563,825	1,080,000	1,080,000	1,080,000	1,080,000	1,080,000
Subtotal Other Interest	253,000	256,175	806,000	818,000	832,000	832,000	832,000
Consultant Services	253,000	256,175	806,000	818,000	832,000	832,000	832,000
Subtotal Consulting Services	908,000	820,000	1,886,000	1,898,000	1,912,000	1,726,000	1,283,000
Total Other Agency Operations	2,065,500	1,756,700	3,985,500	4,543,500	4,722,741	4,551,500	4,122,000
Total RSK	170,500,000	170,485,000	201,039,253	209,215,017	217,626,388	228,223,202	239,595,899
GRAND TOTAL							



## Appendix B – In-Flight Initiatives

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

**Description:** Align with Federal Information Security Management Act (FISMA) to ensure and enable secure operations and strengthen Information Technology (IT) risk management through implementation of the Agency's Enterprise Information Security Risk Management (EISRM) directive and the 19 related policies. During FY 2013, this initiative expanded as a result of an internal information security review which established boundaries around each of our systems and proposed multiple actions to enable EISRM policy compliance including contractual changes, system assessment and authorization actions, new personnel screening, credentialing and training actions and improved capabilities for incident detection/response and contingency planning. Additionally the review identified methods to better segregate sensitive workloads.

**Actions & Status:** The Agency has developed and is implementing a focused, comprehensive Information Assurance Program that provides a framework for addressing Information Security issues and risks. Based on that framework, we have successfully hired a team of information systems security officers (ISSO's), led by the Agency's Chief Information Security Officer. The EISRM directive and its associated 19 policies that were issued in FY 2012 are being fully integrated with Agency business processes. We have identified 21 distinct information systems requiring assessments and authorizations, of which more than 40% have started work. Additionally, the Agency designed and is in the final stages of implementing a Security Operations Center/Network Operations Center (SOC/NOC), which provides the capability to detect, track and react to threats. All of this cumulatively improves our information security posture and addresses numerous open information security audit findings.

Implementing the EISRM directive and the actions of the internal review has and will continue to encumber substantial government and contractor resources. Before the conclusion of FY 2015, we will complete the twenty-first and final Information System Assessment and Authorization. This will signify the successful achievement of Strategic Initiative A-1, as all system authorizations will have been received and the EISRM framework and all related policies will be re-authorized. Therefore, by the end of FY 2015, the EISRM Program will transition to a steady state of continuous monitoring and ongoing authorizations. Note: Each system authorization will create Plans of Action and Milestones (POAMs) however; completion of POAMs will extend beyond the conclusion date of the initiative. The budget related to this initiative is summarized below:

Strategic Initiative A1	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$3,750,000	\$155,000	\$160,000
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$137,185	\$974,184	\$992,727
<b>Other Agency Operations</b>	\$100,000	\$1,365,000	\$1,118,791
<b>Total</b>	<b>\$3,987,185</b>	<b>\$2,494,184</b>	<b>\$2,271,518</b>

**Recordkeeping:** To achieve compliance with segregation of duty provisions of the EISRM policies and close an opened audit finding, the Agency restructured and augmented the contractor provided support on both of our major IT support contracts. In addition, we modified our Infrastructure & Operations contract to include the creation of the SOC/NOC referenced above. These improvements, which equate to \$3.6 million, will permanently become part of steady state beginning in FY 2014. Security training remains a part of the in-flight initiative in FY 2014.

**Personnel:** In FY 2013, we established the Information Assurance Division (IAD) within the Office of Technology Services and hired a Chief Information Security Officer (CISO) who serves as the chief of IAD. Further, we augmented our information security staff by hiring four additional ISSOs and a dedicated Privacy Act Specialist within our General Counsel's office in FY 2013. The primary function of these employees is to implement and carry out the objectives of the A1 initiative. As such, these internal personnel costs will continue permanently and equate to \$1.0 million for FY 2014 and 2015.

**Other Agency Operations:** For the 21 TSP IT systems assessments and authorizations, one IT system assessment is complete, eight are in-progress, and the remaining 12 are planned for completion before calendar year-end 2015. Each system ISSO leads this work supported by externally procured services. Further, we engaged an independent support contractor with expertise in managing complex portfolios of IT security-related projects to temporarily support the CISO. The external support to the CISO will terminate at the conclusion of this initiative.

## **Initiative A2 - Develop a Strategic Human Capital Plan**

**Description:** Central to meeting our strategic goals is the successful implementation of a robust human capital strategy. The Agency is committed to developing long-term strategies for acquiring, developing, and retaining a workforce needed to ensure that we are able to define and meet current and future initiatives and maintain steady state. Our roadmap for accomplishing this commitment will be illustrated through our Strategic Human Capital Plan which will outline major goals and supporting strategies categorized around OPM's five human capital systems (Strategic Alignment, Leadership and Knowledge Management, Results-Oriented Performance Culture, Talent Management, and Accountability). Of the major goals and strategies identified, we will be focusing first on Talent Management; specifically skills gap analyses, data-driven hiring plans, continual learning, and executive development. This initiative has also expanded modestly to include change management efforts as we work through the challenges that come with substantial growth and change.

**Actions & Status:** This effort started in 2013 with the creation and hiring of several different disciplines within human resources (HR) in the Office of Resource Management. The additional HR manpower increased our capacity to hire and as a result, the agency has increased staff by almost 50%, with 50 new hires through July 31, 2013.

The overarching human capital plan outlines our major human capital goals and strategies and capitalizes on recently created policies on training, education and employee development, and our modified onboarding process which was recently put into action. This initiative will conclude when the human capital plan is published at the end of FY 2013, and future expenses associated with this initiative will roll into steady state. The budget related to this initiative is summarized below:

Strategic Initiative A2	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$0	\$0	\$0
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$152,505	\$0	\$0
<b>Other Agency Operations</b>	\$0	\$0	\$0
<b>Total</b>	<b>\$152,505</b>	<b>\$0</b>	<b>\$0</b>

**Personnel:** In FY 2013 we hired a Supervisory HR strategy specialist, personnel recruiter, records management coordinator and a training & development specialist. Together this group allows us to develop critical policies and a framework for our actions, hire and train effectively, and document all actions properly. Cost for permanent hires which equates to \$0.6 million in FY 2014 will roll into steady state budget in all out-years.

#### **Initiative B1 - Develop and Implement an Integrated Acquisition Strategy:**

**Description:** Develop and implement a full acquisition lifecycle process (planning, budgeting, purchasing, contract management and disposition) which integrates with our strategic planning, budgeting and business practices; secures best value for participants, and enables organizational agility. The goal is to establish and implement FRTIB acquisition policies, governance and procedures that are as simple as possible and yield best value for the Agency.

**Actions & Status:** In FY 2013, we temporarily leveraged a resource in the Project Management Office to begin work on this policy initiative, as the Agency focused on acquiring critical Procurement resources. We have hired a Contract Policy Officer and are recruiting for a Federal Acquisition Program Manager. These two individuals will work closely together and lead our newly established Project and Acquisition Committee, provide governance over existing procurement and project management actions, and create more efficient and agile processes for the future. Also, these individuals along with an additional FY 2014 hire will provide the in-house expertise needed to complete this initiative and sustain it in the steady state environment. A consultant with expertise in financial management, budget, and acquisition best practices has been engaged to assist in the research, data collection and policy writing effort. This initiative will be fully implemented by the end of FY 2015, at which time it will move into Steady State. The budget related to this initiative is summarized below:

Strategic Initiative B1	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$0	\$0	\$0
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$168,673	\$421,240	\$488,116
<b>Other Agency Operations</b>	\$0	\$100,000	\$50,000
<b>Total</b>	<b>\$168,673</b>	<b>\$521,240</b>	<b>\$538,116</b>

**Personnel:** FY 2013 budget includes two hires for part of the year. FY 2014 includes those hires for the full year plus hiring one additional staff member. Costs for all three permanent hires will roll into the steady state budget in FY 2016 and continue for all out-years.

**Other Agency Operations:** The consultant service provides temporary procurement expertise in both FY 2014 - 2015, and will terminate at the conclusion of the initiative.

#### **Initiative B2 - Develop and implement a formal, integrated Enterprise Risk Management strategy (ERM)**

**Description:** The goal is to protect and create value for participants by building the capacity to identify and proactively address enterprise level risks and opportunities. This initiative was expanded when it became clear that: 1) fraud monitoring, detection and response capability was required for an effective system of internal controls, and 2) Agency-wide policies and procedures development and maintenance needed to be centrally managed.

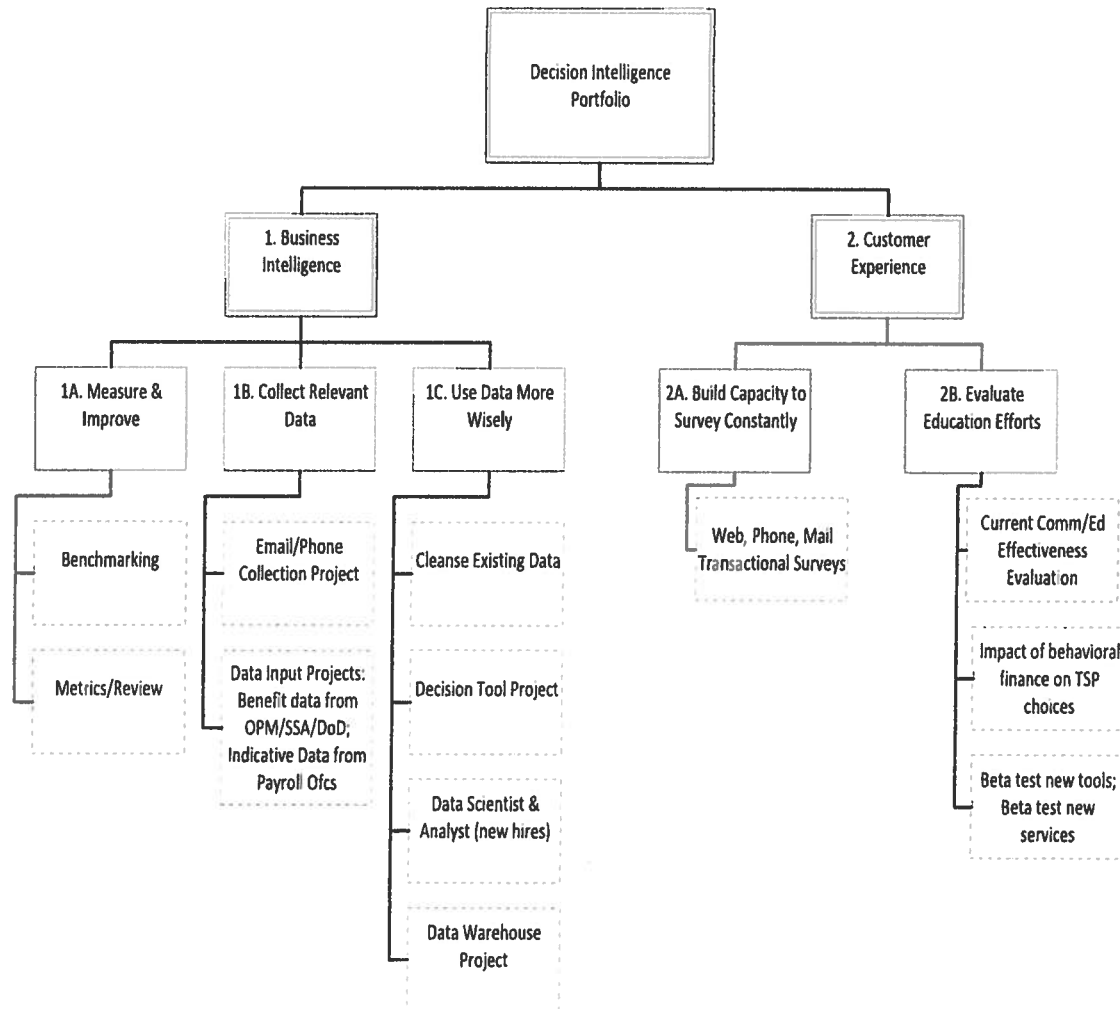
**Actions & Status:** Last year we created the Office of Enterprise Risk Management (OERM) and hired the permanent Chief Risk Officer. While the substantial work associated with closing pre-existing audit findings has been the key focus of this group, that work is not directly related to the ERM initiative. The ERM initiative was advanced by restructuring the office into six distinct work streams. The functions of ERM and formal anti-fraud are entirely new at the Agency. Internal controls existed previously, but were substantially under resourced. Policies and Procedures existed across the Agency program offices although lacked uniformity. This initiative will end when one full cycle of key risk assessments and internal control reviews of critical operations has been completed and integrated with an enterprise-wide risk management framework and policy. We anticipate this will occur by the end of FY 2015. The budget related to this initiative is summarized below:

Strategic Initiative B2	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$0	\$0	\$0
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$91,169	\$1,050,421	\$1,294,914
<b>Other Agency Operations</b>	\$265,000	\$818,000	\$830,000
<b>Total</b>	<b>\$356,169</b>	<b>\$1,868,421</b>	<b>\$2,124,914</b>

**Personnel:** The staff dedicated to this initiative is growing with the increased scope. In last year's Budget Memo, we presumed this initiative required four new staff members (one in FY 2013 and three in FY 2014). The new OERM Director identified additional gaps in the areas of fraud mitigation, internal controls and policy/procedures. As a result, there will be a total of eight employees associated with this initiative.

**Other Agency Operations:** In FY 2014, we will seek consultant support in developing and implementing an integrated enterprise risk management and internal controls framework. We expect to continue using contract support until the initial internal control review process is completed. We plan an acquisition to augment support toward the establishment and operation of the internal audit function. This temporary workforce augmentation will help us initiate our internal audit function and enable knowledge transfer from consultant to employee. By the end of FY 2015, the internal staff will lead the function permanently. All consultant expenses are scheduled to terminate after the conclusion of the initiative.

## Appendix C







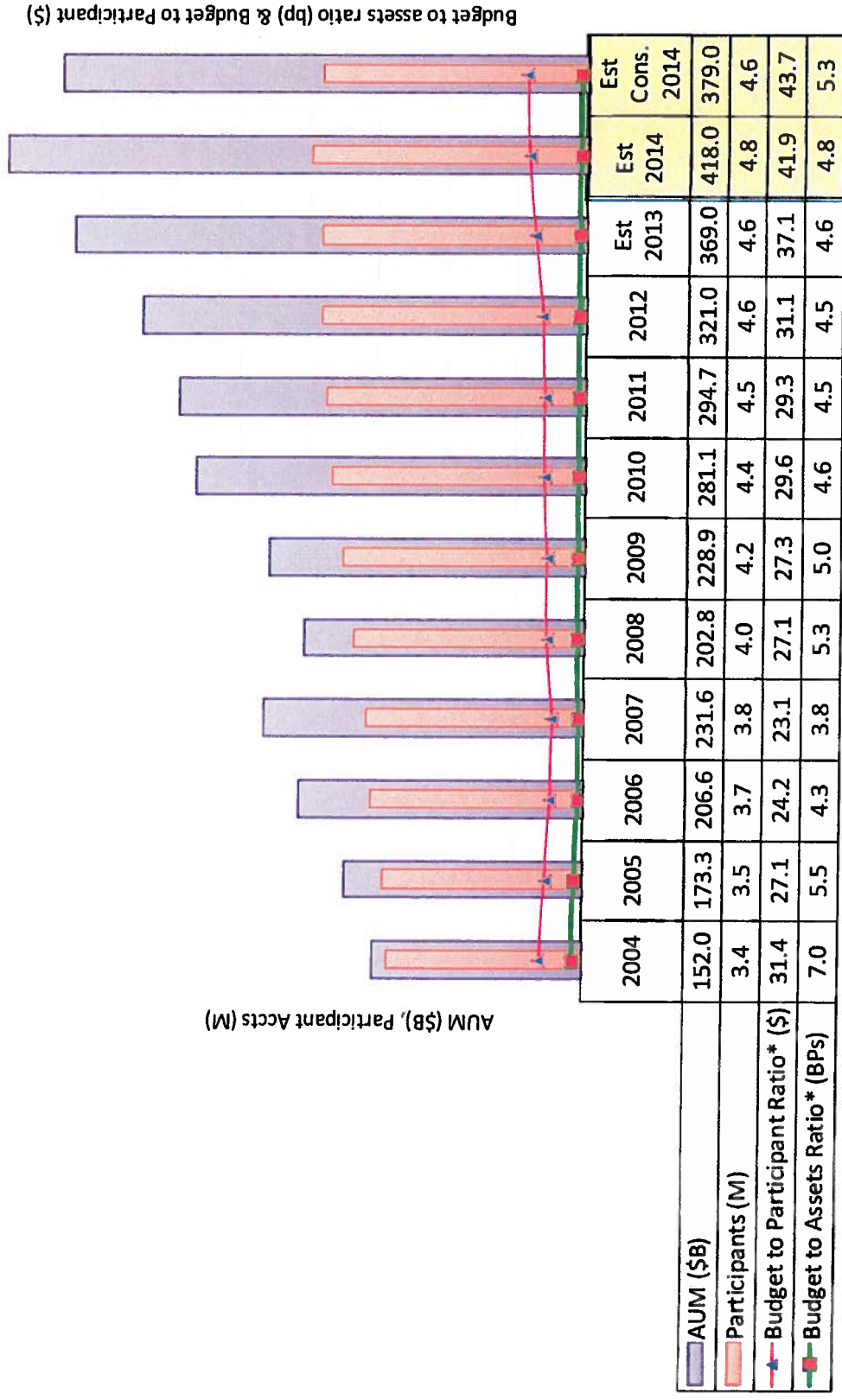
# **Annual Budget Presentation**

**Fiscal Year 2014 Proposal  
Fiscal Year 2015 Estimate**

**Gregory T. Long  
Executive Director**

# TSP Plan Growth

Based on average historical growth rate between 2004 - 2014



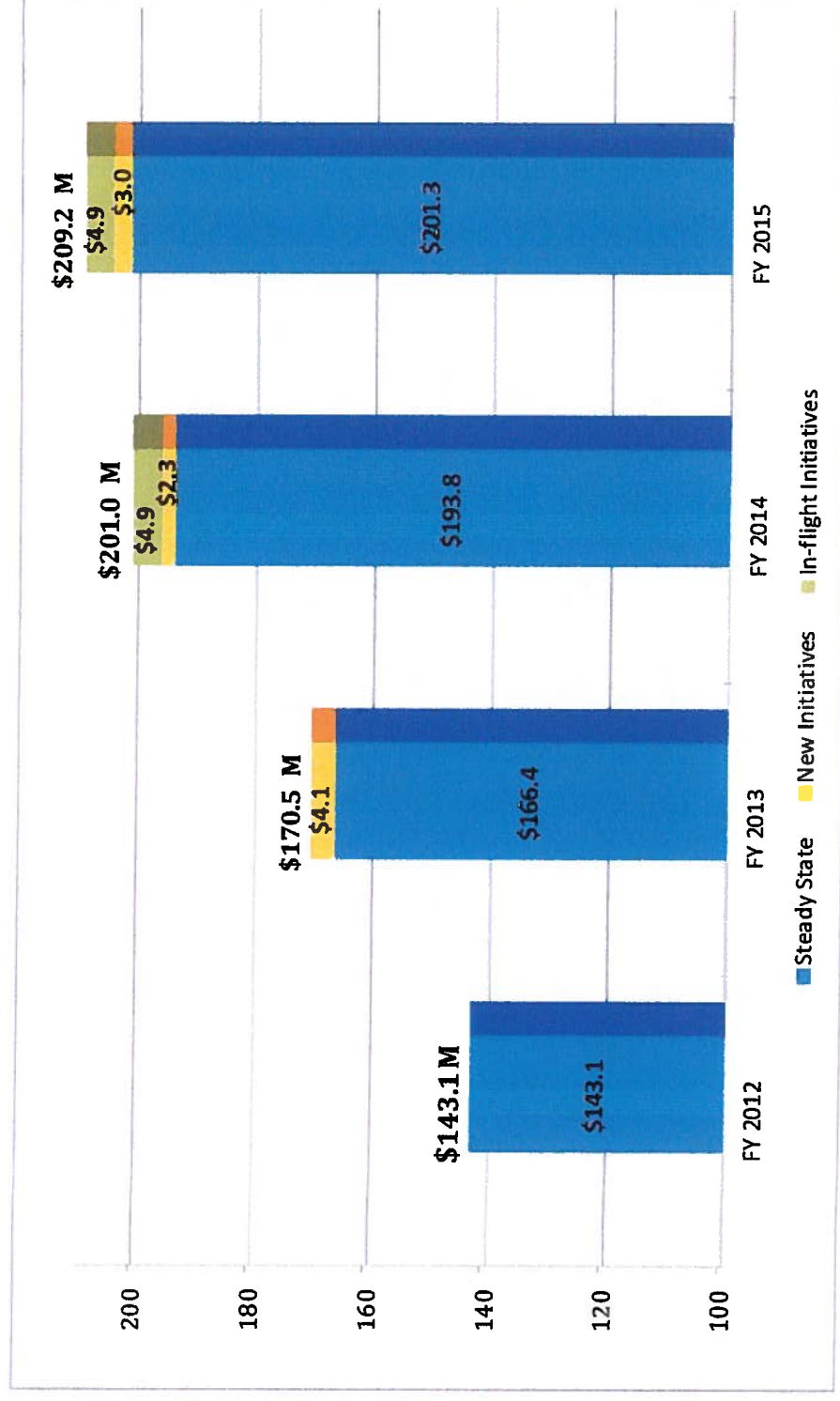
\* Neither of these ratios are used to determine participants costs

# Steady State vs. New Initiative

- **Steady State**
  - Level of service required to maintain a consistent experience for participants
- **New Initiatives**
  - Value-added changes to services, benefits and/or enhancements to Agency operations
  - New initiatives often lead to higher steady state costs

# FY 2012 - FY 2015

## Comparative Budget



# FY 2013 In-flight Initiatives

## A1 - Enterprise Information Systems Risk Management (EISRM)

Align with Federal Information Security Management Act (FISMA) to ensure secure operations and strengthen IT risk management

- 21 distinct information systems identified, with more than 40% of A&A's started
- Final stages of implementing Security Operations Center/Network Operations Center (SOC/NOC)
- Expected conclusion FY 2015

# FY 2013 In-flight Initiatives

## A2 - Develop Strategic Human Capital Plan

Establish long-term strategies for acquiring, developing, and retaining a high performing workforce

- Built around OPM's five human capital systems (Strategic Alignment, Leadership and Knowledge Management, Results-Oriented Performance Culture, Talent Management, and Accountability).
  - Focusing first on Talent Management: specifically skills gap analyses, data-driven hiring plans, continual learning, and executive development
  - This initiative will conclude when the human capital plan is published at the end of FY 2013



# FY 2013 In-flight Initiatives

## B1 - Develop and Implement an Integrated Acquisition Strategy

Develop and implement a full acquisition lifecycle process (planning, budgeting, purchasing, contract management and disposition) which integrates with our strategic planning, budgeting and business practices

- Secure best value for participants and beneficiaries
- Enable organizational agility by applying contracting best practices
- Consultant support engaged to assist in the research, data collection and policy writing effort
- Expected conclusion FY 2015

# FY 2013 In-flight Initiatives

## B2 - Develop an integrated Enterprise Risk Management (ERM) strategy

Build the capacity to identify and proactively address enterprise level risks and opportunities in a holistic manner

- This initiative was expanded to include:
  - Fraud monitoring, detection and response capability
  - Agency-wide policies and procedures development and maintenance
- The functions of ERM and formal anti-fraud are entirely new at the Agency
- Expected conclusion FY 2015

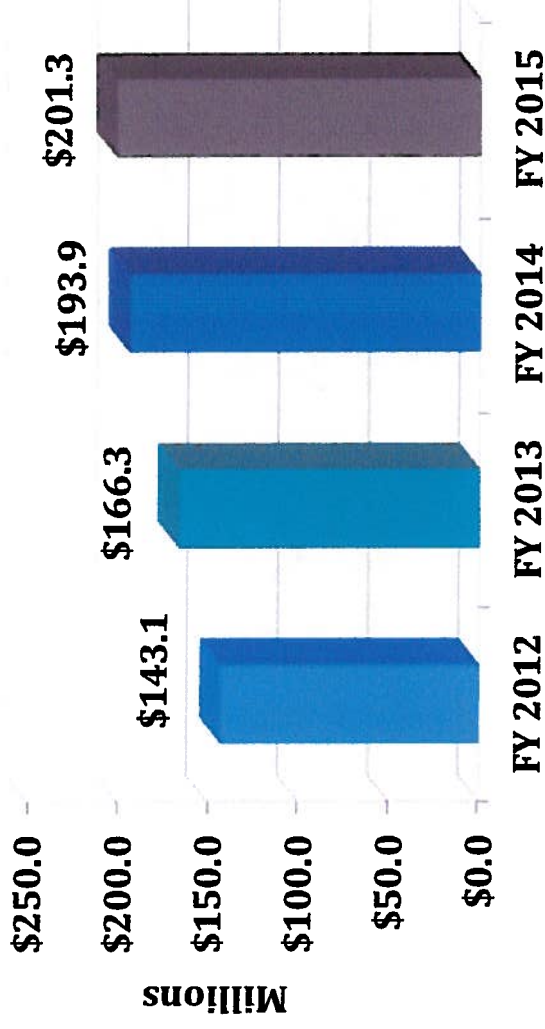
# In-Flight Strategic Initiatives

## Summary

in \$000's

Initiative	FY 2013	FY 2014	FY 2015
A1 – EISRM	\$3,987	\$2,494	\$2,271
A2 - Human Capital Management	\$153	\$0	\$0
B1 - Integrated Acquisition Strategy	\$169	\$521	\$538
B2 - Integrated Enterprise Risk Management	\$356	\$1,868	\$2,125
<b>Total</b>	<b>\$4,665</b>	<b>\$4,883</b>	<b>\$4,934</b>

# FY 2014 Estimated Budget Steady State Summary



# FY 2014 Steady State Cost Drivers

- TESS – contract performance begins 02/01/2014
  - Establishes robust information security requirements
  - Enhances IT service delivery, including introduction of Information Technology Infrastructure Library Framework (ITIL) framework
  - Reinforces the importance of recordkeeping data confidentiality, integrity, and availability
- Omni recordkeeping software upgrade planning (Destination Release)
- Mainframe acquisition
- Augmented staffing at call centers (E-messaging)
- Re-engineering of beneficiary designation business process
- Additional staffing in ORM, OPOP and OTS

# FY 2014 Estimated Budget Steady State by Office





- **Office of Technology Services (OTS): \$111.1 million (\$20.4 million above the FY 2013 budget)**

OTS	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$82,520,497	\$101,446,934	\$103,383,643
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$6,127,975	\$7,276,192	\$7,973,692
<b>Other Agency Operations</b>	\$1,987,250	\$2,340,838	\$1,779,641
<b>Total</b>	<b>\$90,635,722</b>	<b>\$111,063,964</b>	<b>\$113,136,976</b>

- **Recordkeeping:**
  - TESS: SAIC selected as new support services contractor
    - Establishes robust information security requirements
    - Raises service delivery standards to those commensurate with contemporaries in the government and financial services sectors
    - Full budgetary impact FY 2015
  - Mainframe: Acquisition in FY 2014 has been planned since FY 2012
- **Personnel:**
  - Full year impact of staff hired in FY 2013, plus five additional hires
    - Increased staffing allows OTS to improve IT business management and enhance technical disciplines
- **Other Agency Operations:**
  - Provide End-User IT services to an increased FRTIB staff

■ **Office of Participant Operations & Policy (OPOP): \$38.5 million (\$5.7 million above the FY 2013 budget)**

OPOP	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$30,103,035	\$35,427,000	\$37,701,550
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$1,795,300	\$2,571,000	\$3,349,000
<b>Other Agency Operations</b>	\$884,000	\$506,500	\$517,380
<b>Total</b>	<b>\$32,782,335</b>	<b>\$38,504,500</b>	<b>\$41,567,930</b>

□ **Recordkeeping:**

- Call Centers costs increased due to standard increases and enhanced security clauses and staffing increases for E-messaging
- Participant operations increased due to the cost of the Beneficiary Designation Process Enhancement Project

□ **Personnel:**

- OPOP's authorized steady state staffing level increased from 12 to 19 during FY 2013 and is planned for increases to 23 total staff by end of FY 2014
  - This allows more experienced staff to focus on programs, policies, business processes, and contract management while new staff will focus primarily on case work

□ **Other Agency Operations:**

- Provides services such as augmenting call center oversight, call forecasting support and benefits consulting

- **Office of Communications and Education (OCE): \$15.8 million (\$1.0 million below the FY 2013 budget).**

OCE	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$9,171,000	\$8,795,000	\$8,796,000
<b>Communications</b>	\$3,961,000	\$2,863,000	\$2,763,000
<b>Personnel</b>	\$3,464,595	\$3,901,000	\$4,227,500
<b>Other Agency Operations</b>	\$248,000	\$280,000	\$287,000
<b>Total</b>	<b>\$16,844,595</b>	<b>\$15,839,000</b>	<b>\$16,073,500</b>

- **Recordkeeping:**
  - Address Clean-Up project is expected to decrease the amount of returned and undeliverable participant mail the TSP processes
- **Communications:**
  - Costs are expected to decline as fewer products are printed and mailed to participants and Agencies
  - Significant savings were realized by our primary print vendor (UNICOR) as a result of combining and streamlining the ordering and printing processes
- **Personnel:**
  - Full year impact of staff hired in FY 2013 plus one additional hire in FY 2014
- **Other Agency Operations:**
  - Relatively unchanged from FY 2013

- **Office of Financial Management (OFM): \$11.4 million (relatively unchanged from the FY 2013 budget)**

OFM	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$2,900,000	\$0	\$0
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$4,703,000	\$4,967,003	\$5,240,127
<b>Other Agency Operations</b>	\$3,822,902	\$6,481,200	\$6,033,450
<b>Total</b>	<b>\$11,425,902</b>	<b>\$11,448,203</b>	<b>\$11,273,577</b>

- **Recordkeeping:**
  - Reduction in recordkeeping costs is due to the in-sourcing of the TSP system accounting function
- **Personnel:**
  - The Accounting Division is scheduled to add two new positions in FY 2014 largely to enable compliance with Treasury's Intra-Governmental Payment and Collection (IPAC) mandate
- **Other Agency Operations:**
  - Temporary contracting staff augmentation which closes a business gap and addresses an audit recommendation
  - Agency's contingency fund

■ **Office of Resource Management (ORM): \$8.7 million (\$1.0 million above the FY 2013 budget)**

ORM	FY 2013	FY 2014	FY 2015
Recordkeeping	\$0	\$0	\$0
Communications	\$0	\$0	\$0
Personnel	\$2,067,900	\$3,063,500	\$3,526,500
Other Agency Operations	\$5,687,000	\$5,682,267	\$6,744,904
<b>Total</b>	<b>\$7,754,900</b>	<b>\$8,745,767</b>	<b>\$10,271,404</b>

□ **Personnel:**

- At the end of FY 2013, four staff members transitioned to steady state due to the completion of the A2 Strategic Initiative
- In FY 2014 three additional personnel requested to strengthen physical security, records management specialist, and human resources

□ **Other Agency Operations:**

- With 50 new hires in the current fiscal year, staff increases brought about a need for additional office space
  - In FY 2013 we leased 9,000 square feet of fully furnished space on the 9th floor and are securing a lease to build out the remaining unfinished space
  - The expansion in leased space has limited impact on the FY 2014 budget, but has full-year impact in FY 2015



- **Small Offices: OEP, OGC, OI, OED, OEA & OERM**  
\$8.3 million (\$1.4 million above the consolidated office FY 2013 budgets)

OEP, OGC, OI, OED, OEA & OERM	FY 2013	FY 2014	FY 2015
<b>Recordkeeping</b>	\$0	\$0	\$0
<b>Communications</b>	\$21,000	\$140,000	\$0
<b>Personnel</b>	\$4,870,796	\$5,543,711	\$6,319,109
<b>Other Agency Operations</b>	\$2,049,750	\$2,579,050	\$2,637,225
<b>Total</b>	<b>\$6,941,546</b>	<b>\$8,262,761</b>	<b>\$8,956,334</b>

□ **Personnel:**

- OEP: Full year impact of staff hired in FY 2013
- OGC: Is budgeting for two additional attorneys in FY 2014 to handle expected increases in workload
- OI: Full year impact of one additional staff hired in FY 2013
- OERM: Two additional staff members to support the external auditors in each of FY 2014 and FY 2015

□ **Other Agency Operations:**

- OEP will engage consultant support in FY 2014 to provide scheduling and training services in support of the Project Management Office
- OERM will engage auditor and consultant support in: 1) financial audit, 2) development of Business Continuity Plans including Business Impact Assessments, respectively



# FY 2014 Proposed New Initiative

- **We propose to *enhance our decision intelligence* by analyzing the research to gain greater understanding and answer critical questions such as:**
  - ❖ How do the quality, speed, security and ease-of-use of our transaction and information delivery systems compare to best-in-class DC service providers and our participants' expectations?
  - ❖ How can we better use the participant data we have to drive better outcomes?
  - ❖ How can we learn more about our participants? And how we can use this data to help them?
  - ❖ What drives our participants' decision-making? How effectively do our current communication efforts nudge participants toward smart choices? What more can we do to positively influence this behavior?
  - ❖ In running the TSP, what do we do that participants like? And what frustrates them? How are they likely to react to new/modified services under consideration?

# FY 2014 New Initiatives

## B4 – Enhancing Decision Intelligence

in \$000's

Strategic Initiative B4	FY 2014	FY 2015
Recordkeeping	\$1,235	\$1,045
Communications	\$0	\$0
Personnel	\$606	\$1,106
Other Agency Operations	\$450	\$850
Total	\$2,291	\$3,001

# Budget Summary

- **FY 2013 re-cap**
  - 91% utilization of budget as of 8/31/13
- **FY 2014 proposal of full budget**
  - Seeking approval for \$201.0M
  - Provide to Congress and OMB
- **FY 2015 estimate for review**
  - Provide to Congress and OMB

