



# **Annual Budget Presentation**

**Fiscal Year 2015 Proposal  
Fiscal Year 2016 Estimate**

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Executive Director  
and  
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Chief Financial Officer**



# Agenda

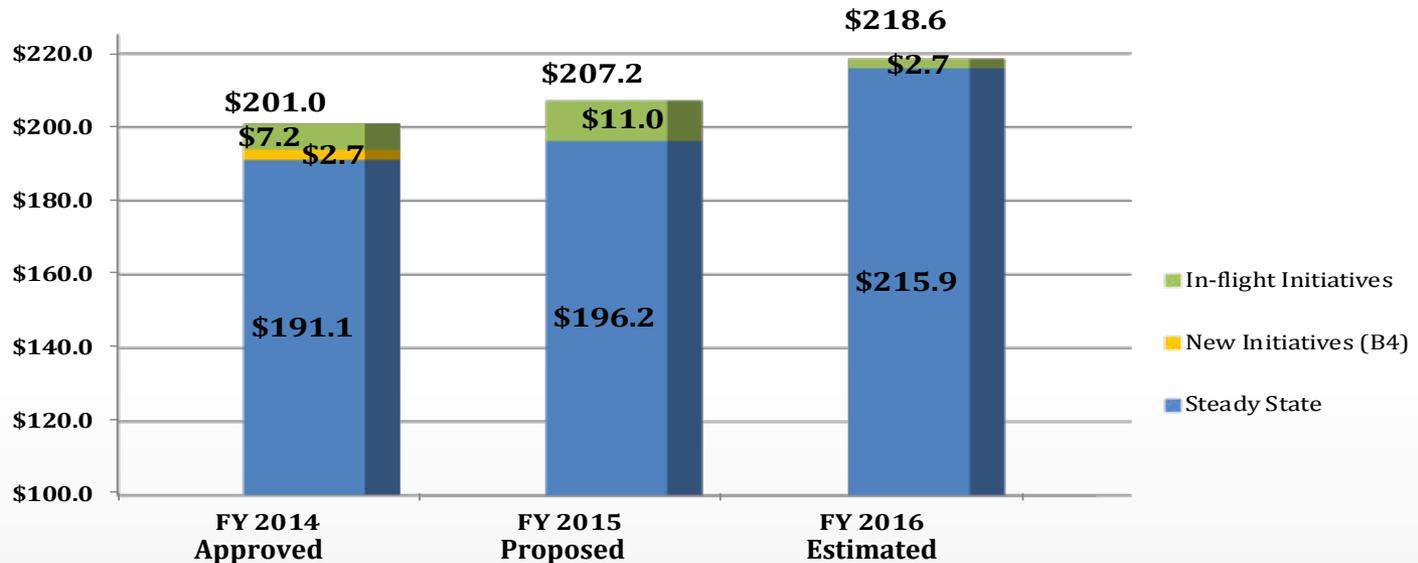
- FY 2014 – FY 2016 Budget Overview (G. Long)
- TSP Plan Growth (G. Long)
  - Assets Under Management (\$Billions)
  - Participants (Millions)
  - Budget (\$Millions)
  - Budget to Participant Ratio (in \$Dollars)
  - Budget to Assets Ratio (Basis Points)
- Steady State (S. Crowder)
  - Cost Themes
  - Individual Offices
  - Summary
- “In-flight” Strategic Initiatives (D. Heimann, J. Ahuja, R. Wilder)
  - Strategic Initiatives
  - Summary
- Budget Summary (G. Long)



# FY 2014 – FY 2016

## Budget Overview

(\$Millions)

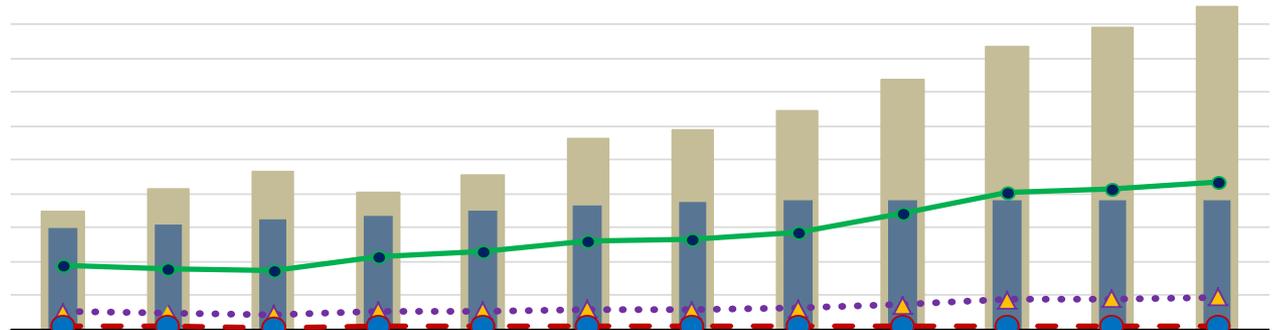


- FY 2015 represents an increase of 3.1% over FY 2014, which is \$2 million lower than the FY 2014 estimate for FY 2015
- Slower Growth (FY 2014 – FY 2016)
- Decision Intelligence Portfolio and Vision to re-imagine the Participant Experience may substantially change current FY 2016 estimate



# TSP Plan Growth

Historical and estimated growth rate between CY 2005 - 2016



	2005	2006	2007	2008	2009	2010	2011	2012	2013	Est 2014	Est 2015	Est 2016
AUM (\$B)	\$173	\$207	\$232	\$203	\$229	\$281	\$295	\$321	\$369	\$418	\$446	\$475
Participants (M)	3.6	3.7	3.9	4.0	4.2	4.4	4.5	4.6	4.6	4.6	4.6	4.6
FY Budget (\$mm)	\$94.9	\$89.4	\$87.6	\$108.4	\$114.5	\$130.3	\$131.8	\$143.1	\$170.5	\$201.0	\$207.2	\$218.6
Budget to Participant Ratio (\$)	\$26.4	\$24.2	\$22.5	\$27.1	\$27.3	\$29.6	\$29.3	\$31.1	\$37.1	\$43.7	\$45.0	\$47.5
Budget to Assets Ratio (BPs)	5.5	4.3	3.8	5.3	5	4.6	4.5	4.5	4.6	4.8	4.6	4.6

- Assets Under Management (AUM) (\$Billions)
- Participants (Millions)
- Budget (\$Millions)
- Budget to Participant Ratio (in \$Dollars)
- Budget to Assets Ratio (BPs)

- The Budget to Assets Ratio since 2010 has maintained below the 5.0 bps threshold
- Budget to Participant Ratio rate of growth is slowing in 2014 -2016 versus 2012 -2014



# FY 2015 Steady State

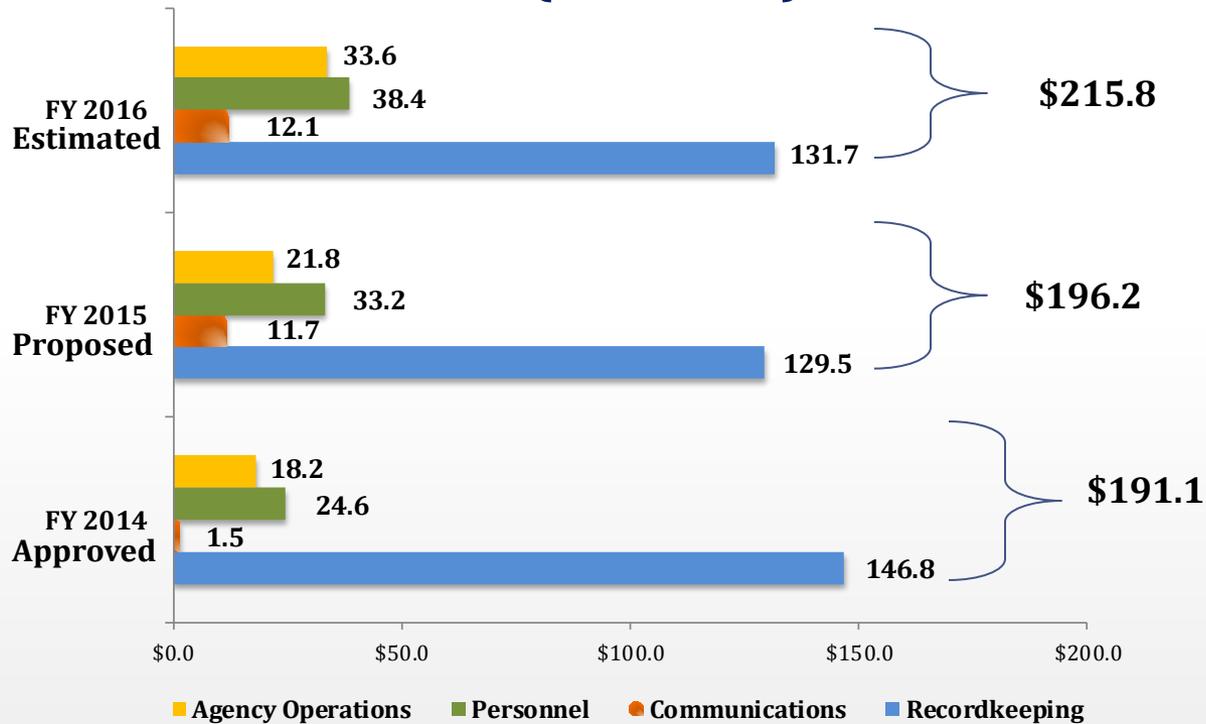


# Steady State Cost Themes

- Competition Yields Lower Recordkeeping Costs
- Agency Growth
- Audit Readiness
- Communications Budget Re-characterization



# FY 2014 - FY 2016 Steady State Summary (\$Millions)



- **Office of Technology Services (OTS): \$103.6 million (\$6.8 million or 6.2% below the FY 2014 budget)**

<b>OTS</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>
<b>Recordkeeping</b>	\$100,846,551	\$92,110,803	\$92,300,020
<b>Communications</b>	\$0	\$0	\$0
<b>Personnel</b>	\$6,589,318	\$8,531,000	\$10,423,500
<b>Agency Operations</b>	\$3,006,605	\$2,996,904	\$4,066,283
<b>Total</b>	<b>\$110,442,474</b>	<b>\$103,638,707</b>	<b>\$106,789,803</b>

- **Recordkeeping:**

- TESS: SAIC selected as new support services contractor in FY 2014
  - Competition and efficiencies resulting from the introduction of the IT Service Management Framework are reducing the TESS life cycle costs
- Mainframe: The one-time capital purchase of new mainframes in FY 2014 also decreased the FY 2015 Recordkeeping costs

- **Personnel:**

- Full year impact of staff hired in FY 2014, plus eight additional hires
  - Increased staffing allows OTS to support the Agency's enhanced IT security program and the high volume of audit activity occurring at the Agency

- **Agency Operations:**

- No major change from the FY 2014 budget



- **Office of Participant Operations & Policy (OPOP): \$41.9 million (\$3.1 million or 8.0% above the FY 2014 budget)**

OPOP	FY 2014	FY 2015	FY 2016
Recordkeeping	\$36,027,000	\$37,441,224	\$39,411,931
Communications	\$0	\$0	\$0
Personnel	\$2,282,645	\$3,962,000	\$4,630,500
Agency Operations	\$506,500	\$513,500	\$1,620,238
<b>Total</b>	<b>\$38,816,145</b>	<b>\$41,916,724</b>	<b>\$45,662,669</b>

- **Recordkeeping:**

- Call Center costs increased due to inclusion of additional security requirements and operational enhancements
- Participant Operations increased due to the cost of the Beneficiary Designation Process Enhancement Project

- **Personnel:**

- Increased staffing provides for greater contractor oversight, builds depth, and allows greater attention to enhancing the participant experience

- **Agency Operations:**

- No major change from FY 2014 budget



- **Office of Communications and Education (OCE): \$15.8 million (\$0.8 million or 4.6% above the FY 2014 budget)**

OCE	FY 2014	FY 2015	FY 2016
Recordkeeping	\$9,971,609	\$0	\$0
Communications	\$1,406,408	\$11,587,500	\$11,883,765
Personnel	\$3,387,175	\$3,953,000	\$4,496,000
Agency Operations	\$330,000	\$308,500	\$716,235
<b>Total</b>	<b>\$15,095,192</b>	<b>\$15,849,000</b>	<b>\$17,096,000</b>

- **Recordkeeping:**

- Re-categorization of \$10M in printing and mailing costs from Recordkeeping to Communications

- **Communications:**

- There is no change in budgeted costs, simply a re-characterization

- **Personnel:**

- In FY 2015 we are budgeting for four (4) additional positions. These new positions will allow OCE to increase outreach to federal agencies and participants.

- **Agency Operations:**

- No major change from FY 2014 budget



- **Office of Resource Management (ORM): \$13.4 million (\$3.7 million or 38.1% above the FY 2014 budget)**

ORM	FY 2014	FY 2015	FY 2016
Recordkeeping	\$0	\$0	\$0
Communications	\$0	\$0	\$0
Personnel	\$2,414,172	\$3,906,000	\$4,089,000
Agency Operations	\$7,236,637	\$9,504,608	\$9,534,644
<b>Total</b>	<b>\$9,650,809</b>	<b>\$13,410,608</b>	<b>\$13,623,644</b>

- **Personnel:**

- In FY 2015, there is a budget increase to fund 5 new personnel who will support increasing activities in training, travel policy, business support administration, human resource operations, and human capital initiatives

- **Agency Operations:**

- Increase in rent associated with the 9th floor expansion
- Provide enhanced security and monitoring services to the Agency's facility through the Department of Homeland Security's Federal Protective Service (FPS)



- **Office of Financial Management (OFM): \$11.1 million (\$2.2 million or 24.7% above the FY 2014 budget)**

OFM	FY 2014	FY 2015	FY 2016
Recordkeeping	\$0	\$0	\$0
Communications	\$0	\$0	\$0
Personnel	\$4,641,760	\$5,381,554	\$5,863,464
Agency Operations	\$4,233,788	\$5,701,600	\$14,733,700
<b>Total</b>	<b>\$8,875,548</b>	<b>\$11,083,154</b>	<b>\$20,597,164</b>

- **Personnel:**

- The increase in personnel costs reflects a full year of funding for FY 2014 hires
- In FY 2015, OFM is budgeting for one (1) additional staff position to strengthen our bench strength in our fund accounting division

- **Agency Operations:**

- In late FY 2014, we contracted with a Business Solution Consultant to evaluate our internal legacy financial systems to provide recommendations on a modernization alternatives.
- The 1.5% Agency Contingency Fund of \$3.1 million is budgeted in this category
  - Note: The FY 2016 budget increase is primarily due to the inclusion of \$10 million for the initial estimate of costs associated with the new participant experience.



- **Office of Enterprise Planning (OEP): \$2.6 million (\$0.7 million or 36.8% above the FY 2014 budget)**

OEP	FY 2014	FY 2015	FY 2016
Recordkeeping	\$0	\$0	\$0
Communications	\$85,793	\$75,000	\$223,750
Personnel	\$1,207,294	\$1,876,500	\$2,925,500
Agency Operations	\$655,207	\$657,000	\$642,700
<b>Total</b>	<b>\$1,948,294</b>	<b>\$2,608,500</b>	<b>\$3,791,950</b>

- **Personnel:**

- FY 2015 budget reflects the impact of full time salaries and benefits for FY 2014 hires
- In FY 2015, OEP is budgeting for an increase of two (2) additional staff positions – one in each acquisition planning and the project management areas

- **Agency Operations:**

- No major change from FY 2014 budget



- **Small Offices: OED, OCOO, OGC, OI, OEA, and OERM: \$7.7 million (\$1.4 million or 22.2% above the FY 2014 budget)**

The following offices have been consolidated, as each budget is below \$2.5 million:

- Office of the Executive Director (OED)
- Office of Chief Operating Officer (OCOO)
- Office of General Counsel (OGC)
- Office of Investments (OI)
- Office of External Affairs (OEA)
- Office of Enterprise Risk Management (OERM)

OED, OCOO, OGC, OI, OEA, and OERM	FY 2014	FY 2015	FY 2016
Recordkeeping	\$0	\$0	\$0
Communications	\$0	\$0	\$0
Personnel	\$4,099,719	\$5,603,000	\$6,008,000
Agency Operations	\$2,199,040	\$2,113,575	\$2,328,725
<b>Total</b>	<b>\$6,298,759</b>	<b>\$7,716,575</b>	<b>\$8,336,725</b>

- **Personnel:**

- There is modest growth in staffing supporting requirements in OGC, OI, and OERM
- No growth in staffing projected for OED, OCOO or OEA

- **Agency Operations:**

- No major change from FY 2014 budget for the combined small offices



# FY 2015 “In-Flight” Strategic Initiatives



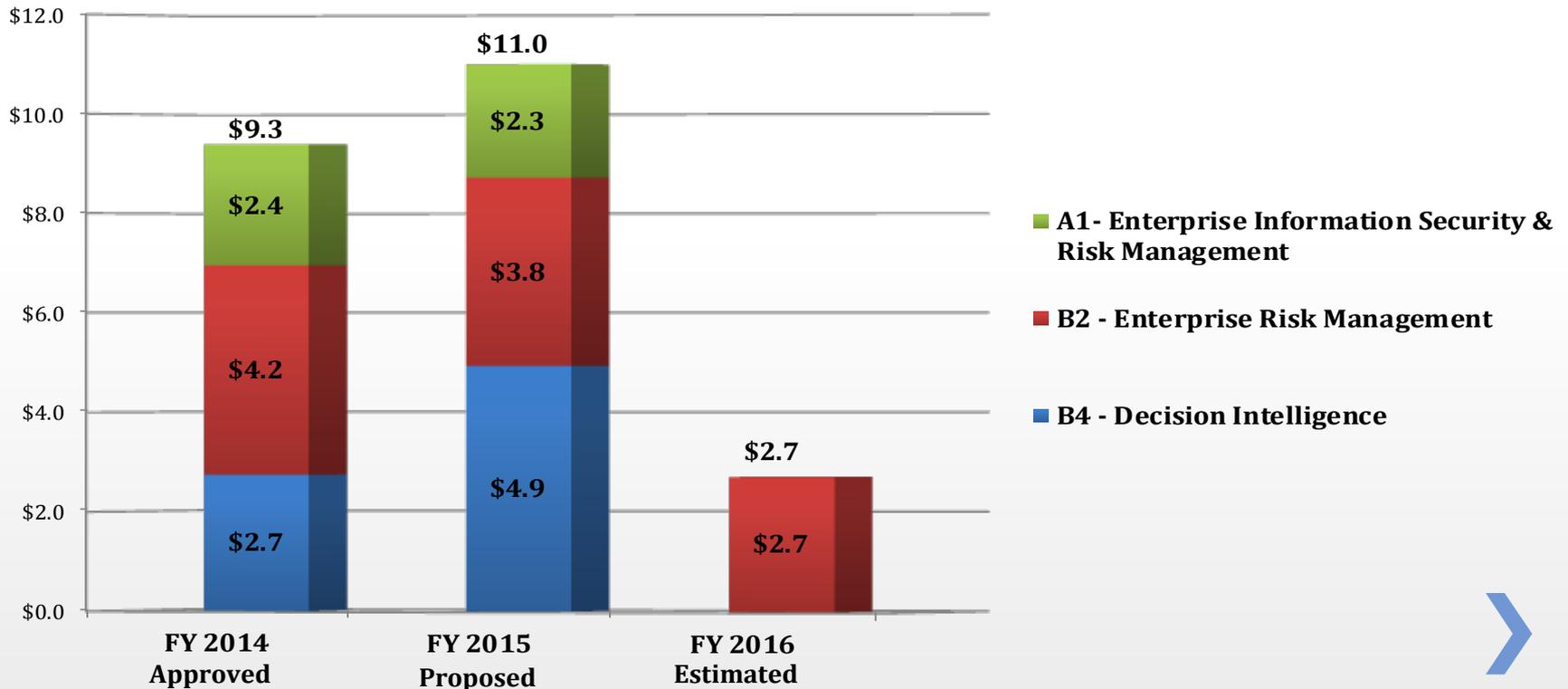
# **“In-Flight” Strategic Initiatives**

- A1 - Enterprise Information Security & Risk Management
- B2 - Enterprise Risk Management
- B4 – Decision Intelligence



# FY 2014 – FY 2016

## “In-Flight” Strategic Initiatives Summary (\$Millions)



# “In-flight” Initiatives

## A1 - Enterprise Information Security & Risk Management

This initiative will help the Agency 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 and Risk Management (EISRM) Directive and the 19 related policies

Current status:

- 21 TSP IT Information System Assessment and Authorization (A&A’s): seven are complete, nine are in-progress, and the rest are planned for completion before calendar year-end 2015
- Implemented Security Operations Center/Network Operations Center (SOC/NOC)

Expected conclusion:

- We anticipate all system assessments and authorizations to be complete by end of calendar year-end 2015



# “In-flight” Initiatives

## B2 - Enterprise Risk Management

This Initiative will build the capacity to identify and proactively address enterprise level risks and opportunities.

Current status:

- This initiative was expanded to include:
  - Integrated fraud monitoring, detection and response capability
  - Agency-wide policies and procedures development and maintenance
  - Implementation of an Internal Audit function
- In FY 2015, we will seek support for the development and implementation of an integrated enterprise risk management and internal controls framework

Expected conclusion:

- Initiative will end when one full cycle of key risk assessments and internal audits 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 2016.



# “In-flight” Initiatives

## B4 – Decision Intelligence

This initiative was initiated in FY 2014 to enhance our decision intelligence by embracing the research to gain greater understanding and answer critical questions

Current status:

- There are six projects in-flight in this portfolio associated with this initiative, the projects are ongoing and are projected to end in FY 2015

Expected conclusion:

- The culmination of these projects will be the integration of information derived from these efforts to develop the blueprint for the new participant experience, which will bring world class benefit services and education to TSP participants



# Budget Summary

(\$Millions)

- **FY 2014 re-cap**
  - Projected to finish this year at/or within 1% of our \$201M allocation
- **Proposed FY 2015 total budget**
  - Seeking approval for \$207.2M
  - 3.1 % increase from FY 2014
  - Will be provided to Congress and OMB
- **FY 2016 estimate for review**
  - Will be provided to Congress and OMB

