

PERFORMANCE BUDGET



Fiscal Year 2011

Railroad Retirement Board

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Exhibit: Final Performance Budget - FY 201140

Introduction

The Railroad Retirement Board (RRB) has developed this performance budget for fiscal year 2011 to support our mission (Figure 1 on the following page) and to communicate our intentions for meeting challenges and seeking opportunities. We will use the plan to hold managers accountable for achieving program results and to improve program effectiveness and public accountability by promoting a renewed focus on results, service quality, and customer satisfaction. We will also use the plan to help managers improve service delivery by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality.

This plan is closely linked to our **Strategic Plan** and can be easily cross-referenced to that plan. We will hold managers accountable for achieving the goals laid out in the Strategic Plan, thereby making our agency more citizen-centered, and results-oriented.

The performance budget provides detailed performance goals, performance indicators and target levels to guide agency managers as they implement our Strategic Plan. It also communicates our plans to our stakeholders, including the railroad community, the Administration, the Congress, and other government agencies. It is one part of a comprehensive set of interlocking plans that cover all major aspects of agency operations. In this plan, we have established specific performance goals (with performance indicators and projected performance levels) to be achieved in fiscal year 2011. Additionally, it supports our other functional plans required to manage the agency. These functional plans include the **Customer Service Plan** and the **Information Technology Capital Plan**. These plans inform the annual submission of the agency budget to OMB and the Congress.

The RRB's strategic and performance goals are presented in the sections following our mission statement. Information on anticipated performance in fiscal year 2011 for each performance goal, at the President's proposed budget level of \$110,573,000, is provided in the Exhibit. To provide for ongoing improvement in performance and accountability, we will continue to set programmatic goals which are aggressive, realistic and accurately measured. We will also ensure that planned improvements are transparent and result in meaningful outcomes, and that agency managers are accountable for achieving performance goals.

We will also prepare and submit to the President and the Congress a report on program performance for fiscal year 2011, as part of our Performance and Accountability Report. The report will be audited by the RRB's Office of Inspector General (OIG) to help ensure the reliability and utility of our performance information. The reported information will be derived from agency systems and will compare the performance goals and indicators to actual program performance for that fiscal year. This performance budget meets the requirements of the Government Performance and Results Act and was prepared by RRB employees.

Figure 1

***RAILROAD RETIREMENT BOARD
MISSION STATEMENT***

The RRB's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness. The RRB also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code.

In carrying out its mission, the RRB will pay benefits to the right people, in the right amounts, in a timely manner, and will take appropriate action to safeguard our customers' trust funds. The RRB will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.

Strategic Goal I: *Provide Excellent Customer Service.* We aim to satisfy our customers' expectations for quality service both in terms of service delivery options and levels and manner of performance. At the President's proposed budget level, we plan to allocate \$86,060,531 and 692 full-time equivalent employees to this goal. We have established two performance goals that focus on the specifics of achieving this strategic goal.

Performance Goal I-A: *Pay benefits accurately and timely.* The RRB is committed to ensuring that we pay the right benefits to the right people in a timely manner. We have a number of measures in place to track the accuracy and timeliness of the actions we take in a year regarding both Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA) programs.

The principal indicators of **accuracy** are the benefit payment and case accuracy rates in each program. Our performance goal is to ensure that we can continue to meet or exceed 99 percent **payment accuracy** in the payments we initiate or manually adjust in a given year. (Payment accuracy is defined as the percentage of dollars paid correctly as a result of the adjudication action performed.) We have also established **case accuracy** goals (the percentage of cases paid without material error) so that at least 94 percent of cases handled under the RRA and at least 98 percent of those handled under the RUIA are accurate. To accomplish these goals, we will:

- *Monitor payment and case accuracy and the levels of improper payments, and identify problems.*
- *Provide feedback and take additional preventive actions as appropriate.*
- *Ensure accurate, up-to-date, accessible instructions to support our front-line employees as they provide customer support.*
- *Inform our customers about their responsibilities.*
- *Ensure that the Customer Service Plan is comprehensive and is revised when appropriate.*
- *Promote direct deposit for benefit payments.*
- *Monitor key payment workloads.*
- *Encourage employers to file annual service and compensation reports accurately and timely.*
- *Allocate resources effectively.*

Our performance in the area of benefit **timeliness** is also a key indicator of our customer service. We track our performance against customer service standards and have found that in fiscal year 2009, customers received benefit services within the various timeframes promised for 99.2 percent of the services provided. The inset at the right shows composite results in four combined categories of services.

**Overall Timeliness Performance
Fiscal Year 2009**

- Retirement applications: 95.3% (target: 93.6%)
- Survivor applications: 95.9% (target: 95.6%)
- Disability applications/payments: 81.1% (target: 83.7%)
- RUIA applications/claims: 99.8% (target 99.8%)

Communications with RRB customers

In addition to making payments, we provide a variety of information to our customers. We provide general information through our website, publications, and our toll-free number. We also provide information to individuals through annual statements of wages and compensation, annuity estimates, notices of annuity and benefit awards and changes, annual income tax statements, and answers to questions regarding benefits. In addition, we use an on-line presentation facility called *RRBvision* to provide information and training to the public and rail employers.

It is important that we provide information in a timely manner and in ways that are accessible and responsive to the individual's needs. Customer feedback through American Customer Satisfaction Index (ACSI) surveys and directly from customers helps us determine whether the information we are providing satisfies our customers' needs and expectations. We conducted an ACSI survey in fiscal year 2009, and in fiscal year 2010 we will survey visitors to the RRB website.

Employer reporting

To correctly pay benefits, the RRB must receive timely and accurate reports of the compensation and service months of covered employees. It is the responsibility of the employer to provide these reports with respect to its employees. To ensure the receipt of accurate and timely annual reports, as well as the proper filing of other reports and forms, we strive for a system of reporting which is easily understood, places minimal burden on employers and ensures compliance with the applicable laws. To accomplish this, we will continue to develop electronic services that enable employers to conduct daily business transactions and file required reports in an efficient, effective manner. We will also continue to look for ways to encourage employers to file annual service and compensation reports accurately and timely.

Performance Goal I-B: Provide a range of choices in service delivery methods. To fulfill customers' needs, we must provide high quality, accurate services on a timely basis, and in ways that are accessible and convenient to all our customers, including the elderly and those with impairments. Consistent with our vision statement, we strive to provide a broad range of choices for customer service. Our level of performance will be measured by how well we succeed in providing the level of service our customers expect, and by the number of new electronic services we can provide in each program at a reasonable cost. Our goal is to expand customer choice by offering alternative access to our major services.

To achieve our goals in this area, we will:

- *Increase opportunities for our customers to conduct business in a secure manner over the Internet.*
- *Continue to develop electronic services that enable the employer to conduct daily business transactions and file required reports in an efficient, effective and secure manner.*

In fiscal year 2011, we will expand the Internet-based Employer Reporting System to automate the Annual Report of Service and Compensation (Form BA-3) process, develop an Internet-based on-line version of the claim form for sickness insurance benefits (Form SI-3), and if resources permit, begin work on the Internet-based on-line version of the application for retirement benefits.

Strategic Goal II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources. The RRB is committed to fulfilling its fiduciary responsibilities to the rail community. At the President's proposed budget level, we plan to allocate \$24,512,469 and 199 full-time equivalent employees to this goal. We have established four objectives that focus on this goal.

Performance Goal II-A: Ensure that trust fund assets are projected, collected, recorded and reported appropriately. The RRB is committed to prudent management of its trust funds. Our success in this objective is reflected through annual audited financial statements, actuarial valuations, our financial projections, debt collection, experience-based contribution rates, and payroll tax and railroad employee compensation reconciliations. (We also have responsibilities with regard to the National Railroad Retirement Investment Trust, which are addressed under performance goal II-D.) To accomplish this commitment, we will:

- *Continue to issue annual audited financial statements.*
- *Monitor the solvency of the trust funds through a sound program of actuarial valuations and financial projections.*
- *Correctly estimate the amounts needed for future benefit payments.*

- *Verify that payroll taxes are fully collected and properly recorded.*
- *Issue accurate, timely determinations and notices of contribution rates required under the unemployment and sickness insurance program.*
- *Continue to carry out the RRB's debt management policy.*

On November 16, 2009, we released our Performance and Accountability Report for fiscal year 2009. The RRB's OIG issued an unqualified ("clean") opinion on the RRB's 2009 financial statements, which were included in that report. The OIG reported material weaknesses in the RRB's information security program, financial reporting, and internal control over non-integrated subsystems. Significant efforts are underway to strengthen controls in these areas.

Performance Goal II-B: Ensure the integrity of benefit programs. As part of our fiduciary responsibilities to the rail community, we must ensure that the correct benefit amounts are being paid to the right people. We match our benefit payments against the Social Security Administration's earnings and benefits database, the Centers for Medicare and Medicaid Services' death records, the Office of Personnel Management's benefit records, and State wage reports, usually via computer tapes. We also administer other benefit monitoring programs to identify and prevent erroneous payments, and refer some cases to the RRB's OIG for investigation. After investigation, the Inspector General may pursue more aggressive actions, which include civil and criminal prosecution.

We measure the effectiveness of the program integrity efforts each year by comparing the dollars collected or saved through these initiatives to their cost. For example, in fiscal year 2009, the RRB invested the equivalent of about 22 full-time employees, at a cost of approximately \$1.96 million, in program integrity efforts. This resulted in nearly \$10.9 million in recoveries, \$1,779,688 in benefits saved, and the referral of 70 cases to the OIG for investigation. This is approximately \$6.44 in savings for each \$1.00 invested in these activities.

To achieve our goals in this area, we will:

- *Maintain established matching programs.*
- *Continue our program integrity reviews.*

Performance Goal II-C: Ensure effectiveness, efficiency, and security of operations.

How we do our business is a critical component of good stewardship. The RRB is committed to effective, efficient and secure internal operations. Many factors and programs contribute to this goal. We use our management control review process as a means of reviewing critical agency processes in order to provide reasonable assurance of the effectiveness and efficiency of our programs and operations. If material weaknesses are detected, we take corrective action. In addition, we perform a variety of quality assurance activities to ensure that our

benefit programs comply with established policies, standards and procedures. We consider the findings from these reviews as we plan our information technology initiatives. To achieve our goals for efficient, effective and secure operations, we will:

- *Continue to develop an effective human capital planning program.*
- *Ensure the privacy and security of our customers' transactions with the RRB.*
- *Expand our participation in E-Government initiatives.*
- *Improve our ability to control and monitor information technology investments.*
- *Make greater use of performance-based contracts.*
- *Comply with new security requirements for employee identification.*

In addition to our ongoing activities, during the planning period we will continue to emphasize key areas related to strategic management of human capital, data optimization and systems modernization, particularly as they relate to our succession planning activities.

Strategic Management of Human Capital – Like many agencies, the RRB has an aging workforce, with more and more employees approaching and reaching retirement age. By 2011, it is estimated that nearly 40 percent of the agency workforce will be retirement-eligible. To prepare for expected turnover, the agency has continued to make good progress on workforce and succession planning. The RRB's Executive Committee has completed workforce planning documents that identify the current staffing levels, projected attrition and planned hiring in fiscal years 2010, 2011 and 2012. Each executive has also completed a gap analysis for his/her organization that identifies skills that need to be developed in order to prepare employees to fill critical positions in the future.

Due to the overwhelming need to fill a large number of mission-critical positions, and the late approval of the fiscal year 2009 budget, the Executive Committee agreed to plan from a broader perspective, one that spans 2 fiscal years. We are now in the process of completing the planned hires for 2010. The agency plans to bring on entry-level hires for Medicare and unemployment examiner training classes. Given an expected increase in the agency attrition rate, these new employees will be key to the long-term success of the agency in continuing to provide outstanding service to our customers.

The RRB will continue to devote more attention and resources to training. The agency-wide Training Council coordinates this activity, recently offering courses in the area of managerial and supervisory development. We also make use of technology in this area, utilizing a feature on the agency's intranet called *RRBVision* that allows employees to view training, including a video component, in an on-line format. This is particularly useful to employees and managers in the agency's field offices.

Data Optimization and Systems Modernization – In February 2009, the RRB, with the contractual assistance of KPIT Cummins Infosystems (KPIT), successfully concluded a major project to develop an optimized database and synchronize it with legacy tables. KPIT continues to provide transitional assistance. Data Blueprint staff, who acted as independent experts on the project, concluded their support for the transition to the new master database when they conducted a data management practice assessment, which will provide input to the agency’s data governance planning. RRB analysts and the data modeler have begun data governance groundwork, including plans for improving the database as the legacy tables are decommissioned and applications address the new database. They are also developing plans for security access rules for the new master database and change management. Implementation of the security and change management plans should be completed during fiscal year 2010, followed by implementation of the data governance plans in fiscal year 2011.

During this planning period, the RRB will also begin a long-term process to modernize agency systems utilizing the optimized database. A Systems Modernization Project Plan – Phase I was developed in fiscal year 2009. Phase I of the plan has two goals; the first is to convert all existing processing to access the master database tables instead of the legacy tables; the second is to eliminate the legacy tables as soon as they are no longer needed. A Medicare modernization initiative will be implemented with the first phase, when that application is

converted to access the tables in the master database and the corresponding legacy tables are eliminated. Further enhancements required to support the Medicare initiative will be implemented in later phases of the systems modernization project. Work on Phase I began at the end of fiscal year 2009, and will continue through fiscal year 2011.

Fiscal Year 2011 Information Technology Capital Plan Investments	
Mainframe computer upgrade	\$850,000
Information security and privacy	150,000
E-Government initiatives	100,000
Systems modernization	150,000
Network operations	150,000
Infrastructure replacement	<u>100,000</u>
Total	\$1,500,000

Performance Goal II-D: Effectively carry out responsibilities with respect to the National Railroad Retirement Investment Trust. Although the RRB no longer has primary responsibility for the investment of the trust fund monies, it continues to have responsibilities in ensuring that the National Railroad Retirement Investment Trust (NRRIT), and its seven-member Board of Trustees, comply with the provisions of the Railroad Retirement Act. This responsibility will be fulfilled through review of the monthly reports submitted by the NRRIT, the annual management reports submitted by the NRRIT, and the annual audit reports of the NRRIT’s financial statements. In addition, the RRB’s Board Members meet twice annually with the Trustees.

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The RRB has authority to bring civil action should it detect any violation of the Railroad Retirement Act or non-compliance with any of the provisions of that Act.

To facilitate coordination among the NRRIT and Federal Government organizations, shortly after enactment of the Railroad Retirement and Survivors' Improvement Act of 2001, the Department of the Treasury, OMB, NRRIT and RRB entered into a voluntary memorandum of understanding concerning budgetary, accounting and financial reporting responsibilities.

Information Security Program

The RRB relies heavily on information systems and on the public's trust in its work. Information security is therefore critical to RRB operations. In recent years, we have launched or expanded several initiatives to strengthen the agency's information security program. The RRB's Security and Privacy Committee allows us to oversee agency-wide compliance with security and privacy laws, regulations and guidance. A sophisticated intrusion detection system and a network access control device on the RRB network provides comprehensive protection from a variety of cyber threats, and a Computer Emergency Response Team further enhances the incident response capability.

In fiscal years 2009-2010, the existing intrusion detection system was upgraded to a newer version, a forensic recovery evidence device was replaced with a new, more capable unit, and e-mail encryption was added to the agency's IronPort spam filtering device. The RRB has just installed a cross-platform log management program that provides a multitude of functions to collect and manage audit files and IT security management processes. The OMB-mandated Federal Desktop Core Configuration policy requirement was successfully implemented on the agency's computers providing increased security and fulfilling governmental compliance standards. All end users have security awareness training and every employee with significant information security responsibilities is provided with additional role-based security education. The agency's disaster recovery capability is tested with periodic backup site recovery exercises.

The agency has completed a comprehensive assessment of the management, operational and technical security controls for all of the agency's general support systems and major applications, made in support of security accreditation, to determine the extent to which the controls are implemented correctly, operating as intended, and producing the desired outcome with respect to meeting the security requirements for the system. In fiscal year 2009, the RRB reassessed four of the major applications and consolidated them as the Office of Programs' Benefit and Payment Operations Major Application. We performed security control monitoring to maintain control effectiveness on our systems. In fiscal year 2010, due to the installation of a replacement security-control system for the mainframe, the agency's general support systems will be consolidated and completely re-certified and accredited.

Risk management at the RRB has been classified as either **strategic or operational**.

- **Strategic Risk Management:** The Chief Security Officer, who acts in the larger capacity of director of enterprise risk management, is responsible for strategic elements that include:
 - Planning and integrating enterprise-wide IT risk management policy, procedures and guidance.
 - Assisting business units in implementing certification and accreditation of the RRB's major applications and general support systems.

- Coordinating agency-wide security policy as well as assessing and underwriting agency-wide security infrastructure and resource investments, and implementing effective enforcement solutions.
- Objectively evaluating the existence and proper functioning of common security controls – that is, those controls that are shared within the agency and employed to ensure the confidentiality, integrity, and availability of systems and the data they contain.
- **Operational Risk Management:** Various information technology and business unit managers are responsible for day-to-day monitoring and management of the risk posture of the agency including: the administration of access rights (e.g., passwords); ultimate accountability for the integrity of information assets usually associated with application design and information ownership; and, security operations processes (managerial, operational and technical controls).

Over the next few fiscal years, the Risk Management Group will:

- Continue implementing the National Institute of Standards and Technology (NIST) risk management framework by continuously monitoring security controls through the security certification and accreditation process to ensure that controls remain effective over time in the face of changing threats, missions, environments of operation, and technologies.
- Provide assistance with the implementation of the Microsoft system center configuration manager 2007 (SCCM).
- Provide assistance with the consolidation and re-certification and accreditation of the agency's general support system.
- Acquire and implement an Internet gateway/whitelisting solution.
- Ensure agency-wide compliance with Federal Information Security Management Act (FISMA) requirements through the oversight and direction of the Security and Privacy Committee.
- Take corrective actions to resolve audit recommendations.
- Assist in developing procedures that improve proper use of access controls of LAN/WAN and mainframe systems.
- Incorporate procedures for certification and accreditation into the system development life cycle in accordance with guidance and standards from NIST.
- Provide for general awareness training for agency employees, and broaden the security education program for those employees and contractors with responsibilities for information system security.
- Conduct and/or oversee ongoing system security reviews and tests, and develop associated reports.