



# Annual Performance Report 2013

May 2014

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM





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# Preface

On June 26, 2012, the Executive Committee of the Board approved the *Strategic Framework 2012–15*, which identifies and frames the most critical organizational challenges faced by the Board, develops potential options for addressing them, and clarifies the tradeoffs. The *Annual Performance Report 2013* summarizes the Board’s accomplishments in 2013 toward achieving the objectives identified in the *Strategic Framework*.

Both reports are issued in the spirit of the Government Performance and Results Act (GPRA) of 1993, which requires that federal agencies, in consultation with the Congress and outside stakeholders, prepare a strategic plan covering a multiyear period and submit an annual performance plan and performance report. The GPRA Modernization Act of 2010 refines those requirements to include quarterly performance reporting. Although the Board is not cov-

ered by GPRA, the Board follows the spirit of the act and prepares and publicizes these regular plans and performance reports.

Several other documents provide further information about the planning, budgeting, operations, and performance of the Federal Reserve System. As required by the Federal Reserve Act, the Board annually submits to the Congress a report describing in detail the operations of the System for the previous year. Beginning in 2013, the supplement, the *Annual Report: Budget Review*, which provides a detailed explanation of the plans and resources discussed in the approved budgets, is now included in the larger annual report.

All these reports are available on the Board’s website, at [www.federalreserve.gov/publications](http://www.federalreserve.gov/publications).



# Introduction

This report summarizes the Board's 2013 accomplishments that contributed to achieving the strategic themes and objectives identified in the *Strategic Framework 2012–15* (framework) and referenced in the *Annual Performance Plan 2013*.<sup>1</sup> The *Annual Performance Plan 2013* describes the projects, initiatives, and activities that the Board would focus on during the calendar year in support of the framework's long-term objectives. Staff reported quarterly to Board members and senior executives on progress toward achieving the annual plan, and the significant accomplishments for the year are highlighted in this report.

The following six themes were identified in the framework and are used by the Board to guide investment and action during the four-year planning period:

- Continue building a robust inter-disciplinary infrastructure for regulation, supervision, and monitoring risks to financial stability.
- Redesign data governance and management processes to enhance the Board's data environment.
- Establish a modern, safe work environment that emphasizes the need to maintain data quality and integrity and the importance of enhanced collaboration within the organization and with the public.
- Create a work environment built on market-oriented compensation and support for professional and personal achievement that allows the Board to attract and retain top talent, while reinforcing collegiality.
- Strengthen management processes to enable effective implementation of strategic themes, increase operating efficiencies, and reduce administrative burden.

<sup>1</sup> Board of Governors of the Federal Reserve System (2013), *Strategic Framework 2012–15* (Washington: Board of Governors, February), [www.federalreserve.gov/publications/gpra/files/2012-2015-strategic-framework.pdf](http://www.federalreserve.gov/publications/gpra/files/2012-2015-strategic-framework.pdf); Board of Governors of the Federal Reserve System (2013), *Annual Performance Plan 2013* (Washington: Board of Governors, June), [www.federalreserve.gov/publications/gpra/files/2013-gpra-performance-plan.pdf](http://www.federalreserve.gov/publications/gpra/files/2013-gpra-performance-plan.pdf).

- Establish a cost-reduction approach and a budgetary-growth target that maintains an effective and efficient use of financial resources

Throughout the strategic planning period, senior leadership will reassess priorities to take into account changing circumstances, environmental factors, and trends, and the Board will align resources and implement changes based on these changing priorities. The Board will also review and offset funding for these initiatives, to the extent possible, through cost-saving strategies and efficiency gains identified as part of the ongoing strategic review. Strategic investments will also accompany an agenda of management process changes that will keep major investments on track, identify additional opportunities for cost savings, and improve overall operations.

The Board continued to make progress toward implementing provisions of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd–Frank Act), including finalizing the U.S. regulatory capital rule, issuing final regulations implementing the “Volcker rule,” and issuing the final rule amending Regulation HH under Title VIII of the Dodd–Frank Act. The Board also made progress in the area of data governance, as evidenced by the hiring of a chief data officer (CDO) and initiating the establishment of the infrastructure to support the CDO's activities. The large capital projects—the relocation of the Board's Data Center and the Martin Building renovation—experienced minimal schedule delays during 2013. These projects are scheduled for completion in 2015 and 2018, respectively. The attraction of talent needed to fulfill the Board's mission continued to be a key challenge in 2013, although the Board made progress toward achieving its human capital objectives, including piloting a new performance management program, beginning succession-planning discussions, and reviewing the compensation structure. Progress was made, and work continues, in the administrative functions to revise business processes, increase operating efficiencies, and reduce administrative burden, while con-

tinuing to focus on cost-management strategies and resource allocation.

In addition to identifying key accomplishments, this report also provides information regarding the progress made in 2013 toward filling the positions outlined in the strategic framework. As part of the framework, the Board approved staff increases for divisions supporting strategic theme 1 (Supervision, Regulation, and Financial Stability) and theme 2 (Data Governance). As part of the 2012 and 2013 budget processes, the Board approved 98 new framework positions in the divisions of Research and Statistics, Monetary Affairs, Office of Financial Stability, International Finance, Banking Supervision and Regulation, Reserve Bank Operations, Legal, and the Office of the Chief Data Officer. The table below shows the number of strategic positions approved in

2012 and 2013 and the progress made in 2013 toward the hiring of these approved positions.

Including offers accepted, the Board filled 80 percent of the approved framework positions through December 31, 2013. For 2014, the Board authorized an additional 66 framework positions for these eight divisions. As the Board implements this framework and makes the necessary investments in people, data, and facilities, the Board recognizes the importance of its long-standing efforts to promote equal employment opportunity and diversity and to foster diversity in procurement.

The remainder of this report lists the six strategic themes, the underlying objectives for each theme, the planned activities for 2013, and the corresponding accomplishments.

#### Strategic positions authorized for 2012 and 2013 and filled through December 31, 2013

Position alignment	Approved for 2012 and 2013	Total hired in 2012 and 2013	Offers accepted/start date post-12/31/13	Unfilled strategic positions as of 12/31/13
Theme 1	95	73	3	19
Theme 2	3	2	0	1
<b>Total</b>	<b>98</b>	<b>75</b>	<b>3</b>	<b>20</b>

# Strategic Theme 1: Supervision, Regulation, and Financial Stability

*Continue building a robust inter-disciplinary infrastructure for regulation, supervision, and monitoring risks to financial stability.*

## Objective 1.1: Strengthen the stability of the financial sector through the development of policies, tools, and standards.

Under the direction of the Board, Board staff will continue to contribute to regulatory reform activities that enhance the resilience of the financial sector and coordinate with other federal supervisory agencies regarding their similar regulatory efforts. Staff will also develop additional policies and tools to strengthen financial stability, including incorporating capital and liquidity analyses and reviews into the supervisory program and develop work programs that support these initiatives. Finally, under the direction of the Board and the Federal Open Market Committee (FOMC), staff will develop and deploy crisis management tools as appropriate. As part of ongoing activities, staff will monitor and analyze the effect of such regulations, policies, and tools on financial institutions, financial markets, and more generally on the macro economy.

### Accomplishments

- Finalize Basel III capital rule and propose Basel III liquidity standards.
  - The U.S. regulatory capital rule that revises risk-based and leverage capital requirements for banking organizations was completed, [www.federalreserve.gov/newsevents/press/bcreg/20130702a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20130702a.htm).
  - The banking agencies proposed a rule to strengthen the liquidity positions of large financial institutions, [www.federalreserve.gov/newsevents/press/bcreg/20131024a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20131024a.htm).
- Finalize enhanced prudential standards for large, domestic bank holding companies (BHCs) as required by sections 165 and 166 of the Dodd–Frank Act.
  - Work progressed in this area with a target completion date of the first quarter of 2014.
- Incorporate new international risk management standards for financial market utilities (FMUs) into Federal Reserve regulation and policy.
  - Proposed amendments to Regulation HH and the Board’s policy on payment system risk were issued for public comment on January 10, 2014, [www.federalreserve.gov/newsevents/press/other/20140110b.htm](http://www.federalreserve.gov/newsevents/press/other/20140110b.htm).
- Develop implementing regulations for designated FMU access to Reserve Bank accounts and services under Title VIII of the Dodd–Frank Act.
  - On December 5, the Board approved a final rule amending Regulation HH to provide for regulations governing designated FMU access to Reserve Bank accounts and services under Title VIII of the Dodd–Frank Act, [www.federalreserve.gov/newsevents/press/bcreg/20131205b.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20131205b.htm).
- Additional Dodd–Frank Act accomplishments
  - On December 10, the Board and four other agencies jointly issued final regulations implementing the “Volcker rule” requirements of section 13 of the Bank Holding Company Act, [www.federalreserve.gov/newsevents/press/bcreg/20131210a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20131210a.htm).
  - Continued to work with other prudential regulators and the U.S. Commodity Futures Trading Commission toward ultimately finalizing rules implementing the provisions of the Dodd–Frank Act requiring minimum margin requirements on uncleared swaps.

- Expand and improve Dodd-Frank stress tests and Comprehensive Capital Analysis and Review (CCAR).

—The Dodd-Frank stress tests and CCAR began in November when supervisory macroeconomic stress scenarios were sent to the firms and were expanded to include 12 more firms, as required by the Dodd-Frank Act. The Federal Reserve staff issued a paper summarizing best practices for stress tests in August and has continued to advance modeling efforts.

## Objective 1.2: Monitor financial markets and industry practices and structures.

Staff will develop analytical tools and conduct monitoring activities that enhance the Board's understanding of evolving market structures and practices, including changes in global financial intermediation and capital allocation, evolving risks and risk-management practices, and regulatory and other incentives for financial institutions to appropriately manage risk exposures. As part of this effort, staff will continue to use horizontal reviews to better understand industry practice in key areas and incorporate the results into the policy and supervisory process. Ongoing communications will inform the Board and the FOMC about financial market developments that bear on financial stability and U.S. monetary policy.

### Accomplishments

- Improve the Board's processes for identifying both institution-specific risks and broad industry risks by performing a zero-based review of surveillance activities and building a risk-monitoring framework.
  - Developed an internal policy governing the Supervision function's risk. The draft is in the final review stage with an expected issuance date of first quarter 2014.
  - Formed a Systemwide group to conduct a review of the surveillance business process with expected completion of the project in June 2014.
- Enhance Quantitative Surveillance (QS) Financial Stability Assessment

—Completed four quarterly *QS Assessment of Financial Stability* reports highlighting various topics during the year.

- Enhanced program of data collection to monitor vulnerabilities of financial institutions. In particular, continued to revise and improve data collections from banks on trading, banking, operational risks, and liquidity positions.
- Worked with other financial stability authorities, including the Financial Stability Oversight Council (FSOC) created by the Dodd-Frank Act and the Financial Stability Board, in programs to identify and monitor threats to financial stability and to propose actions to mitigate them.

## Objective 1.3: Monitor and supervise individual institutions and infrastructures.

The Board will continue to implement community and regional bank initiatives to: clarify supervisory expectations, mitigate burden, foster prudent lending activity, and improve communications. The Board will seek comment on a number of proposed rules and revisions covering various financial entities and sectors as outlined in the Dodd-Frank Act. Staff will continue to monitor, on an ongoing basis, individual institutions and infrastructures, particularly those that have broader consequences for the financial system and the macroeconomy.

### Accomplishments

- As part of the Dodd-Frank Act, issue for public comment a rule for collecting fees from certain companies that the Board estimates are necessary and appropriate to carry out its supervisory and regulatory responsibilities with respect to such companies.
  - Final assessment regulations became effective on October 25, 2013. Issued assessment invoices and collected fees from all institutions. Total collections of \$433.5 million were transferred to the U.S. Treasury, [www.federalreserve.gov/newsevents/press/bcreg/20130816a.htm](http://www.federalreserve.gov/newsevents/press/bcreg/20130816a.htm).
- Revise roles and create governance documents that establish the Board's expectation of effective supervision by clarifying program requirements for each

supervised portfolio and incorporating the results of horizontal reviews.

- Completed horizontal reviews and a review of SR letters and internal guidance for community banking organizations, regional banking organizations, and savings and loan holding companies.
- A review of SR letters and internal guidance for Foreign Banking Organizations is in progress.
- Consistent with the framework established in theme 2, develop and implement a comprehensive data governance and sharing plan to effectively receive, store, manage, and control access to data.
  - The Federal Reserve System Data Inventory Workgroup finalized and distributed a white paper summarizing enhancing data transparency.
  - The Subcommittee on Supervisory Administration and Technology and the Large Institution Supervision Coordinating Committee (LISCC) Operating Committee endorsed the S&R Data Technology Roadmap Initiative.
  - Planning for the CCAR 2014 and Federal Reserve (FR) Y-14 operational support model enhancements was completed. Requirements were finalized and technical design was initiated for the build-out of CCAR 2014.
- Build out Federal Reserve supervisory programs for financial market infrastructures (FMI), including working with other federal agencies and international authorities to strengthen FMI supervision.
  - Developed and piloted new risk-based examination planning procedures for FMIs, implemented a rigorous risk-based tool, and piloted new internal FMI supervisory rating system.
  - Conducted or participated in review of all eight designated financial market utilities under Title VIII of the Dodd–Frank Act.
- Monitor and assess the risk profiles of foreign banking organization activities in the United States.
  - Developed new instructions for forms to identify potentially missed cross-border positions with nonbank affiliates of reporting banks.

- Other

- Supported the Chairman, in his capacity as a member of the Financial Stability Oversight Council (FSOC), with respect to the designation process for nonbank systematically important financial institutions (SIFIs) under Title I of the Dodd–Frank Act; the FSOC designated three institutions as nonbank SIFIs in July.

## Objective 1.4: Ensure that sufficient crisis-management tools are in place.

The Board will use a broad research agenda to assess the macroeconomic and financial market effects of crisis-management tools and contribute to domestic and international efforts to improve the quality of financial data that can better inform crisis-management decisions.

### Accomplishments

- Continue to implement a recovery and resolution plan program for large BHCs.
  - Completed communication for first wave plan filers regarding plan submissions and supervisory standards in the second quarter of 2013.
  - Completed initiative to develop guidance for crisis-management groups through training at face-to-face meetings.
- Develop crisis-management and liquidity tools, including coordination of international response.
  - Published for comment proposed amendments to Regulation A (Extension of Credit by Federal Reserve Banks, 12 CFR Part 201) that would implement the amendments enacted by the Dodd–Frank Act to the Federal Reserve’s emergency lending authority in section 13(3) of the Federal Reserve Act, [www.federalreserve.gov/newsevents/press/bcreg/bcreg20131223a1.pdf](http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20131223a1.pdf).
  - Conducted background work and developed a proposal for the FOMC, which led to the Committee’s decision, along with the decisions of the Federal Reserve’s counterparty central banks, to convert the central bank liquidity swap lines from temporary lines with pre-set expiration dates to standing lines, <http://federalreserve.gov/newsevents/press/monetary/20131031a.htm>.

- Analyze and refine options to use the discount window and other liquidity tools.
  - Continued work on improving the effectiveness of the discount window as a crisis-management tool.

### Objective 1.5: Analyze for the Board and the FOMC the role that financial stability policy should play in the setting of monetary policy.

Under the direction of the Board, staff will continue to assess the effectiveness of various macroprudential policies and their interaction with monetary policy. Staff will contribute to supervisory exercises to increase the resilience of financial institutions through financial stability assessments from the quantitative surveillance (QS) process. Staff will monitor risks to financial stability, analyze linkages between the financial and real sectors, and evaluate alternative policies to contain building systemic risks. Staff will continue briefing the Chair, other Board members, and the FOMC, as appropriate.

#### Accomplishments

- Staff studied the effectiveness of various macroprudential policies and their interaction with monetary policy.
- Staff performed ongoing monitoring of risks to financial stability, analyzing linkages between the financial and real sectors, and evaluating alternative policies to contain emerging systemic risks.
- Incorporated the latest QS assessment into the Tealbook.

### Objective 1.6: Pursue research on stress tests, macroprudential regulation and tools, and other financial stability topics.

In addition to pursuing the research areas defined in this strategic objective, staff will continue to work on efforts to develop and enhance analytical tools and data. Developmental rotational opportunities will be available to support the Board's Office of Financial Stability Policy and Research. Staff will consider possible policy responses to changes in financial globalization and interdependence as issues arise. Staff will assess the economic effects of proposed macroprudential policies on financial institutions in the United States and abroad throughout the year.

#### Accomplishments

- Used developmental rotational opportunities to support the Board's Office of Financial Stability Policy and Research.
- Staff evaluated potential policy responses to ongoing financial globalization and interdependencies and assessed the economic effects of proposed macroprudential policies on financial institutions in the United States and abroad throughout the year.
- Staff within the research divisions published more than 40 working papers (in the Finance and Economics Discussion Series (FEDS) or the International Finance Discussion Papers (IFDP) series) on financial stability topics throughout 2013, [www.federalreserve.gov/econresdata/workingpapers.htm](http://www.federalreserve.gov/econresdata/workingpapers.htm).

## Strategic Theme 2: Data Governance

*Redesign data governance and management processes to enhance the Board's data environment.*

**Objective 2.1: Improve data governance by establishing a new office of the chief data officer (CDO) and ensuring that there are clear roles and responsibilities among the CDO, the Board Data Council (BDC), and data users.**

The CDO and BDC will work with Board staff to develop an enterprisewide approach to data governance and management. Board divisions will participate in designing the overall data environment that supports the data needs of Board functions.

### Accomplishments

- Create the Office of the Chief Data Officer (OCDO) mission, charter, goals, and competencies.
  - Chief data officer and deputy chief data officer were hired in April 2013 and began work in May.
  - Staff transferred from Research and Statistics to the OCDO in June.
  - Developed the OCDO mission, scope, organizational structure, and 2014 budget as well as a staffing plan for additional framework positions.
  - OCDO service portfolio designed, which outlines the services the OCDO will provide to the Board in the areas of governance, architecture, data management, program management, and advisory.

**Objective 2.2: Ensure that all enterprise data are handled, processed, stored, and disseminated by professional data management groups.**

The CDO and BDC will develop data standards that support monetary policy, supervision, financial stability, consumer protection, and economic research, while striving to meet the needs of the research and supervision communities.

### Accomplishments

- Relaunched a Board Data Council, composed of key enterprise stakeholders, to support enterprisewide data governance policies, processes, definitions, standards, and metrics.
- Approved the BDC charter and operating guidelines in November.
- Target completion in April 2014 for the priorities and activities document.

**Objective 2.3: Strengthen the Board's data environment by establishing an infrastructure to share data and improve opportunities for data integration that supports the Board's research and analytical capabilities.**

Strategic investments in the data environment will address the changing landscape of data needs. This improved data environment will help establish a shar-

ing infrastructure that facilitates internal and external access to data.

- Began developing an enterprise data strategy document with completion expected in 2014.

### **Accomplishments**

- Completed the OCDO's operating plan in December.

## Strategic Theme 3: Facilities Infrastructure

*Establish a modern, safe work environment that emphasizes the need to maintain data quality and integrity and the importance of enhanced collaboration within the organization and with the public.*

### Data Center Relocation

#### Objective 3.1: Create capacity for increased data demand.

The projects associated with this objective are related to the installation of the equipment necessary to run the Data Center and the migration of existing data held in the current Data Center. These projects cannot begin until the design and construction of the new facility is completed.

#### Accomplishments

- No projects or initiatives associated with this objective were planned for 2013.

#### Objective 3.2: Address critical Data Center subsystem requirements.

Staff from the Divisions of Information Technology (IT) and Management will work with the Federal Reserve Bank (FRB) of Richmond to complete the memorandum of understanding (MOU) for the identified space in the Baltimore Branch building. Staff will work with the FRB Richmond manager to select an architecture and engineering firm through the competitive bidding processes. The FRB Richmond, in conjunction with the Board, will issue a subsequent award for the general contractor to oversee construction activities. Staff expects to complete design work by mid-2013 with construction activities to commence soon after.

#### Accomplishments

- Executed an MOU for leased space between the Board and the FRB Richmond.
- Created a charter, project plan, and an Executive Oversight Group. Developed a communications plan, wrote software to monitor the project, and established an initial risk register.
- Selected an architecture and engineering firm in April and a construction general contractor in November.
- Completed design and construction documents in September. Construction of leasehold improvements will commence in the first quarter of 2014.

### Martin Building Renovation

#### Objective 3.3: Create a safe and secure work environment.

During 2013, staff of the Management Division plans to develop new policies and procedures to formalize ongoing operations based on the modernization of the building. As part of the ongoing programming efforts, staff will convene focus groups with various stakeholders to discuss building design and options and incorporate the feedback into final plans. Staff will use an automated data collection process for tracking equipment through the design, construction, and commissioning phases. Staff will use the collected data to streamline its incorporation into the management, maintenance, and operations of the facility once construction is complete.

#### Accomplishments

- Organized design focus groups consisting of a cross-section of Board staff. The focus groups met

throughout the year and provided feedback that will be considered in the design of the Martin Building work environment.

- Drafted final design plans that were provided to senior leaders for their review. The design is pending final approval.

### Objective 3.4: Upgrade physical infrastructure.

Staff identified swing space in 2012 for current occupants of the Martin Building and will complete negotiation of the lease for the space in 2013. The design and build-out of the leased space will begin in 2013 and continue into 2014. Staff will continue to work with the architect to finish the design of the Martin Building, with a target completion date in 2014. Staff continues to collect utility and energy consumption information for the existing plant as a benchmark for future performance measures.

#### Accomplishments

- Signed a lease early in the year for swing space needed to house staff during the Martin Building renovation.
- Focused on design work associated with the build-out of swing space.
- Commenced design work for the Martin Building renovation work. This work will continue into 2014.

- Began collecting utility data for all Board buildings. This data will be used to benchmark utility costs following completion of renovation.
- Implemented construction project management software.
- Entered into a contract for construction administration services for the Martin Building construction project.

### Objective 3.5: Reduce utility consumption and expenses.

Facilities staff began a comprehensive energy audit and commissioning process for the New York Avenue Building in 2012, with expected completion in 2013. This process will ensure the existing Board facilities (Eccles and New York Avenue buildings) are operating in the same efficient manner as the newly modernized Martin Building. The majority of the activities covered under this objective will occur once Martin Building construction is complete.

#### Accomplishments

- Received an energy audit of the New York Avenue Building. Staff will use the report to identify future projects and opportunities for enhancements.
  - An energy audit of the Eccles Building is scheduled for 2014.

## Strategic Theme 4: Maximizing the Value of Human Capital

*Create a work environment built on market-oriented compensation and support for professional and personal achievement that allows the Board to attract and retain top talent, while reinforcing collegiality.*

### Objective 4.1: Increase efficiency and effectiveness of the existing performance management process (PMP).

Human Resources (HR) staff, working with the HR Task Force, will begin to reengineer the existing PMP and will explore automated tools to assist with writing performance evaluations. HR plans to roll out the new PMP in 2014.

#### Accomplishments

- Analyzed PMP survey data and disseminated the results Boardwide. Six divisions began piloting the revised PMP process, and their feedback will be incorporated into the final process design. The new process will be rolled out Boardwide in the third quarter of 2014.
- Developed communication and training plans for the new PMP process.
- Developed guides and communication materials for current mid-year performance discussions and distributed the information Boardwide.
- Commenced collecting feedback from pilot divisions on components of the new PMP process, which will be reviewed, approved, and integrated into the PMP process following completion of the pilot.

### Objective 4.2: Reduce administrative burden associated with the adverse action process while respecting employees' due process rights.

HR will work with staff from the Legal Division to update the Board's adverse action policy. The work group will identify inefficiencies and make policy revisions to reduce the administrative burden and ensure fairness in the adverse action process. HR plans to finalize the adverse action policy revisions during the second quarter of 2013.

#### Accomplishments

- A work group identified inefficiencies and made policy revision recommendations to reduce administrative burden and ensure fairness in the adverse action process. The revised adverse action policy is pending final approval.
- Updated the Board's adverse action policy.

### Objective 4.3: Enhance the talent management processes (succession planning, development programs, training, etc.).

HR staff, working with leaders across the Board, will begin a systematic process to identify critical officer and manager positions and develop an effective succession planning process. In 2013, staff will assess the readiness of each division to engage in the process, and begin succession planning meetings with division directors and deputy directors. The Board is on

schedule to complete most division officer succession plans in 2013; the remainder will be completed during the first quarter of 2014. Manager/supervisor succession planning will commence in 2014 and then all employees in 2015. Current plans are to have all nonadministrative employees reviewed by the end of 2015.

### Accomplishments

- Began work on succession planning for division directors, deputy directors, and critical officers in 2013. Succession planning work will continue into 2014.
- Began drafting a comprehensive core curriculum for staff that will complement staff development and performance goals. This work will also continue into 2014.

### Objective 4.4: Increase equitability in compensation and benefits in closer alignment with the Federal Reserve System and market.

HR staff will review the Board's compensation program and work-life offerings and recommend changes to enhance the attractiveness of the Board as

an employer. In 2013, staff will complete all compensation and work-life reviews and will develop recommendations for enhancements and changes.

### Accomplishments

- Conducted an analysis of market pay for most divisions.
- Reviewed the Board's compensation structure against available market data. Aligned the new structure with the Board's market pay philosophy to ensure that the best staff are attracted, developed, and retained.
- Reviewed existing incentive award programs and submitted recommended changes to the Board for approval in the fourth quarter.
- Inventoried the Board's work-life programs, compared the Board's programs to "best practice," and developed recommendations for enhancements or changes.
- Contracted with Ken Blanchard consultant and Office of Personnel Management consultant to conduct telework training. Conducted telework training for HR staff and managers/supervisors in HR, Banking Supervision and Regulation, and the Office of Inspector General.
- 3rd Act conducted retirement seminars.

# Strategic Theme 5: Management Processes

*Strengthen management processes to enable effective implementation of strategic themes, increase operating efficiencies, and reduce administrative burden.*

## Objective 5.1: Focus on enterprise issues.

Staff will work on enhancing operational processes that support effective implementation of strategic themes, increase operating efficiencies, and reduce administrative burden.

### Accomplishments

- Completed the set-up of the Strategic Performance Office (SPO).
  - Established the SPO, developed the office’s charter, and implemented policies and procedures.
  - Launched the SPO web page in April.
- Provide periodic reports on the achievement of strategic objectives to the Committee on Board Affairs (CBA), the Executive Committee of the Board (ECB), chief operating officer (COO), and chief financial officer (CFO).
  - Published on the public website the *Strategic Framework 2012–15* in February, the *Annual Performance Report 2012* in May, and the *Annual Performance Plan 2013* in June.<sup>2</sup>
  - Provided the CBA and the ECB quarterly internal performance reports describing accomplishments against strategic goals and objectives.
- Seek opportunities for enhancing operational processes.

<sup>2</sup> Board of Governors of the Federal Reserve System (2013), *Annual Performance Report 2012*, (Washington: Board of Governors, May), [www.federalreserve.gov/publications/gpra/files/2012-gpra-performance-report.pdf](http://www.federalreserve.gov/publications/gpra/files/2012-gpra-performance-report.pdf).

—Travel staff redesigned their corporate website to provide greater access to information and make it easier to use.

—Division of Financial Management (DFM) staff completed the renumbering of all positions within the HRIS system. The new numbering system will be more efficient when making personnel changes, including reorganizations, and provide an enhanced ability to track framework positions.

- Integrate an Investment Review Board (IRB) into the ongoing oversight and governance of large and significant strategic projects.
  - Established the IRB in July and developed a charter. The primary purpose of the IRB is to review projects deemed significant or new initiatives exceeding \$1 million.
  - During the year, the IRB reviewed 11 ongoing projects and three new initiatives. The IRB chair provided the IRB’s feedback to each presenting team.

## Objective 5.2: Strengthen financial planning accountability.

Staff will work with key stakeholders to develop and implement changes to the planning and budget process. Staff will also propose enhancements to financial performance reporting to focus on the Board’s fiduciary responsibility as a trusted steward of public funds.

### Accomplishments

- Provided quarterly financial performance reports to the CBA and the ECB. The reports provide updates on actual expenses versus budgets, position vacancies, and the status of compliance and other financial management activities.

- Conducted quarterly budget reviews with each division and integrated the results of these meetings into current-year and long-range budget forecasts.
- Provided summary tables, charts, and analysis of salary components and new initiatives for briefings and discussions with the ECB and CBA.
- Increased the level of account analysis and support for salary components and other significant line items for goods and services and capital.

### Objective 5.3: Reduce financial management administrative burden.

Staff will engage a variety of stakeholders to identify opportunities to reduce administrative burden in the planning and budget processes.

#### Accomplishments

- Formalized the process for evaluating strategic initiatives using quarterly meetings and other methodologies.
  - Held regular meetings with stakeholders involved with each of the strategic themes to evaluate progress toward implementing strategic initiatives.
  - Used the tracking tool rolled out early in the year to help monitor progress toward accomplishing high-level milestones for strategic projects.
  - Enhanced the tracking tool’s capabilities to permit its use for operational projects.
- Formalize and document the annual budget process.
  - Division of Financial Management staff established budget guidance that included growth targets in the Board’s base budget and objectives for growth in specific cost categories. The guidance helped ensure consistency across all divisions.
  - Delegations of Administrative Authority policy revisions were approved by the Board in December. Revisions include approval authorities that contribute to a more efficient budgeting process.
- Enhance automated tools for providing financial management information to division administrative staff and other key decisionmakers.
  - DFM staff developed the first version of the long-range budget forecasting tool.
  - Upgraded Oracle Financials to Release 12 to enhance functionality.
  - DFM staff developed reports to provide quarterly travel metrics to division administrative staff.
  - DFM staff developed reports and graphs to show trends in vacancies across each division, which were used to assist with the development of the 2014 budget.
  - DFM worked with the information technology group to enhance the Federal Reserve Board Budgeting System to allow for more user interaction throughout the process.

# Strategic Theme 6: Cost Reduction and Budgetary Growth

*Establish a cost-reduction approach and a budgetary-growth target that maintains an effective and efficient use of financial resources.*

## Objective 6.1: Use financial resources efficiently and effectively.

Greater scrutiny of how financial resources are used will contribute to achieving budgetary-growth targets. Process changes that make the budget process more efficient will help ensure strategic investments remain within a sustainable budgetary range and provide the appropriate level of support for the Board to continue meeting its legislated mandates. The Board also needs the flexibility to provide an appropriate level of financial support to deliver new regulatory obligations and build capabilities to improve the way it delivers its mission for monetary policy, financial stability, and supervision.

### Accomplishments

- Review key administrative processes to, among other objectives, identify opportunities to reduce redundancy and enhance operational efficiency.
  - Several cross-functional teams were started to review various administrative functions. Final reports and recommendations are pending.
- Track spending against key budgetary accounts to enhance annual spending projections.
  - DFM staff began work on an automated variance tool to provide information to division administrative staff regarding expenditures versus operating plan budget.
  - DFM staff began work to develop and implement a monthly Boardwide budget review process.
- Establish a procedure using PeopleSoft to monitor and report hiring against strategic positions.

- DFM staff established a procedure to monitor, report, and validate hiring both framework and nonframework positions.

## Objective 6.2: Achieve budgetary savings and expense growth in line with Board approved targets.

Budgetary discipline is necessary to manage the unavoidable expense growth required by the strategic framework. Enhanced cost-management strategies that help offset the strategic initiatives will contribute toward maintaining expense growth in line with approved targets.

### Accomplishments

- Identify opportunities for containing administrative service costs.
  - Potential opportunities identified as part of the budget process in various administrative functions.
- Enhance budget forecasts by incorporating cost-management strategies.
  - DFM implemented cost-cutting approaches across all Board divisions, including limits to promotions and reclassifications, applying stricter vacancy rates, and delaying hiring of framework positions.
  - DFM limited budget growth for certain goods and services line items.
- Draft a plan for communicating cost-management opportunities.
  - Boardwide cost-management opportunities were identified and communicated to division leadership during the 2014 budget process.

- Begin implementing cost-management initiatives.  
—Several cost-management initiatives were implemented as part of the 2014 budget, such as reduc-

tions in contractor expenses, reductions in leased equipment, and favorable service contract negotiations.



