



# Annual Performance Plan 2013

June 2013

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM





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# Preface

On June 26, 2012, the Board of Governors approved the *2012–15 Strategic Framework*, 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 Plan, 2013* sets forth the planned projects, initiatives, and activities that will contribute to the strategic framework’s long-term objectives. The performance plan is issued independently of other, related documents; however, considering the plan in conjunction with these other documents gives a more detailed understanding of the planning, budgeting, operations, and performance of the Board.

Both the *Strategic Framework* and the *Annual Performance Plan* 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 sub-

mit an annual performance plan and annual performance report. The GPRA Modernization Act of 2010 refines those requirements to include quarterly performance reporting. Although the Board is not covered by GPRA, the Board voluntarily complies with the spirit of the act and, like other federal agencies, prepares a strategic plan as well as annual plans and reports.

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. Since 1985, the System has also provided the Congress with a supplement, the *Annual Report: Budget Review*, which provides a detailed explanation of the plans and resources discussed in the approved budgets of the Board and the Reserve Banks.

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



# Introduction

The Board's longstanding mission is to foster the stability, integrity, and efficiency of the nation's monetary, financial, and payment systems in pursuit of optimal macroeconomic performance. The Board's mission is rooted in the Federal Reserve System's statutory mandates, and on a set of core institutional values:

- **Public interest.** In its actions and policies, the Board seeks to promote the public interest; the Board is accountable and responsive to the general public, the U.S. government, and the financial community.
- **Integrity.** The Board adheres to the highest standards of integrity in its dealings with the public, the financial community, and its employees.
- **Excellence.** The conduct of monetary policy, responsibility for bank supervision, and maintenance of payment system demand high-quality analysis, high performance standards, and a secure, robust infrastructure. The pursuit of excellence drives the Board's policies concerning recruitment, selection, and retention of Board employees.
- **Efficiency and effectiveness.** In carrying out its functions, the Board is continually aware that its operations are supported primarily by public funds, and it recognizes its obligation to manage resources efficiently and effectively.
- **Independence of views.** The Board values the diversity of its employees, input from a variety of sources, and the independent professional judgment that is fostered by the System's regional structure. It relies on strong teamwork and consensus-building to mold independent viewpoints into coherent, effective policies.

The Board seeks to accomplish its mission effectively, while creating the efficiencies that come from strategic planning.

## Role of Strategic Planning

The Board considers strategic planning a critical factor to ensuring the long-term effectiveness and efficiency of operations, and to minimizing costs. Strategic planning has become even more essential in light of advancements in technology and other areas.

The Board's strategic planning effort recognizes the key distinctions between government and private-sector strategic planning efforts and measurement of those efforts. While private-sector planning often relies on measures of cost and revenue, establishing a comparable metric to costs and prices is extraordinarily difficult in the public sector. Moreover, the results are judged relative to public-policy objectives embodied in law, which often are not readily measurable.

This performance plan is based on the Board's four-year *Strategic Framework*.<sup>1</sup> The framework is used to guide key investments, align resources, and implement changes over the 2012–15 planning period. The framework is organized into six themes:

- 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 profes-

<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).

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

Senior leadership will reassess priorities throughout the strategic framework's implementation period to take into account environmental factors and chang-

ing circumstances. These factors impact the specific activities undertaken in any given year to achieve strategic objectives.

The *Annual Performance Plan 2013* sets forth the planned projects, initiatives, and activities that support the strategic framework's long-term objectives. Board staff will report quarterly the progress towards achieving the following strategic objectives to Board members and executives internally. In early 2014, the Board will publish and release to the public (1) a report on the Board's performance toward achieving what it set out to do during 2013, and (2) a performance plan for 2014.

# 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.

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 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.

### Projects and Initiatives

- Finalize Basel III capital rule and propose Basel III liquidity standards.
- Finalize enhanced prudential standards for large, domestic bank holding companies (BHCs) as required by sections 165 and 166 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act).
- Incorporate new international risk management standards for financial market utilities (FMUs) into Federal Reserve regulation and policy.
- Develop implementing regulations for designated FMU access to Reserve Bank accounts and services under Title VIII of the Dodd-Frank Act.

## 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.

### Projects and Initiatives

- 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.

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

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 macro economy. The Board also 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.

### Projects and Initiatives

- Issue for public comment a rule, as part of the Dodd-Frank Act, 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.
- Revise roles and governance documents that address the Board's expectation of effective supervision by clarifying program requirements for each supervised portfolio.
- 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.
- Build out Federal Reserve supervisory programs for financial market infrastructures (FMI), including working with other federal agencies and international authorities to strengthen FMI supervision.
- Monitor and assess the risk profiles of foreign banking organization (FBO) activities in the United States.

### 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.

### Projects and Initiatives

- Continue to implement a recovery and resolution plan program for large BHCs.

- Develop crisis-management and liquidity tools, including coordination of international response.
- Analyze and refine options to use the discount window and other liquidity tools.

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

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 Chairman, other Board members, and the FOMC, as appropriate.

### 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.

## 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 (BDO), and data users.**

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

### Projects and Initiatives

- Create the Office of the Chief Data Officer (OCDO) mission, charter, goals, and competencies.

**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 sta-

bility, consumer protection, and economic research, while striving to meet the needs of the research and supervision communities.

### Projects and Initiatives

- Launch the Board Data Council—comprised of key enterprise stakeholders—to support enterprise-wide data governance policies, processes, definitions, standards, and metrics. (Also addresses objective 2.1.)

**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 sharing infrastructure that facilitates internal and external access to data.

### Projects and Initiatives

- Develop the enterprise data strategy to strengthen the Board's data environment.



# 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.

#### Projects and Initiatives

- There are no key projects or initiatives planned for 2013.

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

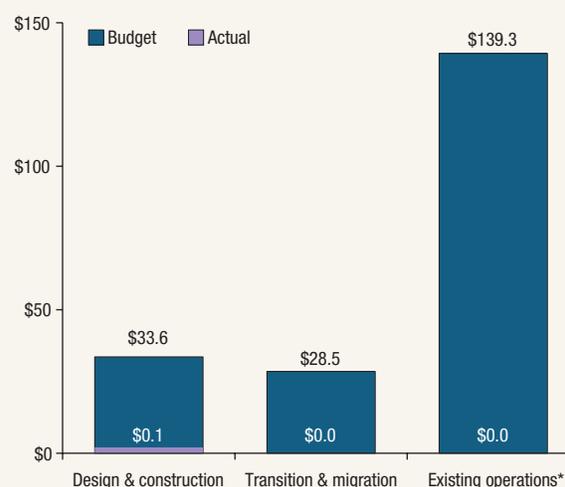
Staff from the Divisions of Information Technology (IT) and Management will work with the Federal Reserve Bank of Richmond (FRB Richmond) to complete the memorandum of understanding (MOU) for the identified space in the Baltimore Branch building. Staff will work with the FRB Richmond manager to select an architecture and engineering firm through the competitive bidding processes. 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.

#### Projects and Initiatives

- Complete the MOU for leased space between the Board and FRB Richmond.
- Establish a charter, initial project plan, and an Executive Oversight Group (EOG).
- Develop a communications plan, launch a Project SharePoint site, and create an initial risk register.
- Select and issue the award for an architecture and engineering firm.
- Select and award a contract for the construction general contractor.

**Figure 1. Data Center budget (millions; total estimated budget: \$201.5 million)**



\* Operations budget reflects ongoing operational costs for the current Data Center and the new Data Center over the next ten years.

- Complete design and construction documents.
- Begin construction.

## 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 utilize 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.

#### Projects and Initiatives

- Convene design focus groups and collect feedback.
- Deliver new policies and procedures.
- Track “maintenance-significant” equipment utilizing an automated system throughout the construction and the major phases of the Martin Building project.

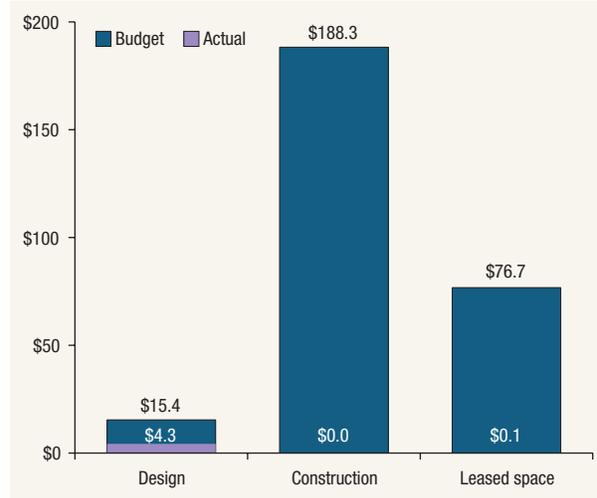
### Objective 3.4: Upgrade physical infrastructure.

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.

#### Projects and Initiatives

- Complete negotiation and sign lease for Martin Building swing space.

**Figure 2. Martin building renovation budget (millions; total estimated budget: \$280.4 million)**



- Begin build-out of swing space for move in 2014.
- Continue Martin Building design work with target completion in 2014.
- Complete utility data collection for all buildings.
- Complete analysis of construction project management software and develop implementation strategy.
- Acquire construction administration (CA) 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.

#### Projects and Initiatives

- Receive and review the audit report for the New York Avenue building to identify future projects and opportunities for future enhancements.

# 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.

### Projects and Initiatives

- Assess PMP survey data to set a baseline for future measures.
- Revise the budget to reflect implementation timelines associated with projects in the three-year automation plan.
- Develop guides and communication materials for current mid-year performance discussions.
- Identify components and focus of the new process, including compensation, automation requirements, and process map.

- Develop communication and training plans for the new process.

## 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. 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 non-administrative employees reviewed by the end of 2015.

### Projects and Initiatives

- Finalize and publish revised policies and processes.
- Develop training and communication programs.

### 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.

#### Projects and Initiatives

- Begin succession plans for division directors, deputy directors, and critical officers, with a target completion date of 2014.
- Develop and deliver a comprehensive core curriculum for staff that will complement staff development and performance goals.

### 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.

#### Projects and Initiatives

- Review compensation structure and components for alignment with market pay philosophy and available market data.
- Review existing incentive award programs.
- Conduct market pay analysis for each division.
- Inventory the Board's work-life programs, compare to "best practice programs," and develop recommendations for enhancements or changes.

# 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.

### Projects and Initiatives

- Complete the set-up of the Strategic Performance Office.
- Provide periodic reports on achievement of strategic objectives to the Committee on Board Affairs, the Executive Committee of the Board, Chief Operating Officer, and Chief Financial Officer.
- Seek opportunities for enhancing operational processes.
- Integrate an Investment Review Board (IRB) into the ongoing oversight and governance of large and significant strategic projects.

## Objective 5.2: Strengthen financial planning accountability.

Staff will work with key stakeholders to develop and implement changes to the planning and budget pro-

cess. Staff will also propose enhancements to financial performance reporting to focus on the Board's fiduciary responsibility as a trusted steward of public funds.

### Projects and Initiatives

- Provide quarterly reports on budgeted expenses and other financial performance to the Committee on Board Affairs, the Executive Committee of the Board, Chief Operating Officer, and Chief Financial Officer.
- Implement quarterly division budget reviews and integrate them into budget forecasts.

## 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.

### Projects and Initiatives

- Formalize the process for evaluating strategic initiatives utilizing quarterly meetings and other methodologies.
- Formalize and document the annual budget process.
- Enhance automated tools for providing financial management information to division administrative staff and other key decisionmakers.



# 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.

### Projects and Initiatives

- Review key administrative processes to, among other objectives, identify opportunities for reducing redundancy and enhance operational efficiency.
- Track spending against key budgetary accounts to enhance annual spending projections.

- Establish a procedure using PeopleSoft to monitor and report hiring against strategic 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.

### Projects and Initiatives

- Identify opportunities for containing administrative service costs.
- Enhance budget forecasts by incorporating cost-management strategies.
- Draft a plan for communicating cost-management opportunities.
- Begin implementing cost-management initiatives.

