



Senior Employee Pay for Performance

Working for America

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT





Training Objectives

- Ensure senior employees understand both the philosophy and mechanics of their performance and pay systems
- Ensure all senior leaders understand the required linkage between individual and organizational performance and its effect on ratings
- Ensure senior leaders can establish and clearly communicate the relationship between overall organizational performance, specific results and individual ratings in discussions with their subordinate executives to dispel any perceptions of forced distribution or quotas



Why Results-Oriented Pay for Senior Leaders

- High-performing organizations recognize effective performance management systems drive change and achieve results
- Leaders who are held accountable for results drive continuous improvement, and stimulate and support efforts to integrate human capital approaches with organizational goals



Guiding Principles

- Align individual performance expectations with organization goals
- Involve senior leaders to encourage ownership of their performance management system
- Link all pay decisions to individual and organization performance
- Reflect meaningful distinctions between performance rating levels and/or within a single performance rating level
- Provide for transparency in the processes for making all pay decisions



Major SES Features

- SES open range of basic pay with access to higher aggregate pay
- No annual across-the-board or locality pay adjustments
- Minimum and maximum SES rate range established
- Agency plan for setting and adjusting rates of pay must reflect meaningful distinctions between performance rating levels
- OPM must certify, with OMB concurrence, agency SES appraisal systems before agencies can use the full pay range for performance pay adjustments



2006 Rates of Basic Pay for the Executive Schedule (EX)

Only agencies with **certified** systems may access pay for SES above EX III, based on performance

Level V	133,900
Level IV	143,000
Level III	152,000
Level II	165,200
Level I	183,500



Major SL/ST Features

- With a certified system, access to higher aggregate pay
- Locality pay applies and typically, across-the-board pay increases
- OPM must certify, with OMB concurrence, agency SL/ST appraisal systems before agencies can use the higher aggregate pay limit



Considerations when Creating Agency Policies for Setting and Adjusting Pay

Agency Requirements for —

- Setting and adjusting pay (new appointee, after appraisal, etc.)
- Reserving pay above EX III for top SES performers

Role of Position Value

- Scope of responsibility
- Level of accountability
- Position in organizational structure

Administrative and Management Controls

- Budget and pay pool constraints
- Control points
 - Internal
 - External



Considerations when Creating Agency Policies for Setting and Adjusting Pay

Using Control Points within SES Pay Band

- OPM mandated control point at EX III
 - Only certified agencies may access pay above EX III, based on performance
 - Limitations apply when using Maintain Relative Position (MRP)
- Agency-established tiers

Multiple Pay Tiers — Expressed as

- Percent of minimum or maximum SES rate
- Portion of total pay range
- Specified dollar amounts (change when range changes)



Considerations when Creating Agency Policies for Setting and Adjusting Pay

Meaningful Pay Distinctions

- Among performance rating levels (amount of increase)
- Within single performance rating level (amount of increase)
- Overall distribution within SES rate range (final pay rate)
- Performance bonuses (among and within rating levels)

Adjusting Pay

- Allow Flexibility
 - “Up to” a certain percent or ranges by rating levels
- Adjust annually based on budget and range adjustment
- “Promotions”
 - Minimum or maximum amounts
 - Required flat amount

2006 SES Pay Ranges and Aggregate Limits

Certified SES Performance System	
Up to Executive Schedule II	Up to Vice President's Pay
\$109,808 - \$165,200	\$212,100

Non-Certified SES Performance System	
Up to Executive Schedule III	Up to Executive Schedule I
\$109,808 - \$152,000	\$183,500

KEY:

BASE PAY

**AGGREGATE LIMIT ON BONUSES AND OTHER
COMPENSATION**

2006 SL/ST Pay Ranges and Aggregate Limits*

Certified SL/ST Performance System	
\$109,808 - \$143,000	Up to Vice President's Pay
	\$212,100

Non-Certified SL/ST Performance System	
\$109,808 - \$143,000	Up to Executive Schedule I
	\$183,500

KEY:

BASE PAY

AGGREGATE LIMIT ON COMPENSATION

**Locality pay not included*



Appraisal Plans

- Set and communicate individual and organizational goals and expectations
- Include critical and other performance elements, performance requirements, and balanced measures
- Set the standards against which performance will be evaluated



Addressing Certification Criteria

- Some criteria are met through the system design
- Most important and challenging criteria are addressed in individual executive performance plans
 - Alignment
 - Measurable results
 - Balance: customer and employee perspectives
 - Accountability: cascading alignment and rigorous/realistic employee appraisal



Alignment

Criterion—

Individual performance expectations must be derived from/linked to the agency's mission, strategic goals, program/policy objectives, and/or annual performance plan



Alignment

Acceptable Methods—

- Each element or performance requirement, as appropriate, has a link to the specific goal(s) in the organization's Strategic and/or Annual Performance Plan(s) identifying the link with the number or letter in the plan such as B2 or Goal 3 Objective 2
- The element or performance requirement repeats the goal or objective from the organizational plan



Results

Criterion—

Elements or performance requirements must be demonstrable, measurable, and observable, focusing on organizational outputs and/or outcomes, milestones, and other deliverables



Measurable Results

- Executive elements and requirements should specify the results, with credible measures, expected to be achieved during the applicable rating period at the fully successful level (higher levels too if required by agency)
- At least 60 percent of an executive's summary rating must be based on measurable results



Balance

Customer and Employee Perspectives

Criterion—

Individual performance expectations must include measures of customer/stakeholder and employee feedback, and leadership competencies or behaviors that contribute to and are necessary to distinguish outstanding performance, in addition to results



Customer Perspective

Acceptable Methods—

- Customer/stakeholder perspective can be obtained through:
 - Surveys
 - Meetings or other methods that provide for customer input or involvement



Employee Perspective

Acceptable Methods—

- Surveys
- Focus groups
- Discussions
- Methods of involving employees in decision-making processes



Accountability for Performance Management

Criterion—

Executive's rating must reflect the degree to which performance standards, requirements, or expectations for individual subordinate employees clearly link to organizational mission, GPRA strategic goals, or other program or policy objectives and take into account the degree of rigor in the appraisal of their subordinate employees



Accountability for Performance Management

Acceptable Methods—

- Executive performance plans must include a critical element that holds them accountable for aligning employee performance plans with organizational goals, and rigorous appraisal of subordinates
- This requirement can be incorporated into a general leadership element.