



Department of Defense INSTRUCTION

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USD(P&R)

SUBJECT: DoD Civilian Personnel Management System: Nonappropriated Fund (NAF)
Performance Management Program

References: See Enclosure 1

1. PURPOSE

a. Instruction. This Instruction is composed of several Volumes, each containing its own purpose. The purpose of the overall Instruction, in accordance with the authority in DoD Directive 5124.02 (Reference (a)), is to establish and implement policy, establish procedures, provide guidelines and model programs, delegate authority, and assign responsibilities regarding civilian personnel management within the Department of Defense.

b. Volume. This Volume of this Instruction:

(1) Establishes policy and procedures for performance management programs covering DoD NAF employees.

(2) Cancels and supersedes the NAF performance management guidance in subparagraph C5.1.8. of DoD 1401.1-M (Reference (b)).

(3) Establishes a senior executive performance appraisal system for DoD NAF employees at the NF-6 payband level pursuant to section 1587a of title 10, United States Code (U.S.C.) (Reference (c)), to regulate the amount of total compensation for senior NAF executives to achieve pay parity between DoD senior NAF executive and DoD senior appropriated fund (APF) executive performance.

2. APPLICABILITY

a. This Volume applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all

other organizational entities within the Department of Defense (hereafter referred to collectively as the “DoD Components”).

b. Unless otherwise stated:

(1) The Army and Air Force Exchange Service may be considered a DoD Component for the purposes of this Volume if delegated authority to oversee internal NAF performance management policy by the Secretaries of the Army and the Air Force, as applicable.

(2) The United States Marine Corps, the Navy Exchange Service Command (NEXCOM), and the Commander, Navy Installations Command (CNIC) may be considered DoD Components for the purposes of this Volume, with the exception of the Enclosure 4 NF-6 Executive Performance Appraisal System, if delegated authority to oversee internal NAF performance management policy by the Secretary of the Navy.

3. DEFINITIONS. See Glossary.

4. POLICY. It is DoD policy that:

a. Performance management programs shall be established within the DoD Components that accurately and fully measure the performance of all eligible NAF employees, establish goals and expectations, and assess individual employees, teams, or groups of employees, as well as whole organizations.

b. DoD NAF senior executives at the NF-6 payband level shall be compensated on a comparable level and basis as APF employees in the Senior Executive Service (SES). The NAF NF-6 performance appraisal system shall apply the requirements of section 5382(a) of title 5, U.S.C. (Reference (d)), to provide applicable standards of comparison that make meaningful distinctions between levels of performance. The NF-6 performance appraisal system shall:

(1) Support and facilitate performance excellence, accountability, and strategic alignment, and link performance to organizational results.

(2) Require executive performance plans that support such factors as the DoD (and respective Component and organization) strategic plan(s), the Government Performance and Results Act of 1993 (Reference (e)), and other related goals, desired outcomes, and system results.

(3) Require oversight of the performance appraisal process to include an annual assessment of the organization’s performance, use of guidelines for performance evaluation, certification of the assessment process by the Head of the DoD Component and the Principal Deputy Under Secretary of Defense for Personnel and Readiness (PDUSD(P&R)) as described in Enclosure 2, and assurance of appropriate recognition for senior executives.

(4) Allow for executive involvement in the evaluation process, communication between the rating official and the executive, clear accountability, executive pay progression based on performance and mission accomplishment, and an understandable basis for pay adjustments.

(5) Hold NAF senior executives accountable for rigorous performance management of subordinates and for aligning their subordinate employees' performance plans with organizational goals.

(6) Appraise the performance of NAF executives using measures that balance organizational results with customer, employee, and other perspectives.

(7) Be transparent across the DoD Components and have appropriate accountability mechanisms.

(8) Be applied in a consistent, equitable, and nonpolitical manner to employees in NF-6 positions DoD-wide.

5. RESPONSIBILITIES. See Enclosure 2.

6. PROCEDURES. See Enclosure 3 for requirements for performance management programs for NAF employees in paybands NF-1 through NF-5, Child and Youth paybands, and Craft and Trade pay schedules. See Enclosure 4 for requirements for NF-6 executive performance appraisal systems.

7. RELEASABILITY. UNLIMITED. This Volume is approved for public release and is available on the Internet from the DoD Issuances Web Site at <http://www.dtic.mil/whs/directives>.

8. EFFECTIVE DATE. This Volume is effective immediately.



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Enclosures

1. References
2. Responsibilities
3. Performance Management Programs for NAF Employees in Paybands NF-1 through NF-5, Child and Youth Paybands, and Craft and Trades Pay Schedules
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Glossary

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ENCLOSURE 1

REFERENCES

- (a) DoD Directive 5124.02, “Under Secretary of Defense for Personnel and Readiness (USD(P&R)),” June 23, 2008
- (b) DoD 1401.1-M, “Personnel Policy Manual for Nonappropriated Fund Instrumentalities,” December 13, 1988
- (c) Section 1587a of title 10, United States Code
- (d) Section 5382 of title 5, United States Code
- (e) Government Performance and Results Act of 1993, as amended
- (f) The Uniformed Services Employment and Reemployment Rights Act of 1994, chapter 43 of title 38, United States Code
- (g) Office of Personnel Management, “Operating Manual for the Federal Wage System – Nonappropriated Funds,” as amended¹
- (h) DoD Instruction 5010.40, “Managers’ Internal Control (MC) Program Procedures,” January 4, 2006

¹ Copies may be obtained from the Internet at <http://www.opm.gov/oca/wage/nafnew/index.asp>

ENCLOSURE 2

RESPONSIBILITIES

1. PDUSD(P&R). The PDUSD(P&R), under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness (USD(P&R)), shall:

a. Develop policies and provide oversight of civilian personnel management and DoD NAF Instrumentalities.

b. Establish performance management policy applicable to all DoD NAF employees.

c. Establish a DoD NAF senior executive performance appraisal system that applies Reference (d) requirements to pay senior executives based on individual performance, contribution to the agency's performance, or both, as determined under a rigorous performance management system. The PDUSD(P&R) shall:

(1) Oversee and assess implementation of the NAF senior executive performance appraisal system to ensure that NAF system standards of comparison are comparable to those of the DoD performance appraisal system for APF senior executives.

(2) Certify that the NAF senior executive performance appraisal system, as designed and applied, makes meaningful distinctions between levels of executive performance and appraises executive performance in relation to contributions to DoD and DoD Component strategic goals. This positive certification shall be contingent upon the Department of Defense obtaining and maintaining Office of Personnel Management certification of a DoD performance appraisal system for DoD APF senior executives.

(3) Issue annual guidance for implementation of pay adjustments to ensure pay determinations are based on performance and reflect NAF organizational performance.

(4) Validate the Heads of the DoD Component certifications of NF-6 performance appraisal systems to ensure that executive pay adjustments and bonuses are based on performance and reflect NAF organizational performance. This validation must be obtained before annual performance bonuses and performance pay increases are effected.

2. DEPUTY UNDER SECRETARY OF DEFENSE FOR CIVILIAN PERSONNEL POLICY (DUSD(CPP)). The DUSD(CPP), under the authority, direction, and control of the USD(P&R), shall:

a. Issue guidelines for performance appraisal system implementation and ensure DoD performance management policy and procedures are consistently and uniformly applied.

b. Review certifications provided by the Heads of the DoD Components pursuant to subparagraph 3.b.(7) of this enclosure prior to forwarding them to the PDUSD(P&R).

3. HEADS OF THE DoD COMPONENTS. The Heads of DoD Components shall:

a. Develop plans and establish a performance management program, consistent with Enclosure 3, that measures performance, establishes goals and expectations, and assesses individual employees, teams, or groups of employees as well as whole organizations. Measures of performance shall determine what has been accomplished and serve as the basis for performance pay increases or bonuses, special recognition, and formal and informal awards. Programs may be tailored to fit the mission and culture of the organization. They shall be designed to improve individual and organization performance and strengthen the link between pay and performance.

b. Implement an NF-6 executive performance appraisal system consistent with Enclosure 4.

(1) Ensure pay adjustments are based on performance and reflect organizational performance.

(2) Provide training for rating officials and NAF senior executives prior to implementation and periodically thereafter as necessary. Training shall encompass performance plans and performance appraisals.

(3) Provide performance appraisal guidelines to rating officials and performance review boards (PRBs). Performance appraisal guidelines shall be based on PDUSD(P&R) guidance, assessment of mission requirements and strategic goals, and external standards such as those in Reference (e).

(4) Establish mechanisms to evaluate how well NAF organizations met mission performance requirements during the performance appraisal period. These mechanisms will be used to help evaluate how well NAF NF-6 executives met the performance requirements that link to the organization's mission and goals.

(5) Ensure that NF-6 executives are held accountable for rigorous performance management and for aligning subordinate employee performance plans with organizational goals.

(6) Ensure that their DoD Component NF-6 appraisal process takes into account the organization's assessment of its performance relative to accomplishment of strategic goals and against other program measures.

(7) Provide, at the end of their Component annual official appraisal period, a certification memorandum to the PDUSD (P&R) through the DUSD(CPP).

(a) The memorandum shall certify that:

1. The appraisal system makes meaningful distinctions based on relative performance and holds executives accountable for organizational performance and rigorous performance management, and that pay adjustments, performance bonuses, and final ratings reflect and recognize individual performance and contribution to the DoD and Component mission.

2. The annual performance rating, pay adjustments, and bonuses accurately reflect the employee's performance requirements (which include business results; employee and customer perspectives; and, when applicable, accountability for the performance management of subordinates), and that they are not the result of a forced distribution.

(b) The certification memorandum shall include information necessary for the PDUSD(P&R) to validate that pay adjustments to DoD Component NAF NF-6 executives are based on performance and reflect organizational performance. The memorandum shall include attachments providing:

1. An assessment of DoD Component performance against program performance measures, including organizational strategic goals.

2. Copies of all DoD Component NAF appraisal guidelines issued to authorizing officials, PRBs, and rating officials.

3. All NF-6 executive performance plans, annual performance ratings, and associated pay increases and bonuses for the appraisal period.

4. Justification for any executive rate of basic pay that exceeded the EX III level. NF-6 executive pay may be set at a rate that exceeds the EX III pay level, but is less than or equal to EX II level if the NAF NF-6 performance appraisal system is certified by the PDUSD(P&R) and if the criteria in Appendix 1 to Enclosure 2 of Volume 1405 of this Instruction are met.

(8) Function as the authorizing official as defined in the Glossary. This responsibility and authority may not be delegated below the Head of the DoD Component level except as set forth in the definition.

ENCLOSURE 3

PERFORMANCE MANAGEMENT PROGRAMS FOR NAF EMPLOYEES
IN PAYBANDS NF-1 THROUGH NF-5, CHILD AND YOUTH PAYBANDS,
AND CRAFT AND TRADES PAY SCHEDULES

1. CORE REQUIREMENTS. Performance management programs for all NAF employees in NF-1 through NF-5 payband levels, Child and Youth paybands, and Crafts and Trades pay schedules must include:

a. Written policy establishing performance management program criteria. The written policy must include the requirements for setting and communicating employee performance expectations, monitoring performance and providing feedback, addressing poor performance, providing opportunities for employees to develop performance, rating and rewarding performance, and applicable approval authorities for performance ratings and rewards. DoD Component performance management program policies shall be communicated to employees, supervisors, and managers.

b. Communication of performance expectations. Performance expectations shall be communicated to the employee in writing prior to holding the employee accountable for those expectations, and shall be discussed with the employee on at least an annual basis. The expectations must be results-oriented and aligned with the organization's mission. The process of developing the performance expectations should include an opportunity for the employee to provide input. Expectations must include job objectives that are measurable and are reflective of expected accomplishments and contributions for the appraisal period. Job objectives shall be commensurate with the duties and responsibilities assigned to the employee and the salary paid to that employee.

c. A fair and consistent method for appraising performance and deriving a rating of performance that is based on measurable results. The typical performance appraisal method must enable supervisors to measure the employee's achievements and contributions against performance expectations. The performance appraisal method should include an opportunity for employee and supervisor dialogue during the appraisal period, and provide the flexibility to accommodate changing program objectives, as needed.

d. An annual written appraisal of whether the employee's performance met expectations, using five rating levels.

e. An official DoD Component appraisal period consisting of a consecutive 12-month period.

f. Description of actions to be taken when performance expectations are not met.

g. Approval of the appraisal or rating at a level above the rater, where practicable.

- h. Retention of the appraisal in the employee's official personnel file.

2. PERFORMANCE RATINGS

- a. When a rating of record cannot be prepared at the time specified in the performance management program, the appraisal period shall be extended until the conditions necessary to meet the minimum period of performance have been met.

- b. The Heads of the DoD Components may use an equivalent rating of record in the event of a missed rating, or a rating earned under a different agency or organization (Government or private sector). To qualify as an equivalent rating, the performance evaluation must have been the designated official's evaluation under the previous employer's system and must identify whether the employee performed at an acceptable or satisfactory level or higher.

- c. In the case of employees who are returning to NAF positions following service in the Military Services, the DoD Components will ensure that eligible employees are accorded all reemployment rights provided by the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA), chapter 43 of title 38, U.S.C. (Reference (f)).

3. LESS THAN SATISFACTORY PERFORMANCE (LEVEL ONE OR TWO ON A FIVE-LEVEL RATING SYSTEM)

- a. Payband employees, including Child and Youth payband employees, who are rated less than satisfactory shall not be granted a pay increase. (See Appendix 1 to Enclosure 2 of Volume 1405 of this Instruction.)

- b. Within-grade increases for prevailing rate employees who are rated less than satisfactory are not authorized in accordance with Office of Personnel Management Operating Manual (Reference (g)).

4. GRIEVING A PERFORMANCE RATING. An employee may grieve a performance rating under the DoD Component's prescribed grievance procedures, but may not grieve the amount of a pay increase.

ENCLOSURE 4

NF-6 EXECUTIVE PERFORMANCE APPRAISAL SYSTEM

1. CORE REQUIREMENTS FOR NF-6 PERFORMANCE PLANS. The rating official shall develop the performance plan, including performance elements and performance requirements, in consultation with the executive. NAF NF-6 performance plans shall:

- a. Show clear linkage to agency and/or organization annual strategic plans.
- b. Include the performance elements that must be used to evaluate an executive's performance. Each element shall describe a major category of job responsibility.
- c. Include, for each performance element, one or more performance requirements that must be accomplished to achieve expected levels of performance.
- d. Be discussed with the executive on or before the beginning of the appraisal period, during the appraisal period, and at the end of the appraisal period.
- e. Be documented, by signature of the executive and the rating official on the performance appraisal form, that the performance elements and requirements were jointly developed by the executive and rating official and are understood by both.
- f. Be in place within 30 days of the beginning of each appraisal period. For executives assigned after the beginning of the appraisal period, performance plans shall be in place within 30 days of appointment.
- g. Be modified when mission or workload changes occur.

2. PERFORMANCE ELEMENTS

a. Seven standard performance elements may be used to evaluate an NF-6 executive. (See Appendix 1 to this Enclosure for a full description of these performance elements.) They are:

- (1) Leadership/Supervision.
- (2) Contribution to Mission Accomplishment.
- (3) Resource Management.
- (4) Communication.
- (5) Cooperation/Teamwork.

(6) Customer Care.

(7) Technical Competence/Problem Solving.

b. These three performance elements are mandatory:

(1) Contribution to Mission Accomplishment.

(2) Leadership/Supervision.

(3) Customer Care.

c. In addition to the mandatory elements, rating officials may use the other four standard elements as needed to evaluate job assignments and position responsibilities. The performance elements chosen must link individual performance with organizational goals.

d. All performance elements included in the performance plan shall be considered key components of the NF-6 executive's work. Unsatisfactory performance of any element included in the performance plan will make the executive's overall job performance unsatisfactory.

e. The performance elements must be weighted. Authorizing officials shall establish guidance for weighting performance elements. Contribution to Mission Accomplishment must be weighted at least 60 percent among all performance elements selected. The sum of the weights for all performance elements used will be 100 percent.

f. The rating official shall document the position's applicable performance elements and the weight for each element on the DoD appraisal form, DD Form 2939, "Department of Defense NF-6 Executive Pay and Performance Appraisal." The form is available on the Internet from the DoD Forms Web Site at <http://www.dtic.mil/whs/directives/infomgt/forms/formsprogram.htm>.

3. PERFORMANCE REQUIREMENTS

a. The rating official must work with the executive to develop one or more (generally not more than four) results-oriented and mission-focused performance requirements for each performance element included in the executive's performance plan.

b. Performance requirements shall be primarily results-driven, written in the specific, measurable, aligned, realistic and relevant, timely, and quality (SMART-Q) framework as defined in the Glossary. They shall specify measurable results and outcomes of a particular performance element, and describe the level of performance required to achieve expectations.

c. SMART-Q performance requirements for executives shall:

(1) Apply to their respective areas of responsibility.

(2) Be linked with strategic plans and initiatives of the organization and reflect expected agency or organizational performance.

(3) Clearly describe performance that is measurable, verifiable, or apparent, and focus on tangible outputs, outcomes, milestones, or other deliverables.

(4) Include balanced measures reflecting the perspectives of distinct groups, including customers and employees.

d. On occasion, some performance requirements require a competency-based outcome rather than a results-oriented outcome. However, at least 60 percent of the executive's performance requirements must be results-oriented. The Mission Accomplishment element, weighted at 60 percent of all elements, must contain all results-oriented performance requirements.

e. Performance requirements must be written in a manner that allows the rating official to make meaningful distinctions in performance. Each requirement should demonstrate the complexity and scope of the work and be attainable.

f. For supervisory positions, the Leadership/Supervision element includes two mandatory performance requirements. One of the requirements must state that the performance plans for employees under the executive's supervision are aligned with organizational goals; that employees are appraised realistically against clear, measurable standards of performance; and that employee views are considered in achieving organizational results. The other performance requirement must address the executive's achievement of equal employment opportunity goals and affirmative action results.

4. MONITORING AND DEVELOPING PERFORMANCE

a. Progress Review. At least one progress review must be held between the rating official and executive during the appraisal period. The rating official shall document the feedback on DD Form 2939.

b. Ongoing Performance Feedback. The rating official shall provide feedback to an executive on the executive's performance as necessary, at any time during the performance appraisal period. The executive may also request periodic feedback on performance.

c. Performance Deficiencies. Any time an executive is failing to meet expectations during the performance appraisal period, steps must be taken to promptly address the deficiencies. Rating officials shall identify and communicate to the executive the specific performance deficiency that requires improvement.

d. Performance Development. Rating officials shall encourage executives to seek executive and leadership professional development opportunities that promote achievement of DoD or DoD Component strategic initiatives.

5. APPRAISING AND RATING PERFORMANCE

a. Duration of Appraisal Period. The duration of the appraisal period shall be 12 months, except when an executive fails to achieve expectations; when a new executive (through appointment, reinstatement, or reassignment) is assigned to a position after the beginning of the appraisal period; or in other situations that may warrant an appraisal period of less or more than 12 months (e.g., departure of the rater before the end of the appraisal period). When the executive is being reassigned or the executive's supervisor is departing, an interim rating may be given during the rating period to reflect the executive's performance in the applicable portion of the rating period.

b. Timing of Appraisal Period. The appraisal period shall be from October 1 through September 30 each year, unless the Head of the DoD Component determines that a different consecutive 12-month performance period is necessary to meet mission requirements and obtain key organizational performance metrics.

c. Minimum Appraisal Period. In order to provide for meaningful evaluation of an executive's performance, the minimum appraisal period shall be 90 days. If the executive was not in the position for 90 days, the rating official must extend the performance appraisal period for a period of time sufficient to ensure an opportunity to achieve performance expectations, but not for a period longer than 15 months.

6. PERFORMANCE APPRAISAL PROCESS

a. Refer to Appendix 3 to this enclosure for a summary of the appropriate steps in the performance appraisal process.

b. At the end of the appraisal period, the rating official shall determine the degree and level to which the executive accomplished the performance requirements for each performance element in the executive's performance plan.

c. If the executive was supervised by more than one rating official during the appraisal period, the rating official for the last 90 days of the appraisal period must consider inputs provided by previous raters when preparing the appraisal.

d. Rating officials may request that the executive provide written input describing accomplishments throughout the appraisal period.

e. To fully evaluate the degree to which the executive met the performance requirements, the rating official shall consider the executive's comments describing accomplishments and may also consider input from individuals in the executive's rating chain of command, subordinates, and customers.

f. Rating officials shall document accomplishments on the DD Form 2939.

g. Rating officials must conduct an end of rating performance review with each of their executives to communicate the appraisal of the executive's performance and assign the preliminary performance score and rating. Signatures are required on the DD Form 2939 to document this review and rating.

h. The rating official's end of rating performance review provides the executive a preliminary performance assessment pending final review and approval by the authorizing official. The review includes a discussion about the executive's overall performance and the tentative preliminary score and rating. The review does not include discussion of a performance increase or bonus. The final performance score, rating, and associated pay increase or bonus is not communicated to the executive until the authorizing official makes a determination after consideration of PRB recommendations.

7. PRELIMINARY PERFORMANCE SCORE

a. Following a review of the executive's accomplishments, the rating official shall consider the executive's performance against each performance requirement and assign between 0 and 100 points to each element. Each performance element shall be evaluated and scored separately.

b. The rating official shall multiply the points by the percentage weight for each element and sum the results to arrive at a preliminary performance score.

c. The maximum preliminary performance score is 100 points.

d. The DoD Components may issue Component-specific guidance regarding evaluating requirements and assigning points.

e. Distribution of performance scores shall not be forced or artificially constrained by a rating official, PRB, or authorizing official.

8. PERFORMANCE RATING LEVELS

a. Table 1 describes the score ranges and conversion to an adjective performance rating.

Table 1. Performance Rating and Score Ranges Conversion Chart

PERFORMANCE RATING	SCORE
Exceptional Results	95 – 100
Exceeds Expected Results	86 – 94
Achieved Expectations	70 – 85
Minimally Satisfactory	51 – 69
Unsatisfactory	0 – 50

b. Adjective performance ratings are:

(1) Exceptional Results. This rating is authorized for performance that far exceeds what is expected in the attainment of the performance requirement, as evidenced by exceptional accomplishments or contributions to the mission.

(2) Exceeds Expected Results. This rating is authorized for performance that surpasses what is expected in the attainment of the performance requirements and/or results in the achievement of unexpected outcomes that contribute to the mission.

(3) Achieved Expectations. This rating is authorized for performance that fully attains the performance requirements described in the performance plan.

(4) Minimally Satisfactory. This rating is authorized when the executive's performance partially meets or demonstrates some progress toward attainment of the performance requirements described in the performance plan. An employee assigned a Minimally Satisfactory rating should be counseled on performance requirements and provided assistance in improving performance.

(5) Unsatisfactory. This rating is authorized when an employee's performance fails to meet the performance requirements for one or more elements in the performance improvement plan. An executive whose performance is unsatisfactory for any element (i.e., receives fewer than 51 points) will receive an Unsatisfactory rating. The employee's supervisor shall initiate action to immediately reassign, demote, or separate the employee.

c. Distribution of performance ratings shall not be forced or artificially constrained by a rating official, authorizing official, or a PRB.

9. HIGHER LEVEL REVIEW. The DoD Components may require a review of the rating official's recommendations by another official prior to review by the PRB. If the DoD Component requires a higher level review, the official should document the review by signing the appraisal form in the area indicated for the higher level reviewer.

10. EXECUTIVE REQUEST FOR HIGHER LEVEL REVIEW

a. The executive shall have the opportunity to comment in writing regarding the preliminary performance score and rating assigned by the rating official. Executives may request a review by an official at a higher level within the DoD Component prior to review by the PRB. The executive must request such review within 7 calendar days of receiving the rating official's preliminary performance rating.

b. If the executive requests a higher level review, a reviewing official at a higher level in the Component, either an executive or an active flag officer, must be appointed to consider the executive's response. The DoD Components may appoint someone outside of the Component to

perform the review when the authorizing official is also the rating official or the review is more appropriately conducted by an external executive or flag officer. When a flag officer is involved in the review, the executive must agree to the Service member's involvement.

c. The higher level reviewing official must respond within 7 work days of receiving the request for higher level review. The higher level reviewing official may not change the rating official's preliminary performance score or rating, but may recommend a different preliminary performance score and rating to the PRB and the authorizing official.

d. Copies of the reviewer's findings and recommendations must be given to the executive, the rating official, the higher level reviewer (if conducted), the PRB, and the authorizing official.

e. The higher level review is the final process by which an executive may request review of the preliminary performance score and rating. An executive may not grieve any performance plan, appraisal, performance score or rating, adjustment in basic pay, or amount or non-receipt of a performance bonus.

11. LINKING PAY AND PERFORMANCE

a. NF-6 pay is set and adjusted and bonuses are paid in accordance with Appendix 1 to Enclosure 2 of Volume 1405 of this Instruction. Pay adjustments and bonuses must be linked to performance. The highest rates of pay adjustments and bonuses must go to the executives who demonstrate the highest level of performance and make the greatest contributions to DoD or DoD Component success.

b. Following assignment of the preliminary performance score and rating, the rating official shall use Appendix 1 to Enclosure 2 of Volume 1405 of this Instruction and applicable DoD and Component guidelines to develop a recommendation regarding an appropriate performance-based pay adjustment and bonus.

c. The rating official shall provide the PRB and the authorizing official with the preliminary performance score and rating, and a separate written recommendation on the performance-based pay adjustment and bonus warranted by the performance appraisal rating.

d. Executives must have a performance rating of Achieved Expectations (based on a performance score of at least 70 or the equivalent) to be considered for a performance bonus or performance pay increase.

12. PRB

a. The authorizing official shall establish a PRB to review the rating official's preliminary performance score and rating and recommended pay increase and/or bonus. The PRB review assists the authorizing official in verifying that the performance assessment of the NF-6 executive is consistent among rating officials and comparable within the DoD Component.

b. Each PRB shall have three or more members appointed by the authorizing official. These members may include NAF or APF civilians and military officers from within or outside the DoD Component. Members will preferably be at the senior executive level (SES or NF-6) or flag officer level. In a DoD Component with small numbers of NAF senior executives, a PRB that evaluates the Component's SES executives may be used, or a PRB may be shared among Components.

c. PRB members may not take part in any deliberations involving their own appraisals or those in their supervisory chain.

d. Within the parameters of this enclosure, the DoD Components may provide Component-specific PRB procedures.

e. The PRB will review and evaluate the preliminary performance score and rating, and recommended pay increase and/or bonus, as they relate to mission accomplishments and performance. The PRB will also review the executive's written response (if any) and the written review by the higher level reviewing official (if applicable).

f. The PRB will make written recommendations to the authorizing official regarding the executive's preliminary performance score and rating, and pay increase or bonus.

13. PAY AND PERFORMANCE RESULTS

a. The authorizing official shall:

(1) Determine the executive's final performance score and rating and appropriate performance pay increases and bonuses after consideration of PRB recommendations.

(2) Certify that the results of the appraisal process make meaningful distinctions based on relative performance and are consistent with the policy in this Volume, with the NF-6 pay policy in Appendix 1 to Enclosure 2 of Volume 1405 of this Instruction, and with DoD and DoD Component guidance.

(3) Ensure that pay increases and performance bonuses (based on the results of the appraisal process) accurately reflect and recognize individual performance and/or contributions to the DoD Component's mission and/or performance, as appropriate.

b. Authorizing official determinations must be recorded on the DD Form 2939.

Appendixes:

1. Performance Elements and Benchmarks
2. Steps in the Performance Appraisal Process

APPENDIX 1 TO ENCLOSURE 4

PERFORMANCE ELEMENTS AND BENCHMARKS

This appendix provides a general description of each of the seven performance elements. Table 2 illustrates accomplishments and contributions that may be considered in reviewing and evaluating the executive's accomplishments.

a. Leadership/Supervision (Mandatory Element). Demonstrates effective and ethical individual and organization leadership to assess situations realistically; identifies and recommends or implements needed changes. Actively furthers the mission of the organization and ensures that organizational performance is aligned to the strategic plan. Works to improve the diversity of the organization, ensures that all employee rights are respected, and takes responsibility for the effective management of employee performance. Builds leaders for the future through active engagement in and support for developmental programs. Balances individual and organizational results with the perspectives of distinct groups, including customers and employees. Ensures that subordinate employees know and understand the organizational strategic goals and how their positions contribute to meeting organizational goals. Ensures that performance requirements or performance objectives of subordinate employees are aligned with organizational goals and that employees are held accountable for results. Provides timely and constructive performance feedback. Ensures a safe work environment.

b. Contribution to Mission Accomplishment (Mandatory Element). Executes the position's assigned duties in a manner that contributes to the successful outcome of strategic goals and objectives. Ensures that the accomplishments of the organization or program managed can be directly tied to mission need. Specifies the results or commitments to be achieved during the appraisal period.

c. Resource Management. Demonstrates effective use and management of personal and organizational resources such as time, personnel, equipment, and/or funds. Meets schedules and deadlines and accomplishes work in order of priority; generates and accepts new ideas and methods for increasing work efficiency; effectively utilizes and properly controls available resources; supports organization's resource development and conservation goals. Manages organization or program within the parameters established for the DoD Internal Control Program in DoD Instruction 5010.40 (Reference (h)).

d. Communication. Demonstrates effective listening, writing, and oral communication skills. Provides or exchanges oral and written ideas and information that are timely, accurate, and easily understood. Represents the organization in a manner appropriate for the level of communication. Understands and operates under the communication release requirements of the organization.

e. Cooperation/Teamwork. Demonstrates traits of flexibility, adaptability, and decisiveness as well as the ability to exhibit and foster cooperation in team efforts and organizational settings. Uses the appropriate cooperation and teamwork skills for the situation.

f. Customer Care (Mandatory Element). Demonstrates effective interactions with internal and external customers. Demonstrates care for customers through respectful, courteous, reliable, and conscientious actions. Seeks out, develops, and/or maintains solid working relationship with customers to identify their needs, quantifies those needs, and develops practical solutions. Keeps customers informed. Within the scope of job responsibility, seeks out and develops new programs and/or reimbursable customer work.

g. Technical Competence/Problem Solving. Demonstrates the knowledge and skills required to execute the position's assigned duties and responsibilities. Ensures the technical accuracy of the work produced or provided by the organization managed. Independently identifies issues and recognizes all sides in the resolution process.

Table 2. NF-6 Executive Performance Element Benchmarks

The rating level of each performance element shall be based on the relationship of the executive's accomplishments to the performance requirements. This table identifies each of the seven benchmark performance elements – Leadership/Supervision, Contribution to Mission Accomplishment, Resource Management, Communication, Cooperation/Teamwork, Customer Care, and Technical Competence/Problem Solving – and illustrates accomplishments and contributions that may be considered in reviewing the executive's accomplishments.	
PERFORMANCE ELEMENT	COMPETENCIES AND PERFORMANCE ACCOMPLISHMENTS
1. <u>Leadership/Supervision (Mandatory Element)</u>	<p><u>Vision</u>. Takes a long-term view and acts as a catalyst for organizational change; builds a shared vision with others. Influences others to translate vision into action. Engages in succession planning.</p> <p><u>Service Motivation</u>. Creates and sustains an organizational culture that encourages others to provide the quality of service essential to high performance. Enables others to acquire the tools and support they need to perform well. Shows a commitment to public service. Influences others toward a spirit of service and meaningful contributions to mission accomplishment.</p> <p><u>Integrity/Honesty</u>. Instills mutual trust and confidence; creates a culture that fosters high standards of ethics; behaves in a fair and ethical manner toward others and demonstrates a sense of corporate responsibility and commitment to public service.</p> <p><u>Leveraging Human Capital</u>. Recruits, develops, and retains a diverse high-quality workforce in an equitable manner consistent with applicable law and merit systems principles. Leads and manages an inclusive workplace that maximizes the talents of each person to achieve sound business results. Respects, understands, values, and seeks out individual differences to achieve the vision and mission of the organization. Develops and uses measures and rewards to hold self and others, including subordinate managers and supervisors, accountable for achieving results that embody the principles of diversity and to achieve organizational results.</p> <p><u>Decisiveness</u>. Exercises good judgment by making sound and well-informed decisions; perceives the impact and implications of decisions; makes effective and timely decisions, even when data is limited or solutions produce unpleasant consequences; is proactive and achievement oriented.</p> <p><u>Balancing Perspectives</u>. Approaches responsibilities that balance organizational results with the perspectives of distinct groups, including customers and employees.</p>
2. <u>Contribution to Mission Accomplishment (Mandatory Element)</u>	<p><u>Strategic Alignment</u>. Achieves results that support and contribute to the accomplishment of the strategic goals of the Department of Defense, DoD Component, and organization.</p> <p><u>Strategic Thinking</u>. Formulates effective strategies consistent with the business and competitive strategy of the Department of Defense and DoD Component in a global economy. Examines policy issues and strategic planning with a long-term perspective. Determines objectives and sets priorities; anticipates potential threats or opportunities.</p> <p><u>Entrepreneurship</u>. Identifies opportunities to develop and market new products and/or services within or outside the organization. Is willing to take risks; initiates actions that involve a deliberate risk to achieve a recognized benefit or advantage.</p> <p><u>External Awareness</u>. Identifies and keeps up-to-date on key national and international policies and economic, political, and social trends that affect the organization. Understands near-term and long-range plans and determines how best to be positioned to achieve a competitive business advantage in a global economy or to best achieve the goals of the Department of Defense and DoD Component.</p>

Table 2. NF-6 Executive Performance Element Benchmarks, Continued

PERFORMANCE ELEMENT	COMPETENCIES AND PERFORMANCE ACCOMPLISHMENTS
3. <u>Resource Management</u>	<p><u>Financial Management.</u> Demonstrates broad understanding of principles of financial management and marketing expertise necessary to ensure appropriate funding levels. Prepares, justifies, and/or administers the budget for the program area; uses cost-benefit thinking to set priorities; monitors expenditures in support of programs and policies. Identifies cost-effective approaches. Manages procurement and contracting.</p> <p><u>Human Resources Management.</u> Assesses current and future staffing needs based on organizational goals and budget realities. Using merit principles, ensures staff is appropriately selected, developed, utilized, appraised, and rewarded; takes corrective action, as appropriate.</p> <p><u>Technology Management.</u> Uses efficient and cost-effective approaches to integrate technology into the workplace and improve program effectiveness. Develops strategies using new technology to enhance decision making. Understands the impact of technological changes on the organization.</p> <p><u>Accountability.</u> Ensures that effective controls are developed and maintained to ensure the integrity of the organization. Holds self and others accountable for rules and responsibilities. Can be relied upon to ensure that projects within areas of specific responsibility are completed in a timely manner and within budget. Monitors and evaluates plans; focuses on results and measuring attainment of outcomes. Complies with all accountability systems requirements and documents actions taken.</p>
4. <u>Communication</u>	<p><u>Influencing/Negotiating.</u> Consistent with DoD and DoD Component policies, persuades others; builds consensus through give and take; gains cooperation from others to obtain information and accomplish goals; facilitates “win-win” situations.</p> <p><u>Interpersonal Skills.</u> Considers and responds appropriately to the needs, feelings, and capabilities of different people in different situations; is tactful, compassionate, and sensitive and treats others with respect.</p> <p><u>Oral Communication.</u> Makes clear and convincing oral presentations to individuals or groups; listens effectively and clarifies information as needed; facilitates an open exchange of ideas and fosters an atmosphere of open communication.</p> <p><u>Political Savvy.</u> Identifies the internal and external politics that impact the work of the organization. Approaches each problem situation with a clear perception of organizational and political reality; recognizes the impact of alternative courses of action.</p> <p><u>Written Communication.</u> Expresses facts and ideas in writing in a clear, convincing, and organized manner.</p>

Table 2. NF-6 Executive Performance Element Benchmarks, Continued

<u>PERFORMANCE ELEMENT</u>	<u>COMPETENCIES AND PERFORMANCE ACCOMPLISHMENTS</u>
5. <u>Cooperation/ Teamwork</u>	<p><u>Flexibility.</u> Is open to change and new information; adapts behavior and work methods in response to new information, changing conditions, or unexpected obstacles. Adjusts rapidly to new situations warranting attention and resolution.</p> <p><u>Resilience.</u> Deals effectively with pressure; maintains focus and intensity and remains optimistic and persistent, even under adversity. Recovers quickly from setbacks. Effectively balances personal life and work.</p> <p><u>Conflict Management.</u> Identifies and takes steps to prevent potential situations that could result in unpleasant confrontations. Manages and resolves conflicts and disagreements in a positive and constructive manner to minimize negative impact.</p> <p><u>Team Building.</u> Inspires, motivates, and guides others toward goal accomplishment. Consistently develops and sustains cooperative working relationships. Encourages and facilitates cooperation within the organization and with customer groups; fosters commitment, team spirit, pride, and trust. Develops leadership in others through coaching, mentoring, rewarding, and guiding employees.</p>
6. <u>Customer Care (Mandatory Element)</u>	<p><u>Customer Service.</u> Balancing interests of a variety of clients, readily readjusts priorities to respond to pressing and changing client demands. Anticipates and meets the need of clients; achieves quality end products; is committed to continuous improvement of services.</p> <p><u>Partnering.</u> Develops networks, builds alliances, and engages in cross-functional activities; collaborates across boundaries and finds common ground with a widening range of stakeholders. Utilizes contacts to build and strengthen internal support bases.</p>
7. <u>Problem Solving/ Technical Competence</u>	<p><u>Problem Solving.</u> Identifies and analyzes problems; distinguishes between relevant and irrelevant information to make logical decisions; provides solutions to individual and organizational problems.</p> <p><u>Technical Credibility.</u> Understands and appropriately applies procedures, requirements, regulations, and policies related to specialized expertise. Is able to make sound hiring and capital resource decisions and to address training and development needs. Understands linkages between administrative competencies and mission needs.</p> <p><u>Continual Learning.</u> Grasps the essence of new information; masters new technical and business knowledge; recognizes own strengths and weaknesses; pursues self-development; seeks feedback from others and opportunities to master new knowledge.</p> <p><u>Creativity and Innovation.</u> Develops new insights into situations and applies innovative solutions to make organizational improvements; creates a work environment that encourages creative thinking and innovation; designs and implements new or cutting-edge programs.</p>

APPENDIX 2 TO ENCLOSURE 4

STEPS IN THE NF-6 PERFORMANCE APPRAISAL PROCESS

Table 3. Steps in the NF-6 Performance Appraisal Process

RATING OFFICIAL:
1. Develop the performance plan.
2. Determine which of the seven standard performance elements relate to the position.
3. Assign a weight to each performance element.
4. Develop, with the executive, a narrative description of at least one performance requirement for each element using the SMART-Q framework.
5. Discuss the performance elements and requirements with the executive.
6. Document the performance elements and requirements on the DD Form 2939.
7. Provide ongoing feedback to the executive.
8. Hold and document at least one progress review.
9. Assess the executive's accomplishments against the performance elements and requirements, considering the executive's input.
10. Assign a preliminary performance score and rating to the executive's performance.
11. Discuss the preliminary performance score and rating with the executive.
12. Forward the recommended performance score and rating and associated performance pay increase and/or bonus to the PRB.
PRB:
13. Review the executive performance appraisal, preliminary performance score and rating, and recommended associated performance pay increase and/or bonus.
14. Recommend an executive performance score and rating and associated performance pay increase and/or bonus to the authorizing official.
AUTHORIZING OFFICIAL:
15. Determine the final performance score and rating and appropriate performance pay increase and/or bonus.

GLOSSARYDEFINITIONS

These terms and their definitions are for the purpose of this Volume.

authorizing official

For the purpose of NAF NF-6 performance appraisal systems, the official that reviews the NAF senior executive's preliminary performance score and rating, and associated pay and bonus recommendations from the rating official and the PRB. The authorizing official determines the executive's final official performance score and rating, and the pay adjustments and/or performance bonus warranted.

The Head of the DoD Component functions as the authorizing official. This responsibility and authority may not be delegated below the Head of the DoD Component level, with the exception that the Secretaries of the Military Departments may delegate the authority in writing to the Commandant of the Marine Corps; the Commander, Naval Supply Systems Command; and the Commander, Navy Installation Command. Further delegation is not authorized.

executive. DoD NAF employees in positions at the NF-6 payband level.

performance appraisal period. The established period of time, consisting of a consecutive 12-month period, during which an employee's performance will be appraised and rated.

performance bonus. A lump-sum monetary bonus paid in recognition of performance during the appraisal period. A performance bonus is not part of the basic pay.

performance elements. The seven standard performance elements that shall be considered for use in evaluating an executive. They are: Leadership/Supervision, Contribution to Mission Accomplishment, Resource Management, Communication, Cooperation/Teamwork, Customer Care, and Technical Competence/Problem Solving. Rating officials may add elements with the approval of the authorizing official, or may exclude an element that does not apply. The Contribution to Mission Accomplishment, Leadership/Supervision, and Customer Care elements are mandatory for all executives.

performance plan. The written summary of work an employee is expected to accomplish during the appraisal period. A NAF executive's performance plan must include the performance elements and requirements against which performance shall be evaluated.

performance rating. One of five terms used to summarize in a concise manner the overall performance of the employee. The five terms for executive ratings are: Exceptional Results, Exceeds Expected Results, Achieved Expectations, Minimally Satisfactory, and Unsatisfactory. The rating official assigns the preliminary performance rating for an executive. The authorizing official authorizes the final performance rating for an executive.

performance requirements. Statements under each performance element that describe the level of performance expected for each element of an executive's performance. Performance requirements are the standards against which the executive's performance shall be appraised. Requirements must be primarily results-driven and align to the organizational mission and strategic goals.

performance score. In the NAF executive performance appraisal system, the numeric rating between 0 and 100 assigned to the executive's performance after evaluating it against the established performance elements and requirements. The rating official assigns the preliminary performance score. The authorizing official authorizes a final performance score.

PRB. In the NAF executive performance appraisal system, a panel of selected individuals established to provide oversight to ensure balance, equity, and fairness to the evaluation and scoring process and to ensure there are meaningful distinctions in relative performance. The authorizing official establishes the applicable NAF PRB. The PRB reviews the rating official's preliminary performance score and rating and makes recommendations to the authorizing official regarding the executive's final performance score and rating.

rating official. The supervisor who is responsible for assessing the executive's performance for the appraisal period. The rating official assigns the preliminary performance score and preliminary performance rating and recommends the pay adjustment and/or bonus warranted.

rating of record. The performance rating prepared at the end of an appraisal period for performance over the entire period.

SMART-Q. A guideline for developing results-driven performance requirements. Performance requirements may be subjected to a SMART-Q test to determine the quality of a particular performance metric. The acronym stands for:

Specific. Define results to be accomplished within the scope of the job.

Measurable. Define quality, quantity, and effectiveness.

Aligned. Support specific strategic goals.

Realistic/Relevant. Requirements are achievable yet challenging.

Timely. Define a deadline for achieving the requirements.

Quality. Identify the degree of excellence expected.