

Driving Organizational Results

Executive Pay Pool Management

Department of Defense

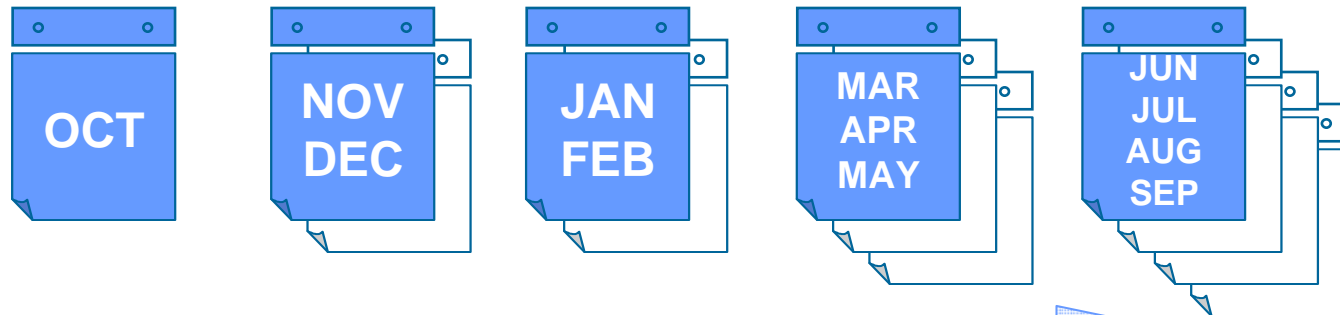
Executive Performance Workshops

Today's briefing will cover:

- List and describe the sequence and steps involved in the pay pool process.
- Develop a shared understanding of performance levels.
- Recognize levels of performance.
- Reconcile ratings based on performance.
- Describe the financial implications of share selections, paying bonuses, salary increases.
- Discuss the importance of pay pool business rules.

Performance Management and Pay Pool Timelines

PM Process – Activities 12-Month Timeline



PP Process – Activities 15-Month Timeline

Performance Rating Levels

Performance Rating Level	Score	Benchmark
Exceptional Results	95-100	Far exceeds expected results
Exceeds Expected Results	86-94	Surpasses expected results
Achieved Expectations	70-85	Fully meets expected results
Minimally Satisfactory	51-69	Partially meets expected results
Unsatisfactory	0-50	Fails to meet expected results

Allocation of Shares

- Rating Official recommends the number of shares based on performance score.
- Shares are a portion of the pay pool fund.
- Share value represents a fixed percentage performance payout.
- Performance payout is calculated by multiplying the senior professional's basic pay at the end of the appraisal period by the number of shares the senior professional's earned by the share value.

Conversion to Shares

Performance Rating Level	Score	Payout Share Options
Exceptional Results	95-100	11, 12, 13, 14, 15 or 16
Exceeds Expected Results	86-94	7, 8, 9, or 10
Achieved Expectations	70-85	1, 2, 3, 4, 5, or 6
Minimally Satisfactory	51-69	0
Unsatisfactory	0-50	0

Prepare for Panel Meetings

Establishing business rules

- What are the effective meeting principles you will apply?
- What are the roles needed (manager, facilitator, scribe)?
- What guidelines are important for success?
- Other important rules?

Establishing timelines

- What is the agency's timeline?
- What pay pool activities need to occur?

Pay Pool Exercise, Plan Phase: Develop a Shared Understanding

- Step 1: Review one executive performance evaluation.
- Step 2: Compare the results with the Performance Requirements outlined in the performance plan.
- Step 3: Decide on the preliminary performance rating.
- Step 4: As a pay pool panel, reach consensus on the rating.

Develop a Shared Understanding: Methods

Methods and skills needed to reach a shared understanding:

- Use Performance Requirements and Performance Elements to differentiate performance.
- Provide specific behavioral examples instead of vague statements. Instead of “I meet challenges well,” say “I took the lead in revamping our HazMat Program by working closely with...and developed an outline of national goals...”
- Focus on the facts.

Pay Pool Exercise, Plan Phase: Develop a Shared Understanding

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Develop a Shared Understanding: Discussion

- What were the challenges of reaching a shared understanding and how did you overcome them?
- How easy or difficult was it to decide on levels of performance?
- How easy or difficult was it to assess accomplishments?
- What was the role of the manager?
- What are the lessons learned?

Pay Pool Simulation: Structure

Welcome to the International Policy Agency (IPA)

The IPA is responsible for the development, implementation, and maintenance of policy related to the Department's diplomatic relationships with current allies. IPA is also responsible for developing new relationships with strategic countries where none currently exist.

The Director is General Dale Moreland. Three Divisions support the IPA and each is led by a Colonel. Each has three employees.

Pay Pool Exercise, Pay Phase: Pay Pool Panel Meeting

- Step 1: As a Rating Official, decide on scores, shares, and payout distributions for your executives.
- Step 2: Represent your executives at the panel meeting.
- Step 3: As a panel, review the executive performance evaluations, preliminary performance scores, and payout shares.
- Step 4: Reconcile executive performance scores, the shares, and lastly payout distribution.
- Step 5: Audit results.

Pay Pool Exercise, Pay Phase: Pay Pool Panel Meeting, Step 1

- Step 1: As a Rating Official, decide on scores, shares, and payout distributions for your executives.
- Step 2: Represent your executives at the panel meeting.
- Step 3: As a panel, review the executive performance evaluations, preliminary performance scores, and payout shares.
- Step 4: Reconcile executive performance scores, the shares, and lastly payout distribution. (SME: Is there internal guidance regarding bonuses vs. pay increase?)
- Step 5: Audit results.

Pay Pool Exercise, Pay Phase: Pay Pool Panel Meeting, Steps 2-5

- Step 1: As a Rating Official, decide on scores, shares, and payout distributions for your executives.
- Step 2: Represent your executives at the panel meeting.
- Step 3: As a panel, review the executive performance evaluations, preliminary performance scores, and payout shares.
- Step 4: Reconcile executive performance scores, the shares, and lastly payout distribution. (SME: Is there internal guidance regarding bonuses vs. pay increase?)
- Step 5: Audit results.

Pay Pool Exercise, Pay Phase: Step 5, Audit Questions

- Are the results equitable when you compare executives' performance with those having similar Performance Requirements, Performance Elements, and accomplishments?
- When you compare salaries, pay bands, occupational series?
- Did you notice rating officials with a tendency to rate leniently or strictly? If so, what action did you take to make ratings and rewards consistent with their colleagues?
- Did you properly justify Unsatisfactory ratings? Exceptional Results ratings?
- Other methods?

Discussion of Pay Pool Results

Issues for discussion

- Distinction between levels of performance
- Comparison of final ratings
- Rationale for changes
- Methods for audit
- Experience with process
- Role and skill set of panel manager
- Required competencies of panel members
- Plan for communicating the results

Next Steps in the Process

- The Authoring Official establishes a Performance Review Board, or Boards, to ensure performance standards are applied, performance pay adjustments are distributed, and organizational performance and pay decision processes are executed consistently, fairly, and in accordance with SC 920 across the organization. (Pay Pool and Performance Review Board functions may be combined.)
- The Authorizing Official determines in writing Annual Summary Rating, Performance Score, and Performance Payout Shares after considering Performance Review Board's recommendations.

Best Practices and Lessons Learned

Based on today's experience:

- Do you need to revise or add to your business rules?
- What challenges do you foresee?
- Did you identify improvements to be made?
- What do you need to communicate to your executives?
- How do you want them to describe your pay pool process to others? What will you do to ensure this occurs?
- List two to three steps you must implement or delegate immediately.

Why Pay Pools Are Important

- Provide a mechanism for ensuring multi-level accountability and responsibility.
- Ensure decisions regarding compensation and rewards receive higher-level review.
- Validate decisions made at the individual level within the context of the organization and mission.
 - Primary means of achieving internal and external equity.
- Preserve the integrity of the executive performance management system and focus on results.

- SES Website
- Subchapter 920, Executive and Senior Professional Pay and Performance System
 - <http://www.cpms.osd.mil/sespm>
- Executive Management Development Office

