



**UNDER SECRETARY OF DEFENSE  
4000 DEFENSE PENTAGON  
WASHINGTON, D.C. 20301-4000**

SEP 1 2010

**PERSONNEL AND  
READINESS**

**MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
DEPUTY CHIEF MANAGEMENT OFFICER  
COMMANDERS OF THE COMBATANT COMMANDS  
ASSISTANT SECRETARIES OF DEFENSE  
GENERAL COUNSEL OF THE DEPARTMENT OF  
DEFENSE  
DIRECTOR, OPERATIONAL TEST AND EVALUATION  
DIRECTOR, COST ASSESSMENT AND PROGRAM  
EVALUATION  
INSPECTOR GENERAL OF THE DEPARTMENT OF  
DEFENSE  
ASSISTANTS TO THE SECRETARY OF DEFENSE  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTOR, NET ASSESSMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DOD FIELD ACTIVITIES**

**Subject: Executive and Senior Professional Pay and Performance Management System –  
Close-out Guidance for the 2009-2010 Performance Appraisal Period**

The 2009-2010 performance appraisal period will close on September 30, 2010. This memorandum and its attachments provide the 2009-2010 close-out guidance for the Senior Executive Service (SES) and Senior Professionals (SP). Overall guidance is contained in the “Executive and Senior Professional Pay and Performance System,” Subchapter 920 (SC 920), dated March 18, 2008, and the DoD Tier Policy dated March 18, 2008. A copy of these policies may be found on the Department’s SES and SP web site at the following link: <http://www.cpms.osd.mil/sespm/>.

The Department’s Tier Policy will continue to be used as a means of ensuring comparability in executive compensation across the Department. In order to provide a consistent approach in compensation, a separate memo will be forthcoming regarding the Department’s pay pool funding factor, tier funding caps, and individual pay increase and bonus limitations.

The minimum rating period for executives and senior professionals is 90 days before the end of the performance appraisal period. Please ensure all eligible employees,

including those who are, or may possibly be, departing your organization after the end of the performance period, but before the payout period, receive a rating and performance and bonus recommendation. The losing organization must provide this information to the gaining organization for consideration. This ensures the employee has the opportunity to be compensated and/or recognized for his/her performance.

The memorandum titled “Direction for Department of Defense (DoD) Organizational Assessment (OA) for Fiscal Year (FY) 2010” was released by the Deputy Secretary of Defense on November 18, 2009. Executive and Senior Professional Performance Requirements must link to the DoD Organizational Assessment or Component strategic plans that define supporting execution priorities. The Department’s OA established 4 enterprise-wide Strategic Goals that are listed below:

- Strategic Goal 1: Win Our Nation’s Wars
- Strategic Goal 2: Deter Conflict and Promote Security
- Strategic Goal 3: Defend the Homeland
- Strategic Goal 4: Integrate Business Operations

The results of the Department’s FY2010 Organizational Assessment, which will be released at the end of the Fiscal Year, must be used by Rating Officials, Pay Pool Panels, Performance Review Boards (PRBs) and Authorizing Officials to determine individual performance ratings and payout decisions. The Department’s OA process and its communication of the results allow Rating Officials, Pay Pools and PRBs to determine the extent to which an executive or senior professional’s performance impacted organizational results and ensure the performance rating, score and shares reflect the impact and progress on the Department or Component strategic goals. All pay-for-performance decisions and award determinations must be based upon results achieved under individual performance objectives that demonstrate successful execution of programs, activities or initiatives which support DoD-wide goals and aligned component execution priorities.

In order to aid in the execution of your successful executive and senior professional Pay Pools and PRBs, this memorandum provides the following information tools:

- Attachment 1: Key close-out responsibilities and DoD timeline.
- Attachment 2: 2009-2010 Performance Validation Checklist.
- Attachment 3: Template and instructions for recording rating and payout information.
  - To more efficiently and effectively record rating and payout distributions of executive and senior professionals, each respective DoD Senior Executive Management Office (SEMO) will receive an excel spreadsheet with key fields (e.g., executive’s name, tier, current salary, and other pertinent information) populated via DCPDS for each executive and senior professional on the rolls as of September 30, 2010.

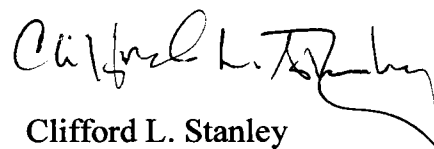
- Attachment 4: PowerPoint template for describing rating results.
  - To more efficiently and effectively provide analysis of the rating and payout distribution of executive and senior professionals, each respective DoD SEMO will receive a PowerPoint template populated with the prior years' data and equipped for FY2010 data population.
- Attachment 5: Examples of share values for rating distribution.
- Attachment 6: OPM Federal Employee Viewpoint Survey Summary.

In performing your close-out responsibilities, I ask that you review the results of the 2010 OPM Federal Employee Viewpoint survey and DoD-specific analysis, and address areas in need of improvement. The survey results and analysis can be found on the Department's SES Web site at: [http://www.cpms.osd.mil/sespm/reports\\_studies.aspx](http://www.cpms.osd.mil/sespm/reports_studies.aspx). In particular, we can respond to the areas of concern identified in the survey by:

- Ensuring we encourage and complete meaningful performance assessments.
- Conducting open and comprehensive discussions, including the linkage to your organizational goals and results when doing performance reviews.
- Remaining dedicated to making meaningful distinctions based on organizational performance and individual contribution.

Your continued focus and leadership in driving greater discipline and rigor in Executive and Senior Professional performance evaluation and assessment is critical to effective implementation of our pay for performance system. The Department is committed to an appraisal system that makes meaningful distinctions in performance and rewards individuals accordingly. The pay-for-performance system is fully optimized when such distinctions are made. Supervisors must be held accountable for assessing performance fairly and ensuring meaningful distinctions in performance based upon individual and organizational performance. As you know, such distinctions and supervisor accountability are essential aspects to a meaningful performance management system. In making such distinctions, quotas or formal distributions in rating and payout decisions are not authorized.

I am confident we will continue to meet the high standards we have set for ourselves and I appreciate your continued support in helping the Department continue its success in a performance-based culture. For any questions, please contact Ms. Erin Moore at (703) 696-1720 or [erin.moore@cpms.osd.mil](mailto:erin.moore@cpms.osd.mil).



Clifford L. Stanley

Attachments:  
As stated

## **Fiscal Year 2010 Executive and Senior Professional Performance Key Close-out Responsibilities and DoD Timeline**

Below is a quick summary of the key performance management policy requirements. They are not intended to substitute for the policies in the tier policy and Subchapter 920. These key requirements must be understood and applied in the context of the existing policies for Executives and Senior Professionals.

### **Key General Performance Rating and Pay Pool Deliberations Business Rules**

- The Rating Official, Pay Pool Panel Members, and Performance Review Board (PRB) must consider individual performance based upon:
  - Organizational performance (consider the DoD Organizational Assessment, Component Assessments, Strategic Plan Assessments, and other pertinent organizational assessment information).
  - Individual executive or senior professional performance results.
  - Solicitation and receipt of customer and employee feedback.
- In the event changes are recommended to an executive or senior professional's Initial Summary Rating (ISR) by the Pay Pool Manager or Pay Pool Panel, SC 920 requires that the Pay Pool Manager advise the Rating Official, who then has the opportunity to defend or substantiate the proposed ISR. In addition to notifying the Rating Official, the Pay Pool Manager must notify the executive or senior professional who must be given the opportunity to request a higher level review. Such request must be made within seven days of receiving notice of the recommended change. The provisions of SC 920 regarding Higher Level Review are then to be followed.
- Meaningful distinctions in performance must be made based upon individual and organizational performance. Rigorous assessments of executive and senior professional performance will drive these distinctions and support appropriate pay decisions.
- Any element rated unsatisfactory (i.e., receives fewer than 51 points) results in an Unsatisfactory Performance Rating.
- Second Level Review of the ISR is optional.
- An executive may not grieve the Performance Plan, Appraisal, Performance Rating Level, Performance Score, Share Allocation, Adjustment in Basic Pay, non-receipt of a Performance Bonus, or the Amount of a Bonus.

- Executives who change jobs to a position in the same or different DoD Component with a different Pay Pool within 90 days of the end of the performance cycle may be assessed and assigned an ISR by the Rating Official of record prior to movement. The ISR may be further evaluated and considered by the gaining Pay Pool and PRB. The gaining Authorizing Official may assign an Annual Summary rating and payout based upon the executive or senior professional's performance outcomes prior to movement.
- Rating officials who change jobs within 90 days of the end of the performance cycle must assess and provide a recommended ISR for all of their executives or senior professionals who have been on a performance plan for a minimum of 90 days. The incoming Rating Official may provide additional narrative to the recommended ISR at the end of the performance appraisal period. If provided, the additional narrative by the incoming rating official must be documented in a Word document no more than 3 pages in length attached to the DD2899 or DD2898.
- Rating officials who change jobs within 90 days of the end of the performance cycle should provide a written narrative summarizing performance to date for their executives or senior professionals who have been on a performance plan for less than 90 days.
- Executives who change jobs to a position outside of the Department after the end of the performance rating period, are not entitled to a pay increase but may be considered for a performance bonus. It would not be appropriate to deny a bonus payout solely on the basis that the executive left the organization after the end of the performance period.
- It is inappropriate to deny or reduce a performance payout to Presidential Rank Award (PRA) winners solely on the basis of receiving one of these awards. The decision to grant a performance payout must be based upon accomplishments during the applicable performance period.
- A Pay Pool Panel or PRB Member may not participate in deliberations involving their own appraisal and performance payout.
- Quotas or forced distribution in ratings and payout decisions are not authorized.
- Payout distributions may be prorated if the executive or senior professional was hired after the beginning of the performance period.
- When additional funds are available after recommending the total payout (basic pay and or bonus), the Rating Official, Pay Pool Manager and Performance

Review Board Chairperson may recommend an executive or senior official receive a portion of the additional funds for documented reasons such as:

- Recognition of team accomplishment (increase);
  - Extraordinary accomplishment beyond the share value calculated (increase).
- After the recommended total payout (basic pay and or bonus) is determined, the Rating Official, Pay Pool Manager and Performance Review Board Chairperson may recommend an executive or senior official receive a decrease in the total payout for documented reasons such as:
    - Recent hiring action in which a significant basic pay increase was granted (e.g. last 12-15 months);
    - Less than a full year of service during the performance period (prorating).
  - Recommendations for either an increase or decrease in the total payout must be made in a judicious and prudent manner and documented in writing. The Authorizing Official is the only authority to grant such an adjustment.
  - Bonus payments may be made effective the last pay period in December 2010. Pay increases will be effective on the first pay period in January, 2011.
  - All performance rating and payout data must be input into DCPDS by the end of the first pay period in February, 2011.

## Key Rating Official Guidance

### ► Estimated Window for Completion: September 30 - October 31, 2010

- Interim ratings should be considered when assessing overall performance accomplishments
- Extend the performance appraisal period for an executive who has not met the minimum 90-day requirement. The executive's performance appraisal period may be extended for a period of not more than 15 months.
- Encourage employee input through a self-assessment.
- Appraise performance consistent with Subchapter 920 and Merit Principles (5 U.S.C. §2301);
- Assign a performance score for each Performance Element.
- Assign a recommended performance rating and number of shares based upon overall performance score;
  - Consider the executive's and senior professional's scope, level of responsibility, complexity of assignment and mission impact when recommending a performance rating and the number of shares.
  - Below are the benchmark definitions for each performance rating level to help guide and inform rating decisions:

Performance Rating Level	Benchmark Definition
<b><u>Level 5:</u></b> <b>Exceptional Results</b>	<b>Exceptional Results</b> is performance that far exceeds what is expected in the attainment of the Performance Requirement, as evidenced by exceptional accomplishments or contributions to the mission.
<b><u>Level 4:</u></b> <b>Exceeds Expected Results</b>	<b>Exceeds Expected Results</b> is 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.
<b><u>Level 3:</u></b> <b>Achieved Expectations</b>	<b>Achieved Expectations</b> is performance that fully meets the attainment of the Performance Requirements as defined by the Performance Plan.
<b><u>Level 2:</u></b> <b>Minimally Satisfactory</b>	<b>Minimally Satisfactory</b> is performance that partially meets or demonstrates some progress toward the attainment of the Performance Requirements described in the Performance Plan.
<b><u>Level 1:</u></b> <b>Unsatisfactory</b>	<b>Unsatisfactory</b> is performance that fails to meet the Performance Requirements for any element in the Performance Plan.
<b>X- Not Rated</b>	Self explanatory

- Conduct an end-of-year performance review with each executive and senior professional;
  - Provide executive and senior professional with a preliminary performance assessment pending final review and approval by the Authorizing Official;
  - Discuss the overall performance, the tentative Performance Rating, Performance Score, and recommended number of shares; and
  - Do not discuss share values or performance payout information.
- When necessary, provide the Pay Pool Manager clarification or justification of an initial summary performance rating of an executive or senior professional.

### **Key Higher Level Review Guidance**

**► Estimated Window for Completion: Within 7 work days following receipt of Executive's and Senior Professional's Request for Reconsideration**

- Higher Level Review of Initial Summary Rating requires an independent review:
  - Executive may respond, in writing, after receipt of Initial Summary Rating and prior to review by the Pay Pool and/or Performance Review Board;
  - Executive must request review within 7 work days of receiving the proposed Initial Summary Rating;
  - Higher Level Reviewer must conduct review within 7 work days;
  - The Reviewer does not change the initial summary rating;
  - Reviewer's findings are provided to the executive, Rating Official, Pay Pool, Performance Review Board, and Authorizing Official; and
  - Authorizing Official's decision is final.

### **Key Pay Pool Guidance**

**► Estimated Window for Completion: November 1- 30, 2010**

- In the performance appraisal review process, the Pay Pool is responsible for ensuring performance standards are applied consistently across the organization.
- The Pay Pool will also manage, control, and distribute performance-based pay increases and performance bonuses for the Authorizing Official's approval.
- The Pay Pool Manager will report proposed changes to the executive's or senior professional's Performance Rating, Recommended Shares, and Performance Score to the Rating Official and executive/senior professional prior to finalizing Pay Pool deliberations.
  - The Pay Pool Manager will consider additional evidence provided by the Rating Official in support of the initial recommended rating.
  - The executive or senior professional must be given the opportunity to request a higher level review. Such a request must be made within seven



days of receiving notice of the recommended change. The guidance provided above in the Key Higher Level Review Guidance section should then be followed.

- The Pay Pool Manger report final recommendations to the Performance Review Board.

### **Key Performance Review Board Guidance**

**► Estimated Window for Completion: November 1- 30, 2010**

- Review recommendations of the Rating Official, Pay Pool manager(s) as they relate to mission accomplishments and individual and organizational performance. Also review the written review by the higher-level reviewing official, as required, and the executive's written response (if any), and conduct any further review needed, to ensure
  - Performance Requirements are applied;
  - Performance Pay Adjustments are distributed; and
  - Organizational performance assessments and pay decision processes are executed consistently, fairly, and in compliance with established DoD and organizational policies and procedures.
  - Meaningful distinctions in executive performance and payout decisions are made relative to individual and organizational performance.
- Report recommendations to the Authorizing Official

### **Key Authorizing Official Guidance**

**► Estimated Window for Completion: December 1- 5, 2010**

- Establish the composition of the Performance Review Board and select a Chairperson
- Consider rating and payout recommendations received from the rating official, pay pool manager, and PRB.
- Determine the final rating, and payout distributions based upon documented reasons.
- Certify results by completing the SES Performance Validation checklist and submitting required evidence to the USD (P&R) by close of business, December 8, 2010.

**SES/SL/ST 2009-2010 Validation Checklist**  
**(Authorizing Official must submit this form with the Validation Package)**

Yes/No	Requirement	Comments/Notes
<input type="checkbox"/> Yes <input type="checkbox"/> No	Completed DoD SES and SL/ST Performance Appraisal and Payout Data Report – Updated Version (Attachment 3)	<ul style="list-style-type: none"> <li>• Out of cycle pay increases must be entered and identified in the Report.</li> <li>• For those Components using unique personal identifiers in lieu of the executive's name, the identifier must be the same from year to year.</li> <li>• NOTE: The 2009/2010 OPM Performance Appraisal System certification and Annual Reporting Data Form must be submitted in Jan/Feb. after Data are input into DCPDS and Component verification is complete.</li> <li>• Complete a quality review of data input into DCPDS.</li> </ul>
<input type="checkbox"/> Yes <input type="checkbox"/> No	Completed DoD SES and SL/ST Data Analysis Requirements (use the PowerPoint chart submission template only - Attachment 4):  Provide the charts depicting the distribution of performance ratings overall, basic pay increases, bonuses, shares, etc for performance cycles 2006-07, 2007-08, 2008-09, 2009-2010.	
<input type="checkbox"/> Yes <input type="checkbox"/> No	Provide a copy of the Organizational Assessment tool used by the rating official, pay pool, and PRB to inform rating and payout decisions.	
<input type="checkbox"/> Yes <input type="checkbox"/> No <b>(Applies to all requirements in this section)</b>	Signed Memo from the Authorizing Official must include validation of the following items in the memorandum: <ul style="list-style-type: none"> <li><input type="checkbox"/> The appraisal and award process comported with Subchapter 920 and Title 5, CFR, Subchapter 430.310.</li> <li><input type="checkbox"/> The performance payout formula elements and values, i.e., Presidential Adjustment to Executive Pay (PAEP%), Pay Progression Budget%, and Bonus% by Pay Pool and Tier (if applicable).</li> <li><input type="checkbox"/> Organizational assessments were used to inform individual</li> </ul>	

**SES/SL/ST 2009-2010 Validation Checklist**  
**(Authorizing Official must submit this form with the Validation Package)**

rating decisions and describe how the results were used to inform rating decisions.

- Ratings, pay adjustments, and bonuses reflect and recognize individual performance and contribution to the Component/DoD mission.
- Results demonstrate that meaningful distinctions in performance were made.
- How results of the 2009-10 appraisal cycle will be communicated to executives.
- Training was provided to executives and supervisors on the system to ensure effective implementation of the DoD performance management policy. Provide evidence (training materials or description of the training, the forum in which training was provided; and the number of executives and senior professionals who received the training).
- Guidelines to executives, rating and reviewing officials and Performance Review Boards about how organizational performance should be considered when deciding ratings and payouts. Provide a copy of the PRB and Pay Pool guidance and/or instructions. Provide a copy of the communication of organizational assessments and results of organizational assessment.
- Identify the pay pool funding factor for each pay pool (collectively and by tier if applicable). Provide it as a breakout to include the PAEP + Pay Progression Budget + Performance Bonus Budget.
- If applicable, the number of adjustments to performance payouts and the circumstances under which these adjustments were made.
- The number of and basis for each out of cycle pay adjustment.
- The number of instances and circumstances for exceeding tier salary caps.
- The number of instances and circumstances for exceeding an 8% individual basic pay increase.
- The number of and basis for increases above Component Tier Structure ceilings.

- Evidence of the communication must be submitted to DUSD(CPP) by Feb 2011

## INSTRUCTIONS

### SES Data for Performance Appraisal System Certification, System Standards and Metrics, and Annual Report

#### Reminders —

Please enter data into the attached template. Please note that there are two worksheets (tabs) in the template: General Information and Annual Reporting Data.

So data can be analyzed in a timely manner, ensure that:

- The SES member's name or unique identifier is consistent from year to year,
- The actual compensation received as pay adjustments by the member is the data reported,
- The full amount of any awards granted to the member is the data reported, and
- All comments are included in the "Explanatory Comments" column, not in the data fields.

Please contact your Art Walker at [Arthur.walker@opm.gov](mailto:Arthur.walker@opm.gov) if you have any questions about this template.

The descriptions below explain the information to be entered within each field of the template.

#### **GENERAL INFORMATION**

**Agency or Component(s)** — Name of agency or component(s) covered by appraisal system being certified.

**Point of Contact Name, Phone Number, and Email** — Name of agency point of contact, phone number, and email address to clarify any questions about the agency's data.

**Date** — The date this report is submitted to OPM.

**These data represent compensation and awards based on the ratings for, or granted during, the following appraisal period: Start: End:** — The start and end dates of the appraisal period for the ratings reported.

**Summary Rating Pattern (D, F, G, or H)** — The summary rating pattern used:

- Pattern D for rating levels 1, 2, 3 (Note: OPM will not certify appraisal systems using this pattern.)
- Pattern F for rating levels 1, 2, 3, 5
- Pattern G for rating levels 1, 2, 3, 4
- Pattern H for rating levels 1, 2, 3, 4, 5

**Performance Award Pool Amount (\$) and (%)** — Enter the total dollar amount of the performance awards pool and the percentage of aggregate base pay on which the awards pool was calculated. The total amount of the performance award pool paid during a fiscal year by an agency may not exceed the greater of –

- Ten percent of the aggregate rates of basic pay for career SES in the agency during the preceding fiscal year; or
- Twenty percent of the average annual rates of basic pay for career SES in the agency during the preceding fiscal year.

**Performance Award Pool Payout** — Enter the percentage of the awards pool that was actually awarded in performance awards.

**Date of Performance-Based Pay Adjustments** — The date that most of the "annual" pay adjustments from the column labeled "Performance-Based Pay Adjustment" were made. These adjustments start the clock on the 12-month rule and typically are paid the first pay period in January.

**Total Members** — The total number of SES members, including career, non-career, and limited.

**Total Members Paid Above Level III of the Executive Schedule** — The total number of SES members (including career, non-career, and limited) with final rates of basic pay, after pay adjustments, above level III of the Executive Schedule.

**Total Members Eligible to be Rated** — The total number of SES members eligible to be rated.

**Total Members Not Rated** — The total number of SES members who did not receive a rating for the appraisal period, e.g., those who have not been under an appraisal period for the minimum period.

### **ANNUAL REPORTING DATA**

**SES Members** — The last name and first initial, last name and first name, or other unique identifier for each SES member. Agencies must ensure that the same name or identifier is used for the same employee in subsequent years to allow for longitudinal analysis. (e.g., Smith, J should be reported as Smith, J for each report; Smith, John cannot be substituted. If Jackson, V is identified as 857 then she should be reported as 857 each year.)

**Tier** — If the agency uses pay tiers, the pay tier assignment of each SES member (i.e., control points within the broad SES pay range). The pay tiers are to be reported as ordinal numbers with number 1 designating the highest.

- 1 - Highest pay range or maximum pay rate
- 2 - Middle range
- 3 - Lowest pay range or maximum pay rate

**Appt. Type** — The appointment type for each SES member using one of the following indicators:

- C - Career,
- N - Non-Career, or
- L - Limited.

**New Appt.** — Place an X in this column to indicate SES members newly appointed to the agency or component who have not received a performance rating or pay adjustment based on the appraisal period reported.

**Rating** — The member's summary rating for the appraisal period reported. The summary rating will be one of the following:

- 5-Outstanding or equivalent,
- 4-Exceeds Fully Successful or equivalent,
- 3-Fully Successful or equivalent,
- 2-Minimally Successful or equivalent,
- 1-Unacceptable or equivalent, or
- X-Not Rated.

### **Compensation —**

- **Additional Pay Adjustments and Exceptions to 12-Month Rule (\$):** The dollar amount of a member's pay adjustment if an additional adjustment (other than the annual adjustment or MRP) was given during the rating period reported. An explanation of the basis for the adjustment must be included in the comments column.
- **Additional Pay Adjustments and Exceptions to 12-Month Rule (%):** The amount of the pay adjustment expressed as a percent.
- **Rate of Basic Pay Prior to Performance-Based Pay Adjustments:** The member's rate of pay at the end of the appraisal period being reported. Unless additional pay adjustments occurred during the rating period, this amount should match the previous year amount for rate of basic pay after performance-based pay adjustments.

- **Performance-Based Pay Adjustment (\$):** The dollar amount of a member's pay adjustment based on the performance rating reported and paid under the authority of 5 CFR 534.404(b)(1) and (g), excluding any amount provided independently under the authority of 5 CFR 534.404(b)(4) to maintain relative position (MRP) within the rate range at the same time the rate range is adjusted.
  - Use negative numbers when executive pay was reduced.
  - Put a zero when no pay adjustment was given based on agency pay policy.
  - Leave blank when no pay adjustment was given because the executive retired, left the agency, or could not be rated (include explanatory comment).
- **Performance-Based Pay Adjustment (%):** The amount of the performance-based pay adjustment expressed as a percent.
- **Pay Adjustment to Maintain Relative Position (MRP) (\$):** The dollar amount of any increase in the rate of basic pay of the SES member made solely for the purpose of maintaining all or some portion of the member's relative position in the SES rate range at the time the rate range is adjusted as authorized under 5 CFR 534.404(b)(4) (this is the amount excluded above).
  - Put a zero when no pay adjustment was given, including when an executive is already paid above EX-III and does not meet the requirements for granting one;
  - Leave blank when the agency does not use this authority or when no pay adjustment was given because the executive retired, left the agency, or could not be rated (include explanatory comment).
- **Pay Adjustment to Maintain Relative Position (%):** The amount of the MRP pay adjustment expressed as a percent.
- **Rate of Basic Pay After Pay Adjustments:** The member's rate of pay after all adjustments based on the rating for the appraisal period being reported. (Rate of Basic Pay After Pay Adjustments equals the Rate of Basic Pay Before Performance-Based Pay Adjustments plus any rating-based adjustments reported.)

**Awards —**

- **Performance (\$):** The dollar amount for a performance award given based on the rating for the appraisal period reported.
  - Put a zero when no performance award was given.
  - Leave blank when no performance award was given because the executive retired, left the agency, or could not be rated (include explanatory comment).
- **Performance (%):** The amount of a performance award given based on the rating for the appraisal period reported expressed as a percent.
- **Cash (\$):** The total dollar amount for individual or group cash awards given during the period reported. If multiple cash awards were given, include an explanation and the number and amount of separate awards in the comments column.
- **Cash (%):** The total amount of individual or group cash awards given during the period reported expressed as a percent. If multiple cash awards were given, include an explanation and the number and percentage of separate awards in the comments column.
- **Presidential Rank (\$):** The dollar amount of a Presidential Rank award granted during the period reported. Report the full amount of the Rank award.
- **Presidential Rank (%):** The amount of the Presidential Rank award granted during the period reported expressed as a percent (i.e., 20% or 35%).

**Excess of Aggregate Limit (\$ )—** Enter the total dollar amount that was delivered in January of the current year because it was in excess of the aggregate limitation on compensation for the period being reported, as established by 5 U.S.C. 5307 (basic pay, relocation, retention, recruitment incentives, cash awards, and lump sum payments). When a member would receive total payments subject to the limitation that would exceed that limitation, he/she would be paid up to the allowable limit in the calendar year payments are authorized and would receive the remainder at the beginning of the next calendar year. Since the annual data report is due in March of each year, report the excess amount from the report period now deliverable in January.

- **Example:** if the VP salary was \$215,700 and an executive under a certified system earned \$250,000 in various covered payments during the year plus had received \$25,000 at the

beginning of the year that could not be paid the year before, the amount reported would be \$59,300 ( $250,000 + 25,000 = 275,000 - 215,700 = 59,300$ ).

**Blank Pay Adjustment/Awards —**

- R – Retired
- L – Left Agency
- I – Ineligible for MRP

**Explanatory Comments —** Explain special circumstances affecting the SES members' ratings, pay or awards. Also explain additional pay adjustments and exceptions to the 12-month rule. Include the exact exception reason and note legal citation. Any time either of the compensation columns (performance-based pay adjustment or MRP) or the performance award column contains a zero or a blank, list the reason in this section (e.g., agency policy—usually for a zero, or no longer with the agency—usually for a blank based on retired, separated, or transferred employees). All comments should appear in this column, no comments should appear in other data fields.

# SES Data for Performance Appraisal System Certification, System Standards and Metrics, and Annual Report

Agency or Component(s)<sup>1</sup>: \_\_\_\_\_ Date: \_\_\_\_\_

Point of Contact Name, Phone Number, and Email: \_\_\_\_\_

These data represent compensation and awards based on the ratings for, or granted during, the following appraisal period:

Start: \_\_\_\_\_ End: \_\_\_\_\_

Summary Rating Pattern (D<sup>2</sup>, F, G or H): \_\_\_\_\_

Performance Award Pool Amount: \$ \_\_\_\_\_ % \_\_\_\_\_

Total Members: \_\_\_\_\_

Total Members Paid Above Level III of the Executive Schedule: \_\_\_\_\_

Total Members Eligible to be Rated: \_\_\_\_\_

Total Members Not Rated: \_\_\_\_\_

Performance Award Pool Payout: \_\_\_\_\_ % \_\_\_\_\_

Date of Performance-Based Pay Adjustments: \_\_\_\_\_

1. A separate submission is required for each certified system.
2. OPM will not certify appraisal systems using this pattern.



Last Name, First Initial (or a unique personal identifier)	1, 2, or 3	C, N, or L	Place "X" for New 12, 1, or Appt.	5 3	Number of Shares	Additional Pay Adjustments and Exceptions to 12-Month Rule <sup>1</sup> (if granted)		Rate of Basic Pay Prior to Performance- Based Pay Adjustments (\$)	Performance- Based Pay Adjustment (\$)	Performance Based Pay Adjustment (%)	Pay Adjustment to Maintain Relative Position (if granted) (\$)	Pay Adjustment to Maintain Relative Position (if granted) (%)	Rate of Basic Pay After Pay Adjustments <sup>2</sup> (\$)	Performance (\$)	Performance (%)	Cash (\$)	Cash (%)	Presidential Rank (\$)	Presidential Rank (%)	Excess of Aggregate Limit (\$)	R, L, I <sup>3</sup>	(e.g., Retired, Specific exception to the 12-month rule, or Regulatory citation)
						Additional Pay Adjustments and Exceptions to 12-Month Rule <sup>1</sup> (if granted) (\$)	Additional Pay Adjustments and Exceptions to 12-Month Rule <sup>1</sup> (if granted) (%)															
Smith, John	1	C		5	12		\$174,000	\$3,000	1.7%				\$177,000	\$15,000	8.6%			\$60,900		\$19,200		
Smith, Sally	1	C		3	5		\$162,000	\$0	0.0%				\$162,000	\$8,150	5.0%							

n a 12-month period must be explained under Explanatory Comments.  
 1. The Rate of Basic Pay Before Performance-Based Pay Adjustments plus any adjustments  
 2. R = Retired, L = Ineligible for Pay Adjustment

# SES & SL/ST

---



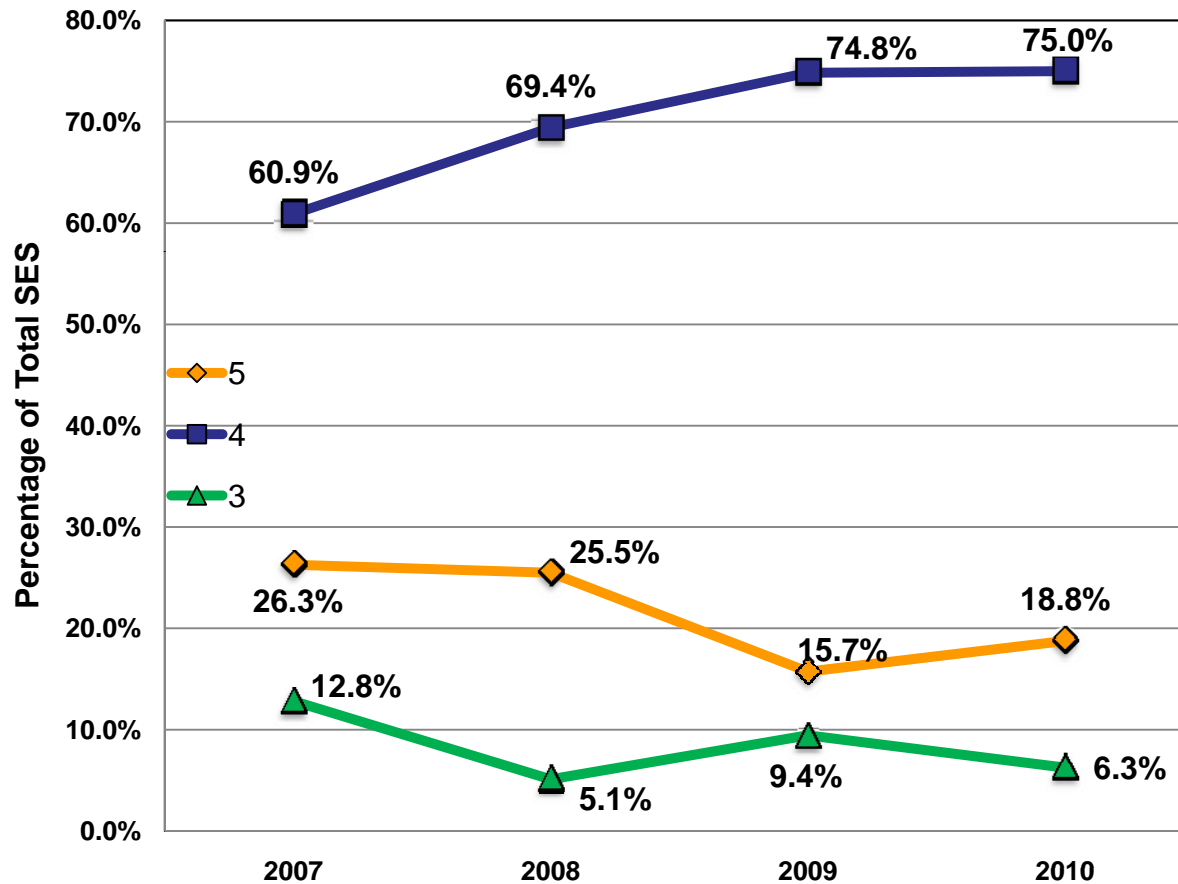
Legend For Following Sections

■ 2	■ 3	■ 4	■ 5		
■ Tier1	■ Tier2	■ Tier3			
■ 2005	■ 2006	■ 2007	■ 2008	■ 2009	■ 2010

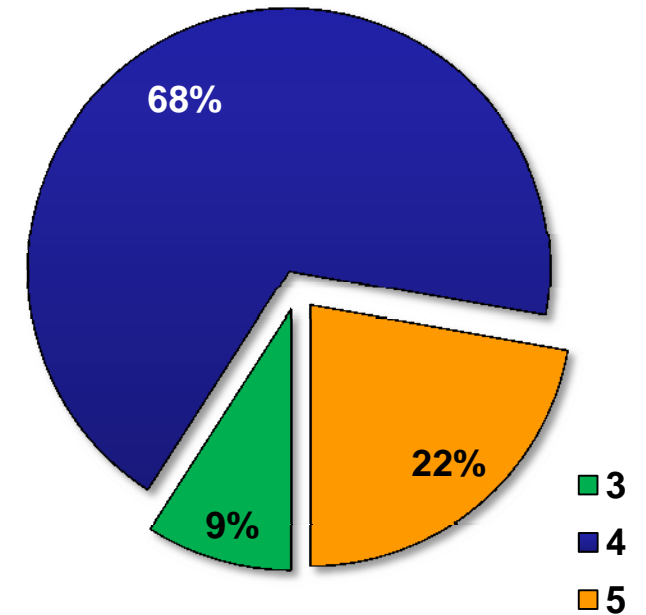


# SES or SL/ST Ratings Year-to-Year Trends, FY07 – FY10

### SES or SL/ST Ratings, FY07 – FY10

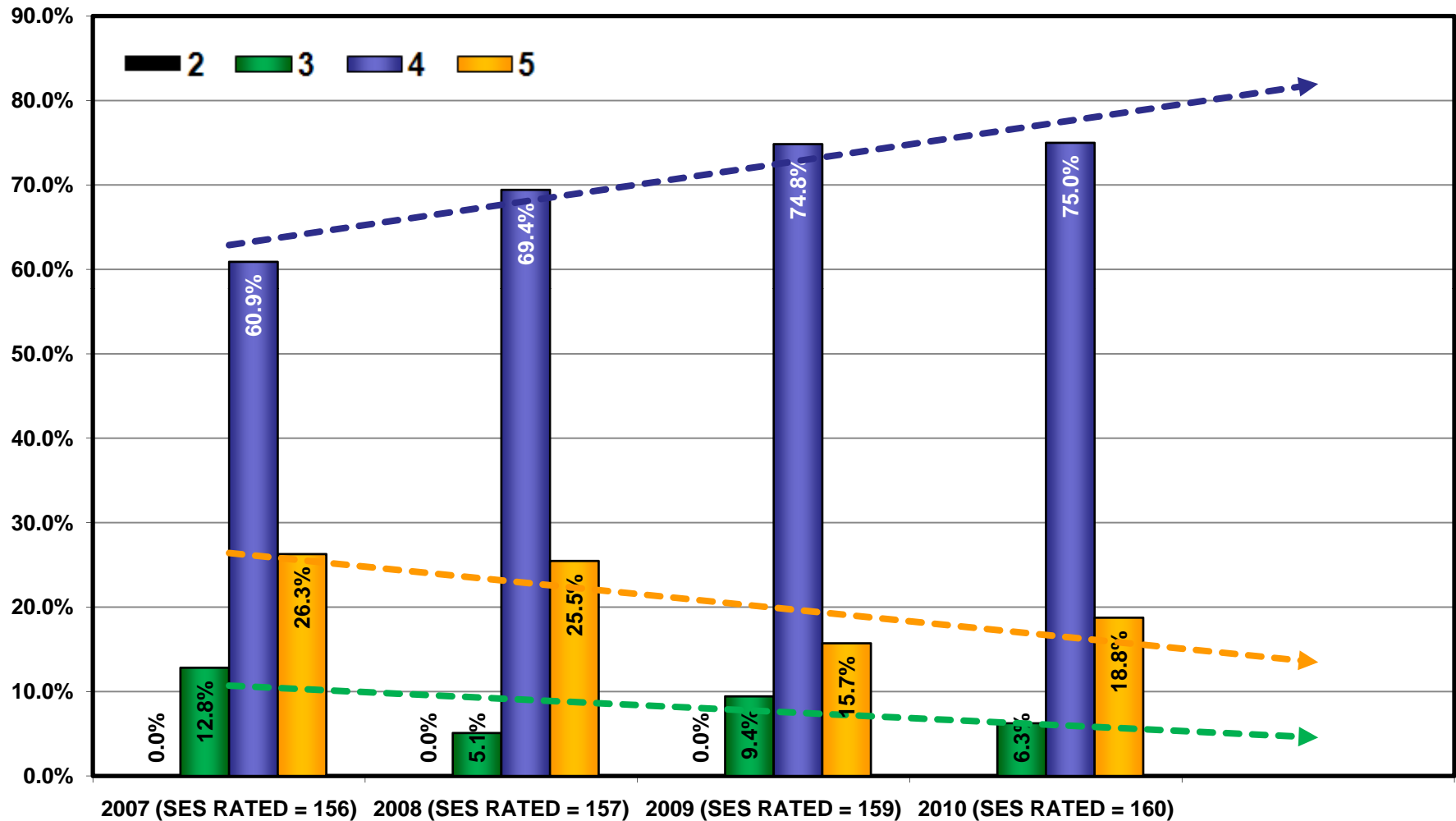


### Average Ratings Distribution FY07 – FY10



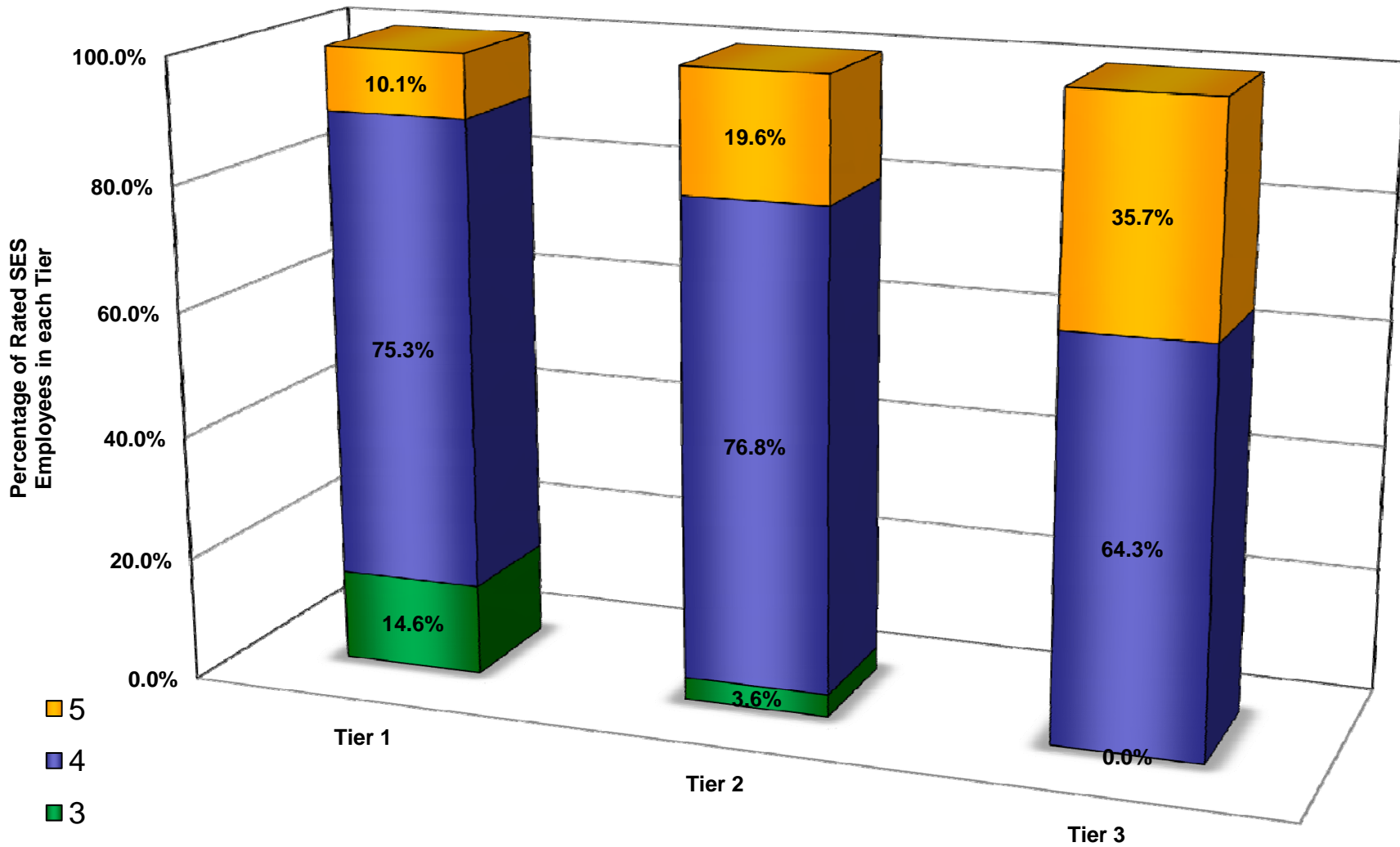


# Distribution of SES or SL/ST Ratings Projected 1 Year Into Future, FY07 – FY10



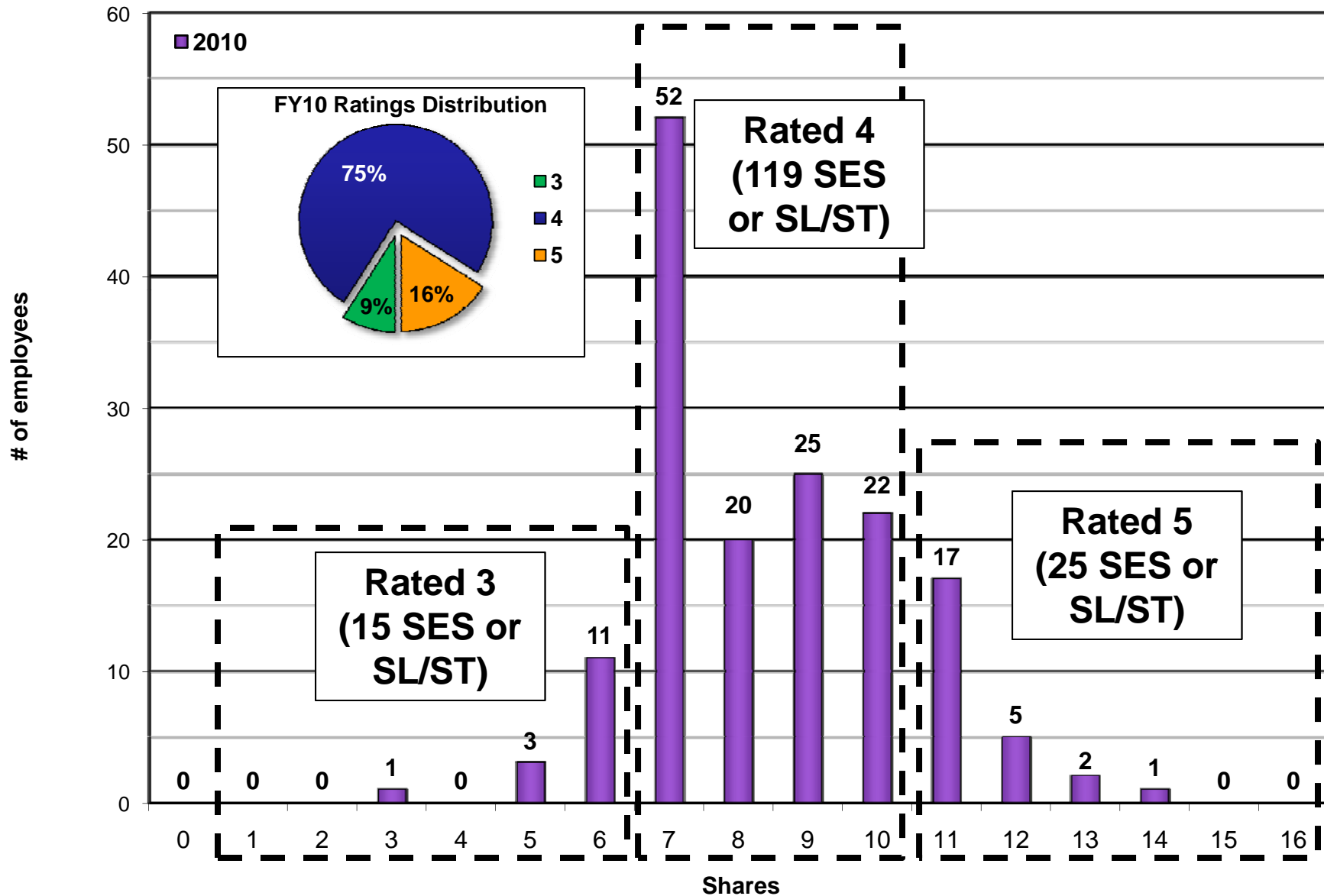


# SES Ratings by Tier, FY10





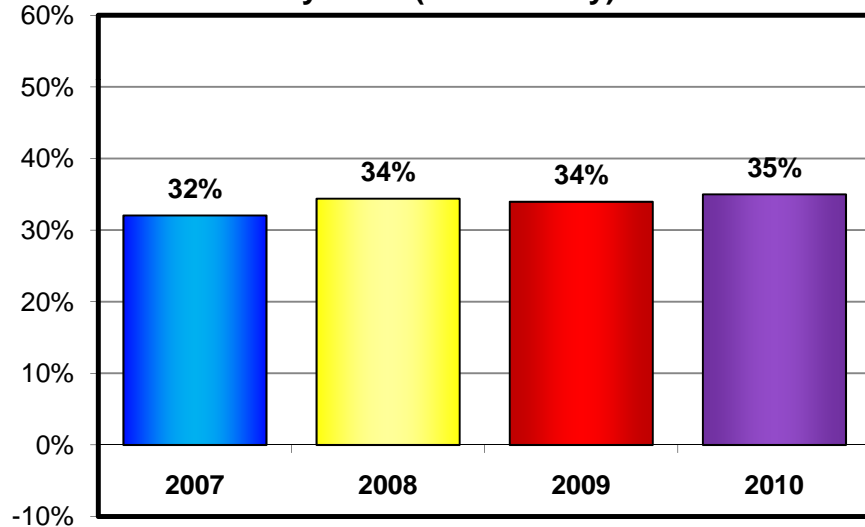
# SES Share Distribution by Rating, FY10



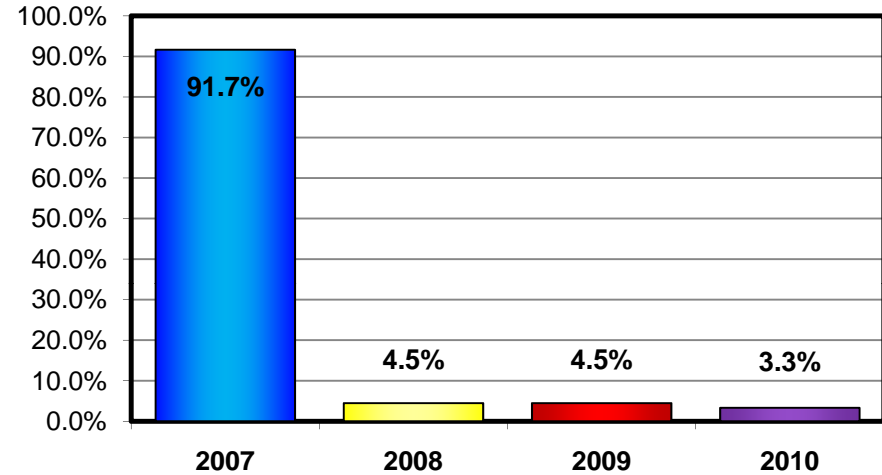


# SES Average Basic Pay After Adjustment Trends, FY07 – FY10

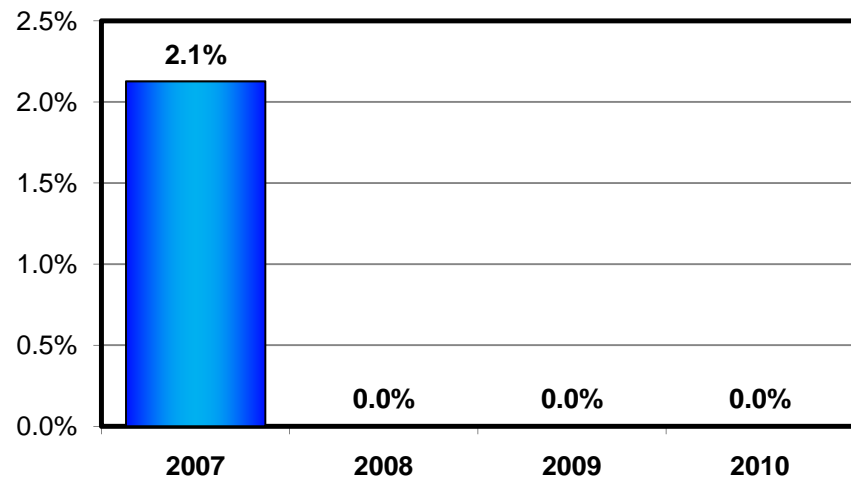
**SES Salaries Above Exec. Level III Pay Limit (Career Only)**



**Tier 1, Over Exec. III Pay Limit (Career Only)**



**Tier 2, Over Tier 2 Pay Limit (Career Only)**

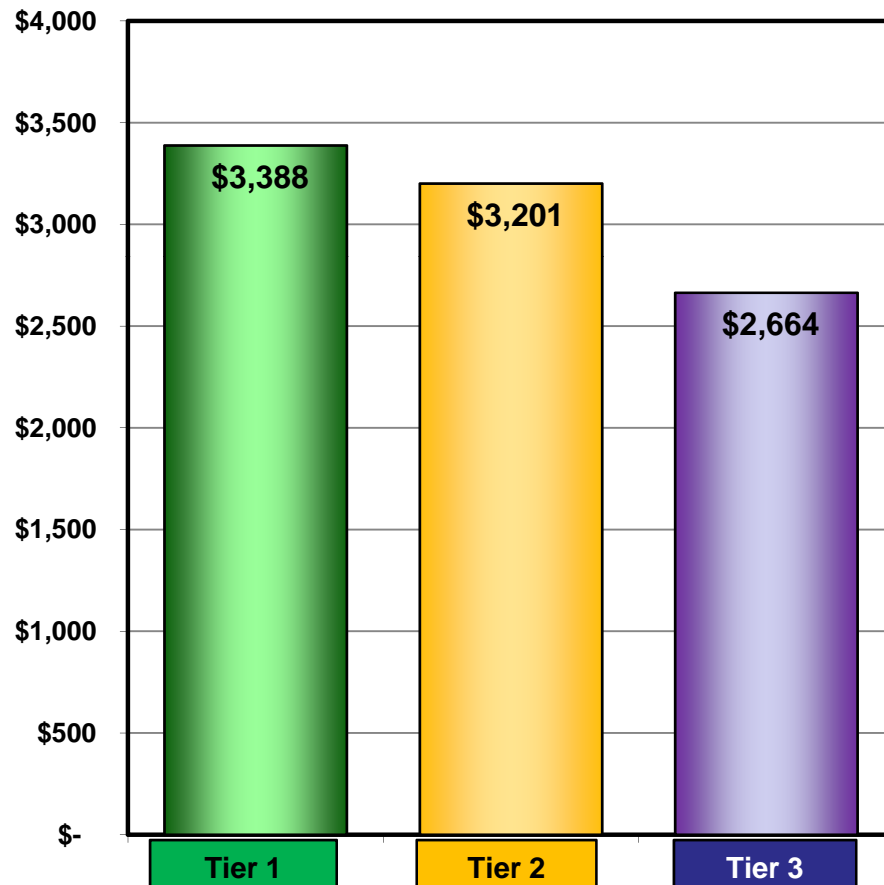


■ 2007 ■ 2008 ■ 2009 ■ 2010

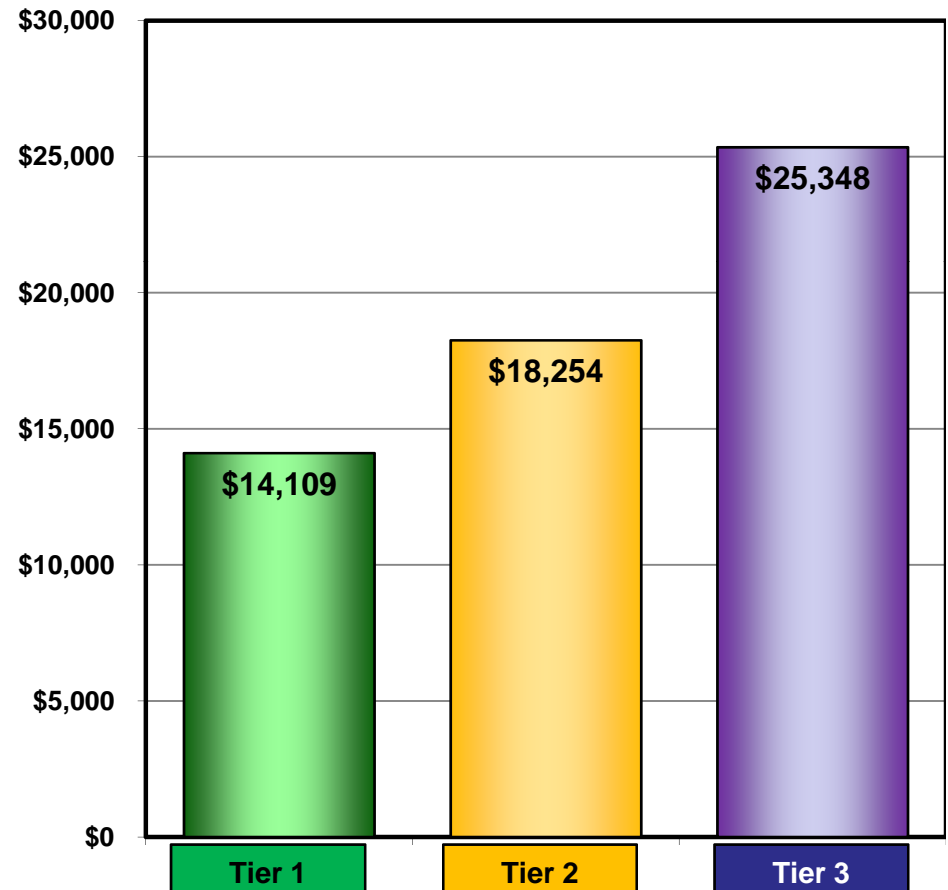


## SES Average Performance Pay Adjustment and Bonus By Tier, FY09

Avg. FY10 Performance Pay Adjustment by Tier Level



Avg. FY10 Performance Bonus by Tier Level







# SES Performance Payout Results at a Glance, FY07 – FY10

Results at a Glance (For Rated SES, unless otherwise noted):	FY07	FY08	FY09	FY10
<b>Total Number (#) of SES/DISES Leaders</b>	170	165	166	
<b>Total # Rated SES/DISES (career, non-career and limited term)</b>	156	157	159	
<b>Number of Executives Rated/Not Rated</b>	156 / 14	157 / 8	159 / 7	
<b>Performance Rating Levels</b>	Level 2 (0%) Level 3 (13%) Level 4 (61%) Level 5 (26%)	Level 2 (0%) Level 3 (5%) Level 4 (69%) Level 5 (25%)	Level 2 (0%) Level 3 (9%) Level 4 (75%) Level 5 (16%)	Level 2 (X%) Level 3 (X%) Level 4 (X%) Level 5 (X%)
<b>Total Salaries ALL SES</b>	\$23,307,134	\$25,364,670	\$26,316,522	
<b>Pay Pool Funding Factor (Pay Progression + PAEP + Performance Budget)</b>	12%	Tier 1 – 11% Tier 2 – 13% Tier 3 – 17% DISES – 13%	Tier 1 – 11% Tier 2 – 13% Tier 3 – 17% DISES – 13%	Tier 1 – X% Tier 2 – X% Tier 3 – X% DISES – X%
<b>Pay Pool Value (Pay Pool Funding Factor X Total Salaries of all covered executives)</b>	\$3,036,856	\$3,130,412	\$3,226,739	
<b>Unspent Pay Pool</b>	\$408,120	\$270,260	\$71,582	
<b>Unspent Pay Pool (as % of Total Salaries)</b>	1.6%	1.1%	0.3%	
<b>Total Performance (Basic) Pay Increase Payouts</b>	\$715,615	\$810,476	\$522,388	
<b>Avg. Performance (Basic) Pay Increase</b>	\$4,868	\$5,403	\$3,285	
<b>Average Salary (after Performance Adjustments) (“New Basic Pay”)</b>	\$156,105	\$158,637	\$162,036	
<b>Number of Executives Paid Above Executive Level III</b>	51	56	54	
<b>Total Performance Pay Increase Payouts (as % of Total Salaries)</b>	2.8%	3.2%	2.0%	
<b>Total Performance Bonus Payouts</b>	\$1,913,121	\$2,049,676	\$2,632,769	
<b>Avg. Bonus in dollars (\$)</b>	\$14,604	\$14,641	\$17,552	
<b>Total Performance Bonus (as % of Total Salaries)</b>	7.6%	8.1%	10.0%	
<b>Percent of Rated SES Members Receiving a Bonus</b>	84.0%	89.2%	94.3%	



# SL/ST Performance Payout Results at a Glance, FY07 – FY10

Results at a Glance (For Rated SL/ST, unless otherwise noted):	FY07	FY08	FY09	FY10
<b>Total Number (#) of SL/ST/DISES Leaders</b>	49	51	48	
<b>Total # Rated SL/ST/DISES (career, non-career and limited term)</b>	49	49	48	
<b>Number of Executives Rated / Not Rated</b>	49 / 0	49 / 2	48 / 0	
<b>Performance Rating Levels</b>	Level 2 (0%) Level 3 (31%) Level 4 (45%) Level 5 (25%)	Level 2 (0%) Level 3 (29%) Level 4 (57%) Level 5 (14%)	Level 2 (0%) Level 3 (27%) Level 4 (65%) Level 5 (8%)	
<b>Total Salaries ALL SL/ST</b>	\$6,606,211	\$7,936,024	\$7,685,323	
<b>Pay Pool Funding Factor (Pay Progression + PAEP + Performance Budget)</b>	12%	11%	11%	
<b>Pay Pool Value (Pay Pool Funding Factor X Total Salaries of all covered executives)</b>	\$792,745	\$872,963	\$845,386	
<b>Unspent Pay Pool</b>	\$122,589	\$148,761	\$49,675	
<b>Unspent Pay Pool (as % of Total Salaries)</b>	1.9%	1.9%	0.6%	
<b>Total Performance (Basic) Pay Increase Payouts</b>	\$200,632	\$226,525	\$137,081	
<b>Average Performance (Basic) Pay Increase</b>	\$4,180	\$4,623	\$2,856	
<b>Average Salary (after Performance Adjustments) ("New Basic Pay")</b>	\$138,917	\$143,012	\$162,967	
<b>Total Performance Pay Increase Payouts (as % of Total Salaries)</b>	3.0%	2.9%	1.8%	
<b>Total Performance Bonus Payouts</b>	\$469,524	\$497,677	\$658,630	
<b>Average Bonus in dollars (\$)</b>	\$9,582	\$11,574	\$13,721	
<b>Total Performance Bonus (as % of Total Salaries)</b>	7.1%	6.3%	8.6%	
<b>Percent of Rated SL/ST Members Receiving a Bonus</b>	100%	87.8%	100%	

# SAMPLE

## DoD MODEL RATINGS - Meaningful Distinctions

Attachment 5

ALL DoD AVG includes OSD noncareers

	<b># of execs</b>		<b>Avg Salary</b>	<b>Avg Shares</b>
Tier 3	172	Tier 3	\$ 162,980	11.8
Tier 2	499	Tier 2	\$ 154,318	9.5
Tier 1	726	Tier 1	\$ 149,344	8.1
<b>Total</b>	<b>1397</b>			

<b>MD 1</b>	<b>Rating 3</b>	<b>Rating 4</b>	<b>Rating 5</b>	<b>MD 2</b>	<b>Rating 3</b>	<b>Rating 4</b>	<b>Rating 5</b>
%				%			
# of exec	22	95	55	# of exec	43	83	46
True SV				True SV			
Highest Payout	\$44,852			Highest Payout	\$49,285		
Lowest Payout	\$2,803			Lowest Payout	\$3,080		

Exec	MD	Tier	Base	Shares	Share X salary	Share Value	Payout	Payout %
Exec 1	MD 1	3	\$ 162,980	16	2607680	1.72%	\$44,852	28%
Exec 2	MD 1	3	\$ 162,980	1	162980	1.72%	\$2,803	2%
Exec 1	MD 2	3	\$ 162,980	16	2607680	1.89%	\$49,285	30%
Exec 2	MD 2	3	\$ 162,980	1	162980	1.89%	\$3,080	2%

<b>Tier 2</b>	<b>Rating 3</b>	<b>Rating 4</b>	<b>Rating 5</b>	<b>MD 2</b>	<b>Rating 3</b>	<b>Rating 4</b>	<b>Rating 5</b>
%	13%	55%	32%	%	25%	48%	27%
# of exec	65	274	160	# of exec	125	239	135
True SV	1.27%			True SV	1.39%		
Highest Payout	\$31,357			Highest Payout	\$34,320		
Lowest Payout	\$1,960			Lowest Payout	\$2,145		

Name	PRB	Tier	Base	Shares	Share X salary	Share Value	Payout	Payout %
Exec 1	MD 1	2	\$ 154,318	16	2469088	1.27%	\$31,357	20%
Exec 2	MD 1	2	\$ 154,318	1	154318	1.27%	\$1,960	1%
Exec 1	MD 2	2	\$ 154,318	16	2469088	1.39%	\$34,320	22%
Exec 2	MD 2	2	\$ 154,318	1	154318	1.39%	\$2,145	1%

<b>Tier 1</b>	<b>Rating 3</b>	<b>Rating 4</b>	<b>Rating 5</b>	<b>MD 2</b>	<b>Rating 3</b>	<b>Rating 4</b>	<b>Rating 5</b>
%	13%	55%	32%	%	25%	48%	27%
# of exec	94	400	232	# of exec	181	349	196
True SV	1.06%			True SV	1.16%		
Highest Payout	\$25,329			Highest Payout	\$27,718		
Lowest Payout	\$1,583			Lowest Payout	\$1,732		

Name	PRB	Tier	Base	Shares	Share X salary	Share Value	Payout	Payout %
Exec 1	MD 1	1	\$ 149,344	16	2389504	1.06%	\$25,329	17%
Exec 2	MD 1	1	\$ 149,344	1	149344	1.06%	\$1,583	1%
Exec 1	MD 2	1	\$ 149,344	16	2389504	1.16%	\$27,718	19%
Exec 2	MD 2	1	\$ 149,344	1	149344	1.16%	\$1,732	1%

MD = Meaningful Distinction

SV = Share Value

**OPM's 2010 Federal Employee Viewpoint Survey  
Senior Executive Service and Senior Professional Survey Results**

**Background**

- In 2004 agencies began to receive certification on their Senior Executive Service (SES) Performance Management Systems
- In May 2006 the Senior Executives Association (SEA) provided an opportunity for career SES to complete a survey regarding their experiences with and views of the pay for performance system
- A subsequent hearing with the Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia – September 2006 – probed issues further
- In January 2008, OPM conducted a survey of all SES within the Federal Government to evaluate the new pay for performance system, and obtain information related to Executive Development
- This is the fifth time OPM has conducted the Federal Employee Viewpoint Survey (FedView), formerly the Federal Human Capital Survey. The survey was first conducted in 2002, and then again in 2004, 2006, 2008 and 2010. Survey questions address employees' experiences with their jobs and work environments. In 2010, more than 263,000 Federal employees responded to the survey, a response rate of 52 percent. Of the more than 263,000 Federal employees, approximately 6,300 Senior Executives and Senior Professionals across the Federal government responded.

**Highlights of Senior Executive Service and Senior Professional Responses  
Performance Results**

- **Executives Are Proud of their Federal Career:**
  - Satisfied to be part of the SES/SP corps (83% Federal vs. 80% DoD)
  - Work gives them a sense of accomplishment (89% Federal vs. 86% DoD)
  - Talents are well used (75% Federal vs. 77% DoD)
- **Executives Are Held Accountable for Performance Results**
  - Pay raises depend on how well executives perform their jobs (41% Federal vs. 45% DoD)
  - Held accountable for achieving results (91% Federal vs. 92% DoD)

- **Executives See a Mixed Picture in Effectiveness of Pay for Performance**
  - Discussions with their supervisors about performance are worthwhile (70% Federal vs. 69% DoD)
  - Performance appraisal are a fair reflection of performance (66% Federal vs. 64% DoD)
  - Satisfied with recognition received for doing a good job (66% Federal vs. 64% DoD)
  - Agencies deal effectively with executives who perform poorly (60% Federal vs. 60% DoD)
  - Differences in performance are recognized in a meaningful way (64% Federal vs. 62% DoD)
  - Satisfied with their pay (77% Federal vs. 71% DoD)

Note: This number is higher than results on a comparable question in the 2008 Senior Executive Survey Results (61% Federal vs. 48% DoD)

  - Work relates to the agency's goals and priority (93% Federal vs. 93% DoD)
  - Awards depend on how well employees perform their jobs (69% Federal vs. 70% DoD)
- **Bottom Line – Pay For Performance (P4P)**
  - **Continue to refine implementation processes of DoD P4P management system**
    - Develop performance plans on time and provide feedback to executives, conduct meaningful in-progress reviews
    - Link performance results and performance rating to both individual and organizational performance – Legal and OPM Certification Criteria
    - Include customer and employee perspective in achieving results and use as a basis for performance rating – OPM Certification Criteria
    - Train ALL executives annually (see training modules at the following link: [http://www.cpms.osd.mil/sespm/executive\\_development.aspx](http://www.cpms.osd.mil/sespm/executive_development.aspx); hold executives and supervisor accountable for training)
  - **Improve Communication to Executives – Value Transparency**
    - Communicate individual and organizational expectations, share aggregate results of annual performance appraisal process (ratings, payouts, etc), share methodology for calculating pay increases and bonuses, know the system
  - **Lead the Journey to a Pay for Performance Culture**
    - Leverage SES performance management systems as tools to drive higher levels of organizational and individual performance

### **Highlights of Senior Executive Service and Senior Professional Responses Executive Development**

- **Survey responses confirm commonly held perception that once an individual becomes an SES member, further development may be neglected**
  - Training needs are assessed (56% Federal vs. 59%DoD )
  - Satisfied with the training received for their present job (67% Federal vs. 66% DoD)
  
- **Executives have varied backgrounds and succession management is an important issue.**
  - Executives working in the Federal Government for at least 20 years (57%Federal vs. 58% DoD)
  - Executives working been working with their current agency more than 20 years (46% Federal vs. 46% DoD)
  - Executives wanting to stay with their organization within the next year (75% Federal vs. 70% DoD)
  - Executives planning to retire within the next five years (44% Federal vs. 43% DoD)
  
- **Bottom Line – Executive Development**
  - Ensure institutionalization of the 21st Century SES Initiative (DoD Directive 1403.03, “The Career Lifecycle Management of the SES Leaders in DoD”)
    - Moves from Ad hoc lifecycle management to deliberate and systematic management
    - Requires SES culture of continuous learning
      - In consultation with supervisors and mentors, SES to be guided through a structured series of developmental and educational experiences including reassignments to more challenging positions
    - Values a diverse portfolio of experience and Joint experience/knowledge
    - Requires talent management and succession planning to sustain continuity of executive leadership
  
  - **Lead the Journey**
    - It is an executive’s responsibility to develop talent – identify and develop the future bench for SES positions