

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



Report on Senior Executive Pay and Performance Appraisal Systems for Fiscal Year 2010

November 2011

A New Day for the Civil Service

Executive Summary

Members of the Senior Executive Service (SES) serve the United States across the world, and play a critical leadership role in managing a wide range of Federal responsibilities with exceptionally-high stakes. Excellence in their leadership warrants recognition and commendation; therefore, the SES pay system was developed as a performance-based system, in which each executive member's compensation depends upon salary adjustments and awards determined by performance. In these tough and constrained economic times, however, all Federal employees – including SES members – have been asked to share the burden of fiscal belt-tightening. Consequently, the Administration froze Federal employee pay, and limited the amounts agencies can spend on performance awards for SES and for other employees in Fiscal Years (FY) 2011 and 2012. Additionally, the Administration froze awards for politically-appointed SES members, beginning in August, 2010. At the same time, these actions reminded agency leaders to manage these awards in a manner that is cost-effective for agencies and that successfully motivates strong employee performance.

As is evident in this report, even though the award limitation policy did not go into effect until the beginning of FY 2011, many agency leaders began implementing the intent of these policies in FY 2010 while continuing to recognize the hard work of their senior leadership.

All of the agencies in this report have SES appraisal systems certified by the Office of Personnel Management (OPM), with concurrence from the Office of Management and Budget (OMB). Pursuant to section 147 of the Continuing Appropriations Act, 2011 (Public Law 111-242, September 30, 2010), as added by the Continuing Appropriations Amendments, 2011 (Public Law 111-322, December 22, 2010), the 2011 pay rates for the civilian employee pay schedules are not adjusted and remain at 2010 levels. As a result, the data show that most agencies gave no pay adjustments to their SES members for FY 2010, and only a few agencies provided pay adjustments because their normal appraisal and pay adjustment cycle occurred before the pay freeze became effective. This report on SES pay and performance appraisal ratings for FY 2010 also indicates that Federal agency appraisal systems make meaningful distinctions in performance and pay.

Key findings and indications in this report include the following:

- In FY 2010, the Governmentwide average FY 2010 SES performance award amount decreased by almost 12% from FY 2009, and the number of career executives receiving a performance award decreased by 3.8 percentage points. As a result of reduced budgets and fiscal challenges, agencies have become more selective in determining the number and amount of SES performance awards they grant.
- In FY 2010, the total percentage of Governmentwide SES members rated at the highest level decreased by 2.6 percentage points from the previous fiscal year. As part of the SES appraisal system certification process, agencies are required to make distinctions in performance and to ensure their top performers receive the highest rating level. The trend data for the past several years demonstrates agencies have more rigorously appraised executive performance and have made better distinctions in executive performance.

- The average salary for SES members did not change in FY 2010. Pay adjustments were not available for SES members in FY 2010 because the pay provisions of Public Law 111-242 required FY 2011 pay rates for the civilian employee pay schedules to remain at FY 2010 levels. Consequently, agencies were only able to rely on the issuance of SES performance awards to recognize their top-performing executives and to make meaningful distinctions in compensation based upon performance.
- Between FY 2008 and FY 2010 the Pearson correlation coefficient metric – which OPM uses as an indicator of the strength of the relationship between an agency’s executive performance compensation (i.e., pay adjustments and performance awards) and the agency’s executive performance ratings – shows that most agencies have a strong, positive correlation between executive ratings and performance compensation. This alignment between performance and pay reflects agencies’ successes in basing performance award distribution and amounts on executive performance.

This report reflects the impact of the current economic challenges on SES members and the executive performance-oriented pay system.

**Report on Senior Executive Service
Pay and Performance Appraisal Systems for
Fiscal Year 2010**

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This report on Senior Executive Service (SES) pay and performance appraisal ratings for fiscal year (FY) 2010 indicates that Federal agency appraisal systems enable rating officials and Performance Review Boards to make meaningful distinctions in performance and pay. All of the agencies in this report have appraisal systems certified by the Office of Personnel Management (OPM), with concurrence from the Office of Management and Budget (OMB). Pursuant to section 147 of the Continuing Appropriations Act, 2011 (Public Law 111-242, September 30, 2010), as added by the Continuing Appropriations Amendments, 2011 (Public Law 111-322, December 22, 2010), the 2011 pay rates for the civilian employee pay schedules are not adjusted and remain at 2010 levels. As a result, the data show that most agencies gave no pay adjustments to their SES members for FY 2010, except for only a few small agencies, because their normal appraisal and pay adjustment cycle occurred before the pay freeze became effective. The statute does not affect an agency head's ability to grant performance awards.

The following are summary notes of FY 2010 executive ratings and pay:

- Agencies submitted rating and pay data for 7,919 SES members (including Office of Inspector General (OIG) SES). Agencies rated ninety-five percent of SES members, with forty-seven percent rated at the highest level.
- Data for OIG SES members are included in "All OTHERS" and "GOVERNMENTWIDE" categories in Tables 1 through 5 of this report. The fiscal year 2010 report is the first year OPM has included OIG SES data in the tables.
- Career members were ninety percent of the total SES population. Agencies rated ninety-six percent of their career SES members, with forty-seven percent rated at the highest level.
- Table 1 is a summary of the number and percent of career SES members who received a performance rating at the highest available performance level. The decrease in percentage of executives rated at the highest level from the previous year was less than two and one tenth percent.
- Table 2 includes all SES members whereas Table 1 displays performance rating data for career SES members only. The percent of all SES members rated at the highest level decreased by two and six tenths percent from 2009.
- Table 3 summarizes career SES member pay distribution by performance rating level. The data indicate that many career SES members covered by performance appraisal systems consisting of five levels (H Pattern), and who were rated Fully Successful and therefore eligible for a performance award, did not receive one. However, agencies with four-level performance appraisal systems (F Pattern) more often awarded their Fully Successful performers with performance awards. Pay adjustments were not a factor for the FY 2010 rating period.

- Table 4 shows the average salary and average salary adjustment for all SES members. Salary adjustments were not a factor in pay for SES members in FY 2010 because of the pay provisions of Public Law 111-242.
- Table 5 summarizes the percent of career executives who received performance awards and the average award amount given. Governmentwide, the average performance award decreased by twelve percent from 2009, and the number of members receiving a performance award decreased by three and eight tenths percent.
- Table 6 lists the Pearson correlation coefficient metric by agency from 2008 to 2010. OPM uses the metric as an indicator of the strength of the relationship between an agency's executive performance compensation (that is, pay adjustments and performance awards) and its executive performance ratings. (The Table 6 notation provides a more in-depth description of the metric and its meaning.) Table 6 shows that most agencies have a strong, positive correlation between executive ratings and performance compensation.
- Appendix I provides a complete background of the SES appraisal system certification process and the criteria for system certification.
- Appendix II is a list of the certified SES appraisal systems and their status.
- Appendix III is a list of Federal agency acronyms and titles used in this report.

TABLE 1

**Career SES Performance Ratings
FY 2007- FY 2010**

AGENCY	FY 2007		FY 2008		FY 2009		FY 2010*		Percent Change FY 2009-FY 2010
	Career SES Rated	Percent at Highest Level	Career SES Rated	Percent at Highest Level	Career SES Rated	Percent at Highest Level	Career SES Rated	Percent at Highest Level	
AGRICULTURE	307	40.4%	280	43.9%	304	48.4%	300	36.7%	-11.7%
AID	19	57.9%	16	62.5%	21	85.7%	21	61.9%	-23.8%
COMMERCE	249	53.4%	254	53.2%	273	55.7%	260	45.8%	-9.9%
DEFENSE	1,084	31.0%	1,136	27.7%	1,168	28.5%	1,219	31.1%	2.6%
EDUCATION	64	53.1%	68	45.6%	65	58.5%	53	62.3%	3.8%
ENERGY	368	37.2%	383	40.5%	402	38.1%	368	41.3%	3.2%
EPA	266	35.0%	253	41.9%	255	40.8%	245	33.9%	-6.9%
GSA	68	48.5%	76	43.4%	78	44.9%	76	34.2%	-10.7%
HHS	355	63.7%	354	72.6%	357	68.9%	371	65.8%	-3.1%
DHS	300	52.3%	361	49.0%	413	51.8%	399	56.6%	4.8%
HUD	76	57.9%	72	56.9%	78	48.7%	78	21.8%	-26.9%
INTERIOR	213	22.5%	217	31.0%	221	35.8%	212	44.8%	9.1%
JUSTICE	601	66.9%	634	67.0%	657	68.7%	655	72.1%	3.5%
LABOR	144	38.2%	151	47.0%	150	49.3%	142	48.6%	-0.7%
NASA	415	59.0%	430	59.5%	424	65.8%	420	60.7%	-5.1%
NSF	77	66.2%	71	73.2%	76	81.6%	72	58.3%	-23.3%
NRC	144	29.2%	143	31.5%	158	29.8%	154	31.2%	1.5%
OMB	47	10.6%	55	10.9%	51	33.3%	55	23.6%	-9.7%
OPM	43	23.3%	40	32.5%	43	30.2%	38	26.3%	-3.9%
SBA	31	41.9%	35	42.9%	38	44.7%	36	50.0%	5.3%
SSA	127	63.8%	126	69.0%	129	71.3%	133	71.4%	0.1%
STATE	113	69.0%	119	57.1%	121	60.3%	122	57.4%	-2.9%
TRANSPORTATION	176	40.9%	179	40.8%	170	38.8%	163	46.6%	7.8%
TREASURY	374	43.8%	386	49.2%	390	44.4%	392	41.3%	-3.1%
VA	277	58.1%	278	55.8%	277	40.1%	290	40.0%	-0.1%
ALL OTHERS*	370	49.2%	371	58.0%	347	60.8%	584	66.4%	5.6%
GOVERNMENTWIDE*	6,308	47.0%	6,488	48.1%	6,666	48.7%	6,858	46.6%	-2.1%

* 2010 All Others and Governmentwide Include OIG Career SES

TABLE 2
Ratings for Career, Non-Career and Limited Term SES Members
FY 2007 - FY 2010

AGENCY	FY 2007		FY 2008		FY 2009		FY 2010*		Percent Change FY 2009-FY 2010
	SES Rated	Percent at Highest Level	SES Rated	Percent at Highest Level	SES Rated	Percent at Highest Level	SES Rated	Percent at Highest Level	
AGRICULTURE	353	46.5%	323	51.4%	338	47.6%	343	39.1%	-8.5%
AID	19	57.9%	17	64.7%	21	85.7%	22	63.6%	-22.1%
COMMERCE	290	54.1%	295	53.9%	295	57.9%	303	49.8%	-8.1%
DEFENSE	1,199	32.1%	1,233	27.9%	1,225	29.3%	1,303	31.9%	2.6%
EDUCATION	76	51.3%	78	43.6%	70	60.0%	63	63.5%	3.5%
ENERGY	405	37.5%	414	41.7%	416	39.2%	387	42.9%	3.7%
EPA	288	39.2%	276	45.7%	264	42.4%	276	30.1%	-12.3%
GSA	85	47.1%	93	44.1%	80	45.0%	83	35.0%	-10.0%
HHS	405	66.1%	401	73.1%	401	72.3%	440	68.2%	-4.1%
DHS	368	55.4%	427	52.0%	463	52.7%	460	57.6%	4.9%
HUD	91	62.6%	87	62.1%	86	48.8%	96	22.9%	-25.9%
INTERIOR	244	21.7%	244	33.2%	242	40.9%	243	51.4%	10.5%
JUSTICE	647	69.1%	676	68.7%	704	70.5%	708	73.3%	2.9%
LABOR	168	43.4%	178	54.5%	152	50.0%	142	48.6%	-1.4%
NASA	427	59.0%	439	60.1%	431	65.9%	431	61.0%	-4.9%
NSF	86	68.6%	79	73.4%	83	80.7%	80	55.0%	-25.7%
NRC	144	29.2%	144	31.9%	158	29.8%	154	31.2%	1.5%
OMB	57	8.7%	55	10.9%	51	33.3%	55	23.6%	-9.7%
OPM	49	20.4%	45	33.3%	48	33.3%	46	32.6%	-0.7%
SBA	42	45.2%	44	52.3%	47	48.9%	47	40.4%	-8.5%
SSA	134	63.4%	132	68.4%	135	71.1%	142	71.8%	0.7%
STATE	147	70.7%	152	56.6%	128	60.9%	151	58.3%	-2.6%
TRANSPORTATION	205	43.9%	208	46.2%	178	41.6%	189	52.4%	10.8%
TREASURY	400	44.5%	409	50.9%	411	44.8%	417	43.4%	-1.4%
VA	286	59.4%	286	56.3%	285	39.7%	301	38.5%	-1.2%
ALL OTHERS*	401	50.4%	397	60.5%	375	61.6%	626	67.5%	5.9%
GOVERNMENTWIDE*	7,016	48.2%	7,132	50.0%	7087	49.9%	7,508	47.3%	-2.6%

* 2010 All Others and Governmentwide Include OIG SES

**TABLE 3
Career SES Pay Distribution by Rating Level
FY 2010**

(Rating Patterns Pursuant to 5 CFR 430.208(d))

AGENCY RATING LEVEL	SES Rated	Percent Rated at Level	Average Salary Before Adjustment	Average Performance Award	Average Salary Adjustment	Average Performance Award as a Percent of Salary Before Adjustment	Average Salary Adjustment as a Percent of Salary Before Adjustment	Average Salary Adjustment + Average Performance Award as a Percent of Salary Before Adjustment	Average Performance Award as a Percent of Average Salary + Average Salary Adjustment + Average Performance Award
H Pattern									
Rating Levels	6,097								
Outstanding or Equivalent	2,918	47.9%	\$170,073	\$13,391	n/a	7.9%	n/a	7.9%	7.3%
Exceeds Expectations (4)	2,611	42.8%	\$165,846	\$8,313	n/a	5.0%	n/a	5.0%	4.8%
Fully Successful (3)	548	9.0%	\$163,290	\$1,644	n/a	1.0%	n/a	1.0%	1.0%
Minimally Successful (2)	18	0.3%	\$167,468	\$0	n/a	0.0%	n/a	0.0%	0.0%
Unacceptable (1)	2	0.03%	\$152,540	\$0	n/a	0.0%	n/a	0.0%	0.0%
F Pattern									
Rating Levels	761								
Outstanding or Equivalent	413	54.3%	\$172,703	\$14,074	n/a	8.2%	n/a	8.0%	7.5%
Fully Successful (3)	343	45.1%	\$167,752	\$6,357	n/a	3.8%	n/a	3.8%	3.7%
Minimally Successful (2)	3	0.4%	\$161,143	\$0	n/a	0.0%	n/a	0.0%	0.0%
Unacceptable (1)	2	0.3%	\$152,393	\$0	n/a	0.0%	n/a	0.0%	0.0%

TABLE 4
Salaries for Career, Non-Career and Limited-Term SES Members
FY 2009 - FY 2010

AGENCY	FY 2009				FY 2010*			
	Average Rate of Basic Pay Before Salary Adjustment	Average Rate of Basic Pay After Salary Adjustment	Average Salary Adjustment	Average Salary Adjustment as Percent of Basic Pay Before Adjustment	Average Rate of Basic Pay Before Salary Adjustment	Average Rate of Basic Pay After Salary Adjustment	Average Salary Adjustment	Average Salary Adjustment as Percent of Basic Pay Before Adjustment
AGRICULTURE	\$163,398	\$168,191	\$4,792	2.9%	\$165,869	\$165,869	\$0	0.0%
AID	\$161,877	\$167,763	\$5,886	3.6%	\$167,267	\$167,267	\$0	0.0%
COMMERCE	\$160,097	\$165,698	\$5,601	3.5%	\$164,601	\$164,601	\$0	0.0%
DEFENSE	\$161,973	\$166,223	\$4,239	2.6%	\$165,987	\$165,987	\$0	0.0%
EDUCATION	\$170,009	\$172,275	\$2,266	1.3%	\$172,031	\$172,031	\$0	0.0%
ENERGY	\$164,520	\$169,432	\$4,912	3.0%	\$168,775	\$168,775	\$0	0.0%
EPA	\$168,374	\$172,379	\$3,879	2.3%	\$170,486	\$170,486	\$0	0.0%
GSA	\$158,717	\$163,062	\$4,345	2.7%	\$163,036	\$163,036	\$0	0.0%
HHS	\$165,457	\$170,614	\$5,157	3.1%	\$169,782	\$169,782	\$0	0.0%
DHS	\$160,318	\$166,357	\$6,054	3.8%	\$166,037	\$166,037	\$0	0.0%
HUD	\$165,608	\$172,429	\$6,829	4.1%	\$172,061	\$172,061	\$0	0.0%
INTERIOR	\$161,925	\$165,727	\$3,922	2.4%	\$164,108	\$164,108	\$0	0.0%
JUSTICE	\$165,215	\$169,797	\$4,582	2.8%	\$168,712	\$168,712	\$0	0.0%
LABOR	\$166,941	\$168,944	\$2,004	1.2%	\$168,490	\$168,490	\$0	0.0%
NASA	\$160,697	\$164,633	\$3,936	2.4%	\$164,965	\$164,965	\$0	0.0%
NSF	\$169,970	\$173,167	\$3,202	1.9%	\$172,768	\$172,768	\$0	0.0%
NRC	\$161,215	\$166,213	\$4,998	3.1%	\$165,890	\$165,890	\$0	0.0%
OMB	\$164,631	\$169,710	\$5,079	3.1%	\$164,341	\$164,341	\$0	0.0%
OPM	\$163,443	\$167,326	\$3,883	2.4%	\$165,451	\$165,451	\$0	0.0%
SBA	\$166,060	\$169,897	\$3,837	2.3%	\$170,015	\$170,015	\$0	0.0%
SSA	\$161,819	\$165,600	\$3,781	2.3%	\$166,359	\$166,359	\$0	0.0%
STATE	\$167,736	\$172,401	\$4,464	2.7%	\$170,016	\$170,016	\$0	0.0%
TRANSPORTATION	\$158,345	\$162,470	\$4,387	2.8%	\$158,474	\$158,474	\$0	0.0%
TREASURY	\$162,417	\$168,051	\$5,633	3.5%	\$167,276	\$167,276	\$0	0.0%
VA	\$162,082	\$165,948	\$3,866	2.4%	\$165,363	\$165,363	\$0	0.0%
ALL OTHERS*	\$165,648	\$169,317	\$3,669	2.2%	\$168,200	\$168,200	n/a	n/a
GOVERNMENTWIDE*	\$163,210	\$167,739	\$4,529	2.8%	\$167,049	\$167,049	n/a	n/a

TABLE 5
Career SES Performance Awards
FY 2007 - FY 2010

AGENCY	FY 2007		FY 2008		FY 2009		FY 2010*		Change in Percent Receiving Awards FY 2009 - FY 2010
	Average Award	Percent of SES Receiving Awards	Average Award	Percent of SES Receiving Awards	Average Award	Percent of SES Receiving Awards	Average Award	Percent of SES Receiving Awards	
AGRICULTURE	\$13,745	87.3%	\$15,093	90.4%	\$11,967	95.11%	\$8,823	86.8%	-8.3%
AID	\$11,300	23.8%	\$11,500	29.4%	\$11,750	47.62%	\$11,154	59.1%	11.5%
COMMERCE	\$12,267	84.5%	\$13,197	84.8%	\$11,603	87.81%	\$13,922	88.7%	0.9%
DEFENSE	\$13,939	88.4%	\$14,537	93.0%	\$16,686	93.26%	\$12,446	85.5%	-7.8%
EDUCATION	\$15,846	80.6%	\$17,911	73.5%	\$17,955	83.08%	\$17,840	81.2%	-1.9%
ENERGY	\$14,116	79.3%	\$15,617	89.3%	\$15,502	87.65%	\$10,301	72.7%	-15.0%
EPA	\$11,477	68.0%	\$11,992	73.5%	\$12,370	70.59%	\$12,552	75.5%	4.9%
GSA	\$14,101	82.7%	\$13,850	93.7%	\$14,558	96.15%	\$11,888	85.2%	-11.0%
HHS	\$13,629	88.6%	\$15,000	86.0%	\$14,831	93.56%	\$14,032	91.6%	-2.0%
DHS	\$13,450	74.1%	\$14,873	79.5%	\$13,725	86.89%	\$12,037	81.0%	-5.9%
HUD	\$13,036	93.7%	\$14,472	98.6%	\$11,621	97.4%	\$9,309	57.3%	-40.1%
INTERIOR	\$13,119	65.3%	\$12,792	73.1%	\$11,847	73.6%	\$10,218	77.1%	3.5%
JUSTICE	\$16,648	53.5%	\$15,610	58.5%	\$16,844	60.2%	\$16,351	58.0%	-2.2%
LABOR	\$14,258	96.5%	\$14,829	92.1%	\$14,614	95.3%	\$12,557	81.7%	-13.6%
NASA	\$16,611	55.6%	\$17,271	51.7%	\$15,764	57.8%	\$13,416	56.0%	-1.8%
NSF	\$20,419	68.4%	\$19,853	79.0%	\$16,851	82.3%	\$14,990	86.7%	4.4%
NRC	\$17,917	86.9%	\$17,772	80.9%	\$16,828	95.0%	\$16,947	93.0%	-2.0%
OMB	\$11,375	48.0%	\$11,423	47.3%	\$11,026	52.9%	\$11,067	54.5%	1.6%
OPM	\$14,765	95.4%	\$16,106	97.6%	\$12,029	86.1%	\$9,542	74.4%	-11.7%
SBA	\$9,477	83.9%	\$9,734	80.0%	\$13,622	74.4%	\$12,903	86.1%	11.7%
SSA	\$15,175	57.3%	\$15,522	56.6%	\$13,792	65.4%	\$0	0.0%	-65.4%
STATE	\$11,034	46.8%	\$11,000	46.5%	\$10,984	47.3%	\$11,129	44.6%	-2.7%
TRANSPORTATION	\$9,628	76.0%	\$9,855	78.6%	\$9,573	78.9%	\$10,139	79.8%	0.9%
TREASURY	\$16,074	70.0%	\$16,764	70.2%	\$17,471	73.2%	\$15,446	74.6%	1.4%
VA	\$17,736	74.0%	\$17,257	73.2%	\$15,060	72.8%	\$14,790	76.7%	3.9%
ALL OTHERS*	\$11,910	66.9%	\$12,911	63.3%	\$12,899	49.6%	\$14,511	73.6%	24.0%
GOVERNMENTWIDE*	\$14,221	74.5%	\$14,815	76.5%	\$14,802	78.5%	\$13,081	74.7%	-3.8%

*2010 ALL OTHERS and GOVERNMENTWIDE include OIG SES

TABLE 6
Correlation of SES
Ratings and Performance Pay
FY 2008 - FY 2010

AGENCY	FY 2008	FY 2009	FY 2010
Agriculture	0.535	0.372	0.790
AID	0.651	0.395	0.747
Commerce	0.799	0.607	0.692
Defense	0.743	0.773	0.772
Education	0.782	0.741	0.797
Energy	0.781	0.658	0.487
EPA	0.711	0.697	0.745
GSA	0.686	0.646	0.715
HHS	0.702	0.671	0.757
DHS	0.628	0.553	0.691
HUD	0.486	0.447	0.929
Interior	0.688	0.662	0.783
Justice	0.539	0.491	0.536
Labor	0.695	0.703	0.839
NASA	0.607	0.597	0.594
NSF	0.687	0.703	0.796
NRC	0.637	0.505	0.547
OMB	0.697	0.679	0.464
OPM	0.527	0.936	0.518
SBA	0.483	0.889	0.966
SSA*	0.613	0.635	N/A
State	0.847	0.705	0.859
Transportation	0.672	0.628	0.572
Treasury	0.627	0.619	0.701
VA	0.668	0.609	0.747

*Because the agency gave no pay adjustments or performance awards, no differentiation in pay was made and the metric cannot be applied.

The **Pearson correlation coefficient (r)** is a measure of strength of relationship.

OPM uses the Pearson r metric to analyze the strength of the relationship between executives' pay adjustments and performance awards and their ratings.

- A high positive relationship between ratings and pay based on those ratings will approach (+1). This positive relationship indicates the executives' summary ratings are the primary bases for determining their pay adjustments and performance awards, with high ratings resulting in higher total pay.
- If the relationship is random, the Pearson r will approach zero, indicating there is no relationship between executive ratings and pay adjustments and performance awards.
- If the coefficient is negative, it indicates an inverse relationship (that is, if the high ratings lead to low pay adjustments and performance awards, the metric will approach negative one (-1)).

In calculating the correlation, OPM used the data submitted by agencies during the annual data call. OPM included only the data for career executives and did not include awards that were not based on a final summary rating (such as Rank awards or Special Act awards). OPM selected (.5) as the desirable threshold for the correlation coefficient because statistically this represents a strong association between pay adjustments and performance awards with executive ratings. OPM recognizes there are other legitimate influences on pay determinations and therefore it is unrealistic to expect agencies to achieve a perfect positive correlation (+1).

Appendix I

Background

In 2004, the Federal Government implemented pay-for-performance for its senior executives. Congress also provided for the certification of their appraisal system for its Senior Executive Service (SES) members. This certification was established in law and is regulated jointly by the U.S. Office of Personnel Management (OPM) and the Office of Management and Budget (OMB). For agencies to be able to pay their executives above the rate for Executive Level III, up to the rate for Executive Level II, and up to the higher aggregate pay limit, agencies first must have their performance appraisal systems certified by OPM, with concurrence by OMB. In order to achieve certification, agency systems must meet the following criteria:

- **Accountability.** SES appraisal systems require, and member performance plans contain, a critical element that holds executives accountable for the performance management of their subordinates and alignment of subordinate performance plans.
- **Alignment.** SES appraisal systems require that SES member performance plans clearly link with and support organizational goals established in strategic plans, annual performance plans, or other organizational planning or budget documents.
- **Measurable Results.** SES appraisal systems require, and member performance plans hold members accountable for, achieving measurable results, crediting measurable results as at least 60 percent of the summary rating.
- **Balance.** SES appraisal systems require, and member performance plans provide for, balance, so that in addition to measuring expected results, the performance plans include appropriate measures or indicators of the uses of employee and customer/stakeholder feedback.
- **Consultation.** SES appraisal systems require, and member performance plans indicate, executives are involved in the development of their performance plans.
- **Organizational Assessment and Guidelines.** Appropriate organizational performance assessments are made, results are communicated to members, rating officials and Performance Review Boards (PRB), and guidelines are provided by the head of the agency or designee on incorporating organizational performance into the appraisal, pay, and awards process.
- **Oversight.** The head of the agency or designee has oversight of the resulting appraisals, pay adjustments, and awards, ensures the system operates effectively and efficiently, and ensures appraisals, pay adjustments, and awards are based on performance.
- **Training.** The agency has trained its executives on the design and implementation, and communicated the results, of its pay-for-performance system. This includes informing executives of the ratings distributions and average pay adjustments and awards granted.
- **Performance Differentiation.** The appraisal system includes a summary level that reflects Outstanding (or equivalent) performance to appraise and rate performance, performance requirements are established that describe and allow for differentiating levels of performance, the rating distribution indicates meaningful performance differentiations are made, and the rating distribution appropriately reflects organizational performance.
- **Pay Distinctions.** The agency grants pay adjustments and awards based on performance; demonstrates it grants higher pay adjustments and awards to top performing executives over other executives; and pay and awards decisions meet regulatory requirements.

Appendix II

List of Certified SES Performance Appraisal Systems

As of August 9, 2011

Certified Senior Executive Service (SES) Systems, excluding Offices of Inspector General (OIG)

Note: 24 of 46 (52%) certified SES systems have full certification

Agency	Effective Date	Expiration Date
Advisory Council for Historic Preservation	10/1/2010	9/30/2011
Broadcasting Board of Governors	1/1/2011	12/31/2012
Consumer Product Safety Commission	5/26/2011	5/25/2013
Court Services and Offender Supervision Agency	12/10/2010	12/9/2012
Department of Agriculture	10/29/2011	10/28/2013
Department of Commerce	1/1/2011	12/31/2011
Department of Defense	1/1/2011	12/31/2012
Department of Education	1/1/2011	12/31/2011
Department of Energy	9/28/2010	9/27/2011
Department of Health and Human Services	7/1/2010	6/30/2011
Department of Homeland Security	11/20/2010	11/19/2011
Department of Housing and Urban Development	10/1/2009	9/30/2011
Department of the Interior	8/2/2010	8/1/2011
Department of Justice	10/1/2010	9/30/2011
Department of Labor	7/30/2010	7/29/2011
Department of State	10/1/2010	9/30/2012
Department of Transportation	5/16/2011	5/15/2012
Department of the Treasury	1/1/2011	12/31/2012
Department of Veterans Affairs	7/22/2010	7/21/2012
Environmental Protection Agency	10/1/2009	9/30/2011
Equal Employment Opportunity Comm.	10/7/2010	10/6/2011

Federal Communications Commission	3/18/2011	3/17/2012
Federal Energy Regulatory Commission	1/1/2011	12/31/2012
Federal Trade Commission	8/15/2010	8/14/2012
General Services Administration	4/21/2011	4/20/2012
Merit System Protection Board	9/10/2011	9/11/2013
National Aeronautics and Space Administration	1/1/2011	12/31/2012
National Capital Planning Commission	10/1/2010	9/30/2012
National Endowment of the Arts	8/9/2010	8/8/2012
National Labor Relations Board	10/1/2010	9/30/2012
National Science Foundation	9/10/2009	9/9/2011
National Transportation Safety Board	7/31/2009	9/30/2011
Nuclear Regulatory Commission	9/10/2010	9/9/2012
Office of Government Ethics	1/1/2011	12/31/2011
Office of Management and Budget	10/1/2010	9/30/2011
Office of National Drug Control Policy	10/4/2010	10/3/2011
Patent and Trademark Office/Department of Commerce	1/14/2011	1/13/2012
Railroad Retirement Board	1/1/2011	12/31/2012
Small Business Administration	10/22/2010	10/21/2012
Social Security Administration	1/1/2011	12/31/2012
Surface Transportation Board	12/22/2010	12/21/2012
U.S. Agency for International Development	6/7/2011	6/6/2012
U.S. Chemical Safety Board	9/8/2010	9/7/2012
U.S. International Trade Commission	1/22/2010	1/15/2011
U.S. Office of Personnel Management	8/22/2010	8/21/2012
U.S. Trade Representatives	7/6/2010	7/5/2011

Appendix III

Guide to Agency Acronyms or Titles Used in this Report

AGENCY	Name of Agency
Agriculture	Department of Agriculture
AID	U.S. Agency for International Development
Commerce	Department of Commerce
Defense	Department of Defense
Education	Department of Education
Energy	Department of Energy
EPA	Environmental Protection Agency
GSA	General Services Administration
HHS	Department of Health and Human Services
DHS	Department of Homeland Security
HUD	Department of Housing and Urban Development
Interior	Department of the Interior
Justice	Department of Justice
Labor	Department of Labor
NASA	National Aeronautics and Space Administration
NSF	National Science Foundation
NRC	Nuclear Regulatory Commission
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
SBA	Small Business Administration
SSA	Social Security Administration
State	Department of State
Transportation	Department of Transportation
Treasury	Department of the Treasury
VA	Department of Veterans Affairs



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