



## DoD INSTRUCTION 1400.25, VOLUME 920

# DEFENSE CIVILIAN PERSONNEL MANAGEMENT SYSTEM: SENIOR EXECUTIVE SERVICE PERFORMANCE MANAGEMENT SYSTEM AND COMPENSATION POLICY

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- Incorporates and Cancels:** Portions pertaining to Senior Executive Service (SES) members from the Under Secretary of Defense for Personnel and Readiness Memorandum, "Directive-Type Memorandum (DTM) – Senior Executive Service Tier Policy for Career and Non-Career Senior Executive Service Members," April 28, 2008, including those portions of the attachment titled, "Subchapter 920" pertaining to SES members.
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**Purpose:** This instruction is composed of several volumes, each containing its own purpose. In accordance with the authority in DoD Directive 5124.02:

- The purpose of the overall instruction is to establish and implement policy, establish procedures, provide guidelines and model programs, delegate authority, and assign responsibilities regarding civilian personnel management within the DoD.
- This volume establishes and implements policy, assigns responsibilities, delegates authorities, and prescribes procedures to create the SES Performance Management System (PMS) in accordance with the authority in DoD Directive 1400.25 for SES performance and compensation management within DoD. For the purposes of this volume, members of the SES are referred to as "executives."

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## SECTION 1: GENERAL ISSUANCE INFORMATION

### 1.1. APPLICABILITY.

a. 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 Defense Agencies, the DoD Field Activities, and all other organizational entities in the DoD (referred to collectively in this volume as the “DoD Components”).

b. Applies to DoD SES members.

c. May be administratively extended to Defense Intelligence SES (DISES) positions (established pursuant to Sections 1601 and 1606 of Title 10, United States Code) by the Under Secretary of Defense for Intelligence (USD(I)).

d. Does **not** apply to:

(1) Positions that may be serviced by a DoD Component’s senior executive management office but which are not SES positions, including:

(a) Expert and consultant appointments pursuant to Section 3109 of Title 5, United States Code (U.S.C.).

(b) Senior level and scientific and professional personnel in accordance with Section 5376 of Title 5, U.S.C., or to Defense Intelligence senior level personnel in positions established pursuant to Sections 1601 and 1607 of Title 10, United States Code.

(c) Highly qualified expert appointments pursuant to Section 9903 of Title 5, U.S.C.

(2) SES members in the Office of the Inspector General of the Department of Defense.

### 1.2. POLICY. The DoD will:

a. Promote a positive executive performance culture in which contributions are fully recognized and rewarded.

b. Align an executive’s contributions to results accomplished throughout DoD and within organizational performance goals, and recognize superior leadership and results with appropriate recognition applied in a consistent, transparent, trusted, credible, equitable, nondiscriminatory, and non-political manner.

c. Comply with the Office of Personnel Management (OPM) requirements for full certification of the SES PMS, as set forth in Section 430.404 of Title 5, Code of Federal Regulations.

d. Assign the highest performance scores and performance ratings to executives who demonstrate the highest levels of individual performance and make the greatest contributions to DoD's performance and mission. Executives with the highest performance scores and ratings will receive the highest annual summary ratings and the largest corresponding pay adjustments, highest performance bonuses and levels of payout, or other appropriate recognition. Raters, pay pools, performance review boards (PRB), and appointing authorities should, where applicable, consider the impact of documented misconduct on the individual's performance under the relevant performance requirements or performance standards. Forced or artificially constrained distribution of performance ratings and scores by a rating official, pay pool, PRB, or appointing authority is prohibited.

## SECTION 2: RESPONSIBILITIES

**2.1. USD(P&R)** The USD(P&R) exercises overall responsibility for the SES PMS as established in this volume. The USD(P&R) serves as the oversight official for the SES PMS.

**2.2. ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER AND RESERVE AFFAIRS (ASD(M&RA))**. Under the authority, direction, and control of the USD(P&R), and in accordance with DoD Directive 5124.02, the ASD(M&RA) has overall responsibility for the development of DoD civilian personnel policy covered by this volume.

**2.3. DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR CIVILIAN PERSONNEL POLICY (DASD(CPP))**. Under the authority, direction, and control of ASD(M&RA), the Deputy Assistant Secretary of Defense for Civilian Personnel Policy supports the development of civilian personnel policy covered by this volume and monitors its execution by DoD Components, ensuring consistent implementation and continuous application throughout DoD.

**2.4. USD(I)**. If this instruction is administratively extended to DISES positions, the USD(I) implements performance management for DISES positions and performs the functions of the appointing authority with respect to DISES positions.

### **2.5. DEPUTY SECRETARY OF DEFENSE AND SECRETARIES OF THE MILITARY DEPARTMENTS.**

a. The Deputy Secretary of Defense and Secretaries of the Military Departments ensure that executives receive training in the requirements and operation of the SES PMS to ensure its effective implementation.

b. The Secretaries of the Military Departments serve as appointing authorities for SES positions in their respective Military Departments. The Deputy Secretary of Defense serves as the appointing authority for all other SES positions other than DISES positions and those in the Office of the Inspector General of the Department of Defense.

## **SECTION 3: Performance Management Procedures**

### **3.1. OVERVIEW.**

a. The rating official prepares his or her recommended performance appraisal, including an initial summary rating. If permitted by DoD Component procedure, the rating official recommends a performance payout.

b. The executive may respond in writing to the recommended performance appraisal. The executive is entitled to one higher level review (HLR), and may request this HLR after receiving the recommended performance appraisal.

c. For DoD Components with pay pools, a pay pool considers the recommended performance appraisal, any response by the executive, and any response by a higher level reviewer. The pay pool manager (PPM) makes a recommendation to the PRB regarding the executive's performance appraisal and performance payout (which, if a payout is awarded, may include a performance-based pay increase and/or a performance bonus).

d. The executive may request a HLR after receiving the PPM's recommendation if he or she previously did not request a HLR.

e. The PRB makes a recommendation to the appointing authority regarding the executive's performance appraisal and any performance payout.

f. Before official submission to the USD(P&R), the DoD Component senior executive management office, on behalf of the appointing authority, submits the collective recommendations of the PRB to the DASD(CPP), on behalf of the USD(P&R), for technical review to assess compliance of the Component's appraisal process with guidance applicable to the SES PMS. The DASD(CPP), on behalf of the USD(P&R), returns recommendations to the senior executive management office.

g. The appointing authority forwards the DoD Component's performance cycle results to the USD(P&R). The USD(P&R) will assess, and as appropriate, validate, the compliance of the DoD Component's appraisal process with guidance applicable to the SES PMS.

h. The appointing authority approves the performance appraisals of DoD Component executives, including assigning annual summary ratings and approving any performance payouts. Upon approval, performance appraisals are final and performance payouts may be made.

i. Appointing authorities provide required documentation to the USD(P&R) for oversight purposes, to include submission to OPM, as required.

### **3.2. PERFORMANCE APPRAISAL PERIOD AND ELIGIBILITY FOR A PERFORMANCE APPRAISAL.**

a. The annual performance appraisal period will be on a fiscal year basis from October 1 through September 30.

b. The minimum performance appraisal period is 90 days.

c. The performance appraisal period may be extended when an annual summary rating cannot be prepared at the end of the performance appraisal period because the executive has not completed the minimum performance appraisal period, the executive is under investigation for misconduct that may have a bearing on the executive's performance, for the reasons set forth below, or for other reasons approved by the appointing authority. The appointing authority determines how long the performance appraisal period will be extended to provide the executive ample opportunity to achieve the critical elements and performance requirements. The extension may not result in a performance appraisal period that exceeds 15 months, unless the extension pertains to an ongoing investigation of misconduct by the executive.

d. When an executive is reassigned or transferred in the same or different DoD Component with a different pay pool:

(1) If the executive has been under a performance plan for the minimum appraisal period, and there are 90 or more days remaining in the performance appraisal period, the losing rating official will prepare an interim performance appraisal narrative (and may provide a recommended summary rating for the period of performance) and provide it to the gaining rating official. The gaining rating official must consider this performance information when preparing the recommended performance appraisal at the end of the performance appraisal period. The executive will be included in the gaining DoD Component's pay pool at the end of the regular performance period.

(2) If the reassignment or transfer is within the last 90 days of the performance appraisal period, the losing rating official will evaluate the executive and assign an initial summary rating on the last day of the performance appraisal period. The executive's payout will be calculated and paid based on the pay pool funding factor of the gaining pay pool.

(3) If the reassignment or transfer is after the end of the rating period but before annual summary ratings and performance payouts have become final, the executive will receive his/her annual summary rating from the DoD Component or organization to which the executive was assigned on the last day of the rating period. The executive's payout will be calculated and paid based on the pay pool funding factor of the gaining pay pool.

e. When an executive transfers to a DoD component from another federal agency and the executive has been under a performance plan for the minimum appraisal period, the executive will receive a written appraisal of his or her performance before the executive leaves. The executive's most recent annual summary rating and any subsequent written appraisals will be transferred to DoD. The DoD rating official must consider the rating and subsequent appraisal(s) when preparing a recommended performance appraisal at the end of the performance appraisal period.

f. Executives who received a final performance appraisal but who are no longer employed by DoD at the time of the performance payout, either because they have left federal service or because they have transferred to another federal agency, are not entitled to a performance-based pay increase. However, such executives will receive any performance bonus awarded by the appointing authority.

g. No performance appraisal is completed for executives who leave federal service before the end of a rating period.

h. When an executive is detailed for 120 days or longer, the gaining organization must set performance goals and requirements for the detail and must provide an interim performance appraisal narrative (and may provide a recommended summary rating for the period of performance) to the organization from which the executive is detailed. The organization from which the executive is detailed must consider this performance information when preparing the recommended performance appraisal at the end of the performance appraisal period.

i. When a rating official leaves his or her position with 90 or more days remaining in the performance appraisal period, and an executive has been under a performance plan for the minimum performance appraisal period, the rating official will provide an interim performance appraisal narrative (and may provide a recommended summary rating for the period of performance) to the rating official who succeeds him or her. The new rating official will consider this performance information when preparing a recommended performance appraisal at the end of the performance appraisal period. When the rating official leaves within the last 90 days of the performance appraisal period, and the executive has been under a performance plan for the minimum performance appraisal period, the rating official will prepare a recommended performance appraisal for the executive.

### **3.3. USE OF EXECUTIVE PERFORMANCE AND APPRAISAL TOOL (EPAT).**

a. All stages of the performance appraisal process must be accomplished using EPAT or a subsequent electronic appraisal system established through USD(P&R) guidance. In cases where an electronic appraisal system cannot be accessed, the template on the OPM Website will be used; the template is available at: <http://www.opm.gov/policy-data-oversight/senior-executive-service/basic-appraisal-system/>.

b. Appointing authorities may add DoD Component-specific instructions for completing the appraisal in EPAT.

### **3.4. PERFORMANCE PLANNING.**

a. Performance plans must be:

(1) Established annually in consultation with the executive:

(a) Within 30 days of the effective date of the performance appraisal period;

(b) Within 30 days of appointment or reassignment for executives assigned after the beginning of the performance appraisal period, and any detail or temporary assignment of 120 calendar days or longer; or

(c) Whenever there is a change in mission, workload, or performance requirement.

(2) Signed by the executive. By signing his or her performance plan, the executive acknowledges receipt and consultation on its development.

b. Content of executive Performance Plans will be developed by rating officials using the criteria in Appendix A to this section.

### **3.5. MONITORING PERFORMANCE.**

a. Rating officials must monitor executive performance during the performance appraisal period. Rating officials must provide ongoing feedback to executives on progress in accomplishing the critical elements and performance requirements described in their performance plans. Feedback should reinforce, acknowledge, and remedy performance.

b. Executives may request feedback, and feedback may be provided, at any time during the performance appraisal period.

(1) At least one progress review must be held between the rating official and the executive during the performance appraisal period. Rating officials must provide advice and assistance to executives on how to sustain or improve performance, and provide positive reinforcement as appropriate. The rating official will document the feedback in the EPAT.

(2) Rating officials must take steps to promptly address performance deficiencies whenever an executive is failing to meet performance requirements. When addressing unacceptable performance, rating officials will identify and communicate to the executive the specific performance deficiency requiring improvement and identify necessary evidence that will demonstrate successful proficiency or performance.

### **3.6. DEVELOPING PERFORMANCE.**

a. Developing executive performance is integrated in the performance management process. Along with meaningful performance-related discussions that assist the executive in reinforcing strengths and correcting weaknesses, employee development opportunities should also be discussed as part of an ongoing effort to systematically assess, develop, and enhance an executive's ability to carry out top-level roles in the organization.

b. Critical elements and performance requirements serve as the basis for assessing and discussing executive developmental needs.

c. Rating officials should discuss and encourage executives to seek developmental opportunities that promote achievement of the strategic initiatives of the DoD and the applicable DoD Component.

d. Rating officials should discuss and encourage executives to develop a portfolio of diverse experiences to broaden perspectives and view their responsibilities in the context of the entire DoD, the national security mission, and public policy interests of DoD.

### **3.7. APPRAISING PERFORMANCE AND DETERMINING PERFORMANCE PAYOUTS.**

#### **a. Preparing the Recommended Performance Appraisal.**

(1) Rating officials must provide a recommended performance appraisal, including a recommended initial summary rating, at the end of the rating period for each executive eligible for a performance appraisal.

(2) Executives may provide written input to the rating official describing accomplishments toward critical elements and performance requirements to assist in preparing the recommended performance appraisal.

(3) In preparing the recommended performance appraisal, rating officials will assess individual and organizational performance against the established critical elements and performance requirements. The rating official considers any input from the executive as well as input from individuals in the executive's rating chain, subordinates, and customers, if received. The rating official must use the appropriate organizational assessment results to inform his or her recommendations on individual performance ratings. An explanation of the SES PMS rating levels and the steps for completing the performance appraisal, including the rating derivation formula, are contained in Appendix A to this section.

(4) Rating officials must share the recommended performance appraisal with the executive. Signatures are required from the rating official and the executive in EPAT to document receipt.

(5) Although DoD Component procedures may allow rating officials to recommend a total performance payout, the performance discussion with the executive will not include any recommendations or information about projected performance payout or other performance payout information, which are subject to pay pool or PRB deliberations, and decision by the appointing authority.

(6) The executive must be given an opportunity to respond in writing to the recommended performance appraisal, whether or not the executive requests an HLR.

#### **b. HLR.**

(1) Only one HLR request can be made. If the DoD Component uses a pay pool, an executive may request an HLR either after receiving the recommended performance appraisal

from the rating official or after he or she receives the PPM's recommendation. If the DoD Component does not use a pay pool, the executive may request an HLR after receiving the recommended performance appraisal from the rating official. The executive must request an HLR in writing within 7 work days of receiving the recommended performance appraisal or the PPM's recommendation.

(a) In requesting an HLR, the executive should provide a justification for changing the rating of one or more of the critical elements or performance requirements that, if approved, would change the initial summary rating, consistent with the derivation formula for the SES PMS.

(b) Requests to change the proposed performance payout or the rating of one or more performance requirements that would not affect the derivation formula result for the overall rating level will not be accepted as a valid reason for an HLR.

(2) The DoD Component head must designate a reviewing official at a higher organizational level in the DoD Component or DoD, either an executive or general or flag officer (G/FO), as the higher level reviewer to consider the executive's HLR request. The HLR function must be performed by an individual, not a panel or board.

(a) When a DoD Component cannot provide review by a higher-level official for an executive because no such official exists, the DoD Component must offer an alternative review as it determines appropriate, except that the review may not be provided by a member of the PRB or an official who participated in determining the initial summary rating.

(b) When a G/FO is involved in the review, the affected executive must agree to the military member's involvement.

(c) If an executive declines review by DoD Component-designated higher-level officials (other than G/FOs), the DoD Component may offer an alternative review but it is not obligated to do so. The DoD Component must document the executive's declination of the HLR opportunity provided by the DoD Component before offering an alternative review.

(3) The higher level reviewer or official performing the alternate review must respond in writing within 7 work days of receiving the request for HLR. The higher level reviewer or alternate reviewer may recommend changes to the performance appraisal but he or she may not make any changes.

(4) The higher level reviewer or the official providing an alternate review must submit his or her recommendations to the executive, the rating official, the PPM (if applicable), the PRB, and the appointing authority.

(5) Outside of the HLR process, an executive may not grieve or otherwise request review of his or her performance appraisal. Executives also may not request HLR, grieve, or otherwise request review of their number of allocated shares or share values, proposed percentage of performance payout, non-receipt of a performance-based pay increase, amount of a performance-based pay increase, non-receipt of a performance bonus, or the amount of a performance bonus.

**c. Pay Pools and the Performance-Related Pay Decision Process.**

(1) DoD Components may use pay pools in the performance appraisal review process to ensure performance standards are applied consistently across the organization and in the pay decision process to manage, control, and distribute performance-based pay increases and performance bonuses.

(2) Pay pools review recommended performance appraisals and consider eligibility for performance-based pay increases or performance bonuses in accordance with the criteria set forth in section 4. Pay pools consider the recommended performance appraisal, any response by the executive, and any HLR request and recommendations (or recommendations from an alternate review) in conducting their review. The pay pool may discuss recommended changes to the performance appraisal with the rating official.

(3) The PPM makes written recommendations to the PRB, including any recommended changes to the performance appraisal, the justification for the changes, and the amount of any performance payout.

(4) Rating officials must provide executives with the PPM's recommendations. If an executive has not already requested an HLR of his or her recommended performance appraisal, the executive may request an HLR after receiving the PPM's recommendation.

**d. PRB.**

(1) Appointing authorities will establish one or more PRBs to make written recommendations on recommended performance appraisals and performance payouts.

(2) Each PRB must have three or more members who are designated by the appointing authority in accordance with Section 430.311 of Title 5, C.F.R.

(3) When reviewing and evaluating a recommended performance appraisal, PRBs must consider any written response to the initial summary rating by the executive, any HLR requests, any results of an HLR or alternate review, and any PPM recommendation. The PRB may discuss recommended changes with PPMs and/or rating officials.

(4) If the DoD Component does not use a pay pool, the PRB may discuss recommended changes to the performance appraisal with the rating official.

(5) PRBs must consider eligibility for performance-based pay increases or performance bonuses in accordance with the criteria in Section 4 of this issuance.

(6) PRB members may not take part in any PRB discussions involving their own appraisals and performance-based payouts.

(7) The PRB chair makes written recommendations to the appointing authority containing any recommended changes to the performance appraisal, the justification for the changes, and the amount of any performance payout. The PRB chair will provide these written

recommendations to rating officials who, in turn, will provide the recommendations to the executive.

**e. Review by USD(P&R).**

(1) The DoD Component senior executive management office, on behalf of the appointing authority, submits the collective recommendations of the PRB to the DASD(CPP) for technical review to ensure compliance of the SES PMS with applicable guidance. DASD(CPP), on behalf of the USD(P&R), returns recommendations to the senior executive management office.

(2) The appointing authority considers input from the rating official, the executive, higher level reviewer or alternate reviewer, pay pool manager (if any), the PRB chair, and DASD(CPP). The appointing authority makes initial determinations on performance appraisals, to include annual summary ratings, performance-based pay increases, and performance bonuses. The appointing authority forwards the DoD Component's performance cycle results to the USD(P&R).

(3) The USD(P&R) will assess, and as appropriate, validate, the compliance of the DoD Component's appraisal process with guidance applicable to the SES PMS. The USD(P&R) will make final recommendations, if any, to the appointing authority.

**f. Determinations on Performance Appraisals.**

(1) The appointing authority will consider any final recommendations from the USD(P&R) and make final determinations on performance appraisals.

(2) The appointing authority certifies the following in writing as part of his or her final determination:

(a) Performance appraisals for executives under his or her purview make meaningful distinctions in ratings as appropriate based on individual and organizational results; executives are held accountable for organizational performance and rigorous performance management of subordinate employees; and performance-based pay increases, performance bonuses, and annual summary ratings reflect and recognize individual performance and contribution to the DoD mission.

(b) Performance appraisals do not reflect a forced or artificially constrained distribution of performance ratings and scores.

(c) Annual summary ratings, performance-based pay increases, and performance bonuses accurately reflect the executive's performance, based on the criteria established in the executive's performance plan.

(d) The guidelines established within this volume and all applicable references are followed and meet the intent of the SES PMS.

(3) The appointing authority provides the certification and any other documentation required by the USD(P&R) to the USD(P&R) in accordance with timelines established in annual opening guidance.

**f. USD(P&R) Oversight.**

(1) USD(P&R) oversees the SES PMS for purposes of compliance with the OPM requirements for full certification of the SES PMS under section 430.404 of Title 5, Code of Federal Regulations.

(2) To maintain OPM certification, USD(P&R) must certify to OPM that:

(a) The appraisal process makes meaningful distinctions based on relative performance as appropriate.

(b) The results of the appraisal process take into account, as appropriate, the agency's organizational performance assessment.

(c) Pay levels and adjustments and performance awards based on the results of the appraisal process accurately reflect individual performance and/or contribution to the agency's performance.

(3) USD(P&R) will identify any issues of concern with DoD Component implementation of the SES PMS and provide guidance as appropriate.

(4) USD(P&R) will communicate aggregate performance rating, performance-based pay increases, and performance bonus results to executives to foster understanding of the basis for annual summary ratings and accompanying performance payouts. Results will be aggregated in a manner that preserves confidentiality.

**3.8 ADDRESSING POOR PERFORMANCE.**

a. For career appointees who have completed a probationary period in the SES, DoD Components must, in accordance with the procedures in Section 359.502 of Title 5, C.F.R.:

(1) Reassign or transfer within the SES an executive who has been assigned a Level 1 (Unsatisfactory) annual summary rating;

(2) Remove from the SES an executive who receives less than a fully successful annual summary rating twice (i.e., two Level 2 ratings or a combination of Levels 1 and 2) in any 3-year period; and

(3) Remove from the SES an executive who receives two unsatisfactory annual summary ratings in any 5-year period.

b. Career appointees may be removed from the SES for unacceptable performance pursuant to Section 359.402 of Title 5, C.F.R.

c. A career appointee's pay may also be decreased for poor performance in accordance with Paragraph 4.4.d.

## APPENDIX A TO SECTION 3: DoD SENIOR EXECUTIVE PERFORMANCE APPRAISALS: CRITICAL ELEMENTS, PERFORMANCE LEVELS, AND DERIVATION FORMULAS

### 3A.1. CRITICAL ELEMENTS.

a. Five mandatory critical elements are established for DoD executive performance appraisals. Each critical element (except results driven) has mandatory language which must be used as identified in Paragraphs 1.a.(1) through (5).

(1) **Leading Change.** To exemplify leading change, the executive:

(a) Develops and implements an organizational vision that integrates key organizational and program goals, priorities, values, and other factors.

(b) Assesses and adjusts to changing situations, implementing innovative solutions to make organizational improvements, ranging from incremental improvements to major shifts in direction or approach, as appropriate.

(c) Balances change and continuity; continually strives to improve service and program performance; creates a work environment that encourages creative thinking, collaboration, and transparency; and maintains program focus, even under adversity.

(2) **Leading People.** To exemplify leading people, the executive:

(a) Designs and implements strategies that maximize employee potential, connects the organization horizontally and vertically, and fosters high ethical standards in meeting the organization's vision, mission, and goals.

(b) Provides an inclusive workplace that fosters the development of others to their full potential; allows for full participation by all employees; facilitates collaboration, cooperation, and teamwork, and supports constructive resolution of conflicts.

(c) Ensures employee performance plans are aligned with the organization's mission and goals, that employees receive constructive feedback, and that employees are realistically appraised against clearly defined and communicated performance standards.

(d) Holds employees accountable for appropriate levels of performance and conduct. Seeks and considers employee input.

(e) Recruits, retains, and develops the talent needed to achieve a high quality workforce that reflects the diversity of the nation, with the skills needed to accomplish organizational performance objectives while supporting workforce diversity, workplace inclusion, and equal employment policies and programs.

(3) **Business Acumen.** To demonstrate business acumen, the executive:

(a) Assesses, analyzes, acquires, and administers human, financial, material, and information resources in a manner that instills public trust and accomplishes the organization's mission.

(b) Uses technology to enhance processes and decision making.

(c) Executes the operating budget; prepares budget requests with justifications; and manages resources.

**(4) Building Coalitions.** To demonstrate building coalitions, the executive:

(a) Solicits and considers feedback from internal and external stakeholders or customers.

(b) Coordinates with appropriate parties to maximize input from the widest range of appropriate stakeholders to facilitate an open exchange of opinion from diverse groups and strengthen internal and external support.

(c) Explains, advocates, and expresses facts and ideas in a convincing manner and negotiates with individuals and groups internally and externally, as appropriate.

(d) Develops a professional network with other organizations, and identifies the internal and external politics that affect the work of the organization.

**(5) Results Driven.**

(a) This critical element includes the specific performance results expected from the executive for the appraisal period, focusing on measurable outcomes from the strategic plan or other measurable outputs and outcomes clearly aligned to organizational goals and objectives.

(b) The rating official will work with the executive to include at least one, and normally not more than four, performance requirements for the results driven element. The performance requirements will be written using the specific, measurable, aligned, realistic or relevant, and timely framework.

(c) Results driven performance requirements must:

1. Apply to the executive's scope of responsibility.

2. Be mission-focused, results-oriented, and aligned with strategic plans and initiatives of the DoD Component or DoD; reflect expected agency or organizational performance outcomes.

3. Clearly describe performance that is attainable, measurable, verifiable, or apparent.

4. Focus on tangible outputs, outcomes, milestones, or other deliverables that will allow the rating official to make meaningful distinctions in performance.

5. Reflect the perspectives of distinct groups, including customers and employees.

6. Demonstrate the complexity and scope of the work and describe the level of performance required to be rated “Fully Successful.” It is recommended that the performance requirements also describe the level of performance at performance rating levels “Minimally Satisfactory” and “Outstanding.”

7. Contain only measurable results-oriented performance requirements and include a specific reference to an organizational strategic plan, initiative, goal, or objective in the DoD Organizational Assessment after each one (e.g., Organization Goal #4).

b. The main characteristics of these critical elements are:

(1) *Leading Change.*

(a) Balances change and continuity.

(b) Innovates, integrates, and implements needed change based on the organizational vision, mission, and goals.

(2) *Leading People.*

(a) Rigorous performance management of subordinates.

(b) Equal employment opportunity, affirmative employment program, and diversity and inclusion.

(c) Two-way communication with the employee and active solicitation of employee feedback.

(d) Use of employee feedback to inform decisions.

(3) *Business Acumen.*

(a) Use of technology to enhance process and decision making.

(b) Proper and mission-beneficial use of human, financial, material, and information resources.

(4) *Building Coalitions.*

(a) Two-way communication with the customer and active solicitation of customer feedback.

(b) Use of customer feedback to inform decisions.

(c) Development of professional networks.

- (d) Explains, advocates, and expresses facts and ideas in a convincing manner.
- (e) Securely leverages information systems to support communication goals.

c. In annual performance appraisal cycle opening guidance, the USD(P&R) will provide minimum weights for the critical elements, based upon OPM guidance and any DoD-specific requirements. Each DoD Component must develop a single standard set of weights for its executives consistent with the opening guidance. The sum of the weights for each critical element must equal 100 percent.

d. Performance requirements may be written as competencies, specific results, or commitments for the critical elements other than results driven, to reflect the duties, responsibilities, and expected outcomes. DoD Component-specific performance requirements may be added to the critical elements other than results driven, if needed, to evaluate performance. When crafting these additional requirements, executives and rating officials must use the specific, measurable, aligned, realistic, and timely framework, as defined in the Glossary.

**3A.2. PERFORMANCE STANDARDS FOR CRITICAL ELEMENTS.** The performance ratings in this system are:

**a. Level 5 (Outstanding).** The executive demonstrates exceptional top-level performance in fostering a climate that sustains excellence and optimizes results in the executive's organization, agency, department, or government-wide. This represents the highest level of executive performance, as evidenced by the extraordinary impact on the achievement of the organization's mission. The executive is an inspirational leader and is considered a role model by agency leadership, peers, and employees. The executive continually contributes materially to or spearheads agency efforts that address or accomplish important agency goals, consistently achieves expectations at the highest level of quality possible, and consistently handles challenges, exceeds targets, and completes assignments ahead of schedule at every step of the way. Performance may be demonstrated through these types of examples:

(1) Overcomes unanticipated barriers or intractable problems by developing creative solutions that address program concerns that could adversely affect the organization, agency, or government.

(2) Through leadership by example, creates a work environment that fosters creative thinking and innovation, core process re-engineering, and accomplishment of established organizational performance targets.

(3) Takes the initiative to identify new opportunities for program and policy development and implementation, or seeks more opportunities to contribute to optimizing results; takes calculated risks to accomplish organizational objectives.

(4) Accomplishes objectives under demands and time pressure beyond those typically found in the executive environment.

(5) Achieves results of significant value to the organization, agency, or government.

(6) Achieves significant efficiencies or cost-savings in program delivery or in daily operational costs of the organization.

**b. Level 4 (Exceeds Fully Successful).** The executive demonstrates a very high level of performance beyond that required for successful performance in the executive's position and scope of responsibilities. The executive is a proven, highly effective leader who builds trust and instills confidence in agency leadership, peers, and employees. The executive consistently exceeds established performance expectations, timelines, or targets, as applicable. Performance may be demonstrated in such ways as:

- (1) Advances progress significantly toward achieving one or more strategic goals.
- (2) Demonstrates unusual resourcefulness in dealing with program operations or policy challenges.
- (3) Achieves unexpected results that advance the goals and objectives of the organization, agency, or government.

**c. Level 3 (Fully Successful).** The executive demonstrates the high level of performance expected, and the executive's actions and leadership contribute positively toward the achievement of strategic goals and meaningful results. The executive is an effective, solid, and dependable leader who delivers high-quality results based on measures of quality, quantity, efficiency, and effectiveness within agreed upon timelines. The executive meets and often exceeds challenging performance expectations established for the position. Performance may be demonstrated in such ways as:

- (1) Seizes opportunities to address issues and effects change when needed.
- (2) Finds solutions to serious problems and champions their adoption.
- (3) Designs strategies leading to improvements.

**d. Level 2 (Minimally Satisfactory).** The executive's contributions to the organization are acceptable in the short term, but do not appreciably advance the organization towards achievement of its goals and objectives. While the executive generally meets established performance expectations, timelines, and targets, there are occasional lapses that impair operations and cause concern from management. While showing basic ability to accomplish work through others, the executive may demonstrate limited ability to inspire subordinates to give their best efforts or to marshal those efforts effectively to address problems characteristic of the organization and its work.

**e. Level 1 (Unsatisfactory).** In repeated instances, the executive demonstrates performance deficiencies that detract from mission goals and objectives. The executive generally is viewed as ineffectual by agency leadership, peers, or employees. The executive does not meet established performance expectations, timelines, and targets and fails to produce—or produces unacceptable—work products, services, or outcomes.

**3A.3. COMPLETING THE PERFORMANCE APPRAISAL.**

a. The performance rating process uses performance rating descriptors, critical element rating derivation formula, and an initial summary rating derivation (Table 1), the calculation process described in paragraph 3b(2)c, and the conversion process described in paragraph 3b(3)e to complete the performance appraisal and determine the initial summary rating. These steps are also used to complete an interim performance rating or assessment.

b. The first step in the process is the assessment of the executive’s accomplishments for the rating period. The rating official documents accomplishments in the executive’s accomplishment narrative, the rating official’s narrative found in Table 1, and in the mandatory summary rating narrative. When any critical element has more than one measurable, results-oriented performance requirement, rating officials will use the SES critical element rating derivation formula found in Table 1 to assign a rating level to that critical element.

(1) Rating official narratives do not need to repeat the description of accomplishments provided by the executive’s accomplishment narrative, but should add appropriate context and impact statements, and the results of customer, employee, and peer feedback.

(2) Rating officials who use the optional rating official narrative blocks to document the performance results that support the ratings for one or more of the elements may use the mandatory summary rating narrative to briefly summarize the accomplishments and their impacts, and the resulting overall rating level as determined by the derivation formula.

(3) Rating officials who do not to use the optional rating official narrative blocks must provide sufficient narrative in part 6 of EPAT to document the performance results that support the ratings of each of the elements.

**Table 1. SES Critical Element Rating Derivation Formula**

<b>Element Rating Levels</b>	<b>Element Derivation</b>	<b>Final Elemental Rating Score</b>
<b>Outstanding</b>	Overall, the performance requirements in the element were performed at the Outstanding level, with none below the Exceeds Fully Successful level, as defined by Level 5 in the performance rating definitions.	<b>5</b>
<b>Exceeds Fully Successful</b>	Overall, the performance requirements in the element were performed at least at the Exceeds Fully Successful level, with none below the Fully Successful level, as defined by Level 4 in the performance rating definitions.	<b>4</b>

**Table 1. SES Critical Element Rating Derivation Formula, Continued**

<b>Element Rating Levels</b>	<b>Element Derivation</b>	<b>Final Elemental Rating Score</b>
<b>Fully Successful</b>	Overall, the performance requirements in the element were performed at least at the Fully Successful level, with no more than one performed at the Minimally Satisfactory level, and none performed at the Unsatisfactory level, as defined by Level 3 in the performance rating definitions.	<b>3</b>
<b>Minimally Satisfactory</b>	Two or more of the performance requirements in the element were performed at the Minimally Satisfactory level, with no more than one performed at the Unsatisfactory level, as defined by Level 2 in the performance rating definitions.	<b>2</b>
<b>Unsatisfactory</b>	Two or more of the performance requirements in the element were performed at the Unsatisfactory level, as defined by Level 1 in the performance rating definitions.	<b>1</b>

c. The rating official will multiply the assigned numerical rating of each critical element by the element's whole number weight, and sum the results to arrive at the performance score. The maximum performance score is 500 points.

d. The rating official will use the derivation formula to convert the total performance score to the initial summary rating. An example, with the initial summary rating determined to be Level 4 (Exceeds Fully Successful), is shown in Table 2.

e. If any critical element is rated at a performance rating level 1 (Unsatisfactory), the overall summary rating is Unsatisfactory. If no critical element is rated at the performance rating level 1 (Unsatisfactory), continue to the next step. Convert the total performance score to the initial summary rating using the ranges below:

- (1) 475-500 = Level 5.
- (2) 400-474 = Level 4.
- (3) 300-399 = Level 3.

(4) 200-299 = Level 2.

(5) Any critical element rated Level 1 = Level 1.

**Table 2. Example SES Derivation Calculation**

Critical Element	Rating Level	Weight	Score	Summary Level Range
	Initial Element Score		Initial Point Score	
Leading Change	4	15	4 x 15 = 60	475-500 = Level 5
Leading People	5	15	5 x 15 = 75	400-474 = Level 4
Business Acumen	3	15	3 x 15 = 45	300-399 = Level 3
Building Coalitions	4	15	4 x 15 = 60	200-299 = Level 2
Results Driven	4	40	4 x 40 = 160	Any Critical Element Rated Level 1 = Level 1
Total:		100	400	

## APPENDIX B TO SECTION 3: STEPS IN THE PERFORMANCE APPRAISAL PROCESS

**Table 3. Steps in the Performance Appraisal Process – Rating Official**

Step	Action Type	Action
1.	Planning	Develop performance plan in consultation with the executive.
2.	Monitoring	Provide ongoing feedback during the performance appraisal period.
2.a.	Monitoring	Hold at least one progress review during the performance appraisal period and document it. Conduct interim rating or assessment, if required.
3.	Appraising	Ask executive for narrative input to the end-of-year annual performance appraisal.
3.a.	Appraising	Consider input provided by the individual executive, subordinates, and customers.
3.b.	Appraising	Assess executive's accomplishments and contributions to the mission against critical elements and performance requirements as they relate to results of the annual organizational assessment.
3.c.	Appraising	Prepare a recommended performance appraisal, including an initial summary rating, using the methods, benchmarks, and derivation formulas for the performance appraisal SES PMS.
3.d.	Appraising	If required by the DoD Component, use prescribed ranges to recommend a performance payout in accordance with Section 4.
3.e.	Appraising	Discuss initial summary rating with executive. Advise executive of his or her opportunity to respond to the rating official in writing and to request HLR.
3.f.	Appraising	Consider any written responses from the executive and higher level reviewer, and adjust initial summary rating, if appropriate.
3.g.	Appraising	Provide feedback to the PPM or PRB (when combined) as requested.
3.h.	Appraising	Provide the executive with the PPM and PRB's recommendations.
3.i.	Appraising	After the appointing authority makes final determinations, the rating official discusses the performance appraisal and the performance payout with the executive, and provides the executive with a copy of the performance appraisal.

**Table 4. Steps in the Performance Appraisal Process – Pay Pool and PRB**

<b>Step</b>	<b>Action</b>
1.	Review executive’s recommended performance appraisal, any response by the executive, and any performance payout recommended by the rating official.
2.	Review the HLR request and the HLR official’s recommendation (if any).
3.	Discuss recommended changes to the critical element rating(s), summary performance rating level, performance score, and recommended payout with the rating official. (Pay pool function only or PRB when the functions are combined.)
4.	Finalize summary performance rating and payout recommendations, and submit to the appointing authority.

**Table 5. Steps in the Performance Appraisal Process – Appointing Authority**

<b>Action</b>
Determine annual summary ratings, performance scores, and performance payout (including split between bonus and increase to basic pay) considering input from the rating official, the executive, higher level reviewer or alternate reviewer, pay pool manager (if any), the PRB chair, and any recommendations from DASD(CPP) and USD(P&R).

## SECTION 4: TIER STRUCTURE AND COMPENSATION MANAGEMENT

**4.1. COVERAGE.** This section applies to all appropriated fund executives in any DoD Component. This does not apply to nonappropriated fund executives.

### 4.2. GENERAL INFORMATION.

a. Executive pay is set based on a number of factors, including individual and organizational performance results, the position's designated tier, the complexity and scope of work, the breadth of responsibility, and the executive's experience, pay history, and qualifications. Executives' pay must be linked to their performance.

(1) Executive basic pay is exclusive of bonuses, differentials, and allowances, as outlined in Section 534.402 of Title 5, C.F.R. In accordance with Section 5382 of Title 5, U.S.C., executive basic pay cannot exceed Level III of the Executive Schedule (EX-III) for a non-certified SES PMS and cannot exceed Level II of the Executive Schedule (EX-II) for a certified SES PMS.

(2) Aggregate pay cannot exceed limits established in Section 5307 of Title 5, U.S.C., for executives paid in accordance with Section 5383 of Title 5, U.S.C. Total compensation paid to an executive during a calendar year may not exceed Level I of the Executive Schedule (EX-I) with a non-certified system, or the Vice President's salary with a certified SES PMS.

(3) Any excess amount of aggregate compensation, in the form of rank and performance awards, recruitment, relocation, and retention incentives, and other similar payments made under the authority of Title 5, U.S.C., that exceeds the limits established in Paragraph 4.2.a.(2) of this Section, is carried over and paid as a lump sum at the beginning of the next CY. The excess payment must be taken into account when applying the applicable aggregate limitation for the new CY.

b. Executive positions will be placed into three tiers based on the position characteristics described in Appendix A to this section.

(1) The hierarchy resembles the G/FO hierarchy and is based on the position's level of complexity, impact on mission outcomes, and influence on joint national security matters. Tier 1 positions are the equivalent of a one-star G/FO; Tier 2, two-star; and Tier 3, three-star.

(2) Position characteristics described in Appendix A to this section value equally operational positions with significant responsibilities and non-operational positions with significant responsibilities at higher organizational levels.

(3) Appointing authorities determine placement of positions under their respective purview into tiers, with input from the Executive Resources Boards established in accordance with DoD Directive 1403.03. Executive Resources Boards may consult with supervisors, functional community leaders, human resources professionals, or other appropriate personnel

within and outside their DoD Component to help inform tier designation decisions. Appointing authorities will ensure that comparable positions are designated similarly.

(a) Each tier has a pay limit or cap that is set by the USD(P&R) based upon mission requirements, labor market conditions, availability of funds, recruitment and retention issues, pay comparability to other federal agencies, and any other relevant factors. Executives cannot exceed their pay tier except for those grandfathered from a higher tier (see Paragraph 4.3.d).

(b) Executives will be informed by their rating official of the tiering system and their position tier designation.

(c) The application of the tier policy on individual and organizational performance will be reviewed by the USD(P&R) as part of his/her oversight responsibilities.

c. The rate and range of basic pay for positions designated at each tier level are:

(1) The minimum rate of basic pay for SES members is equivalent to 120 percent of the basic pay rate for General Schedule grade 15, step 1 (excluding locality-based comparability payments), as authorized pursuant to Section 5376 of Title 5, U.S.C. The minimum rate of basic pay for the SES rate range will increase consistent with any increase in the rate of basic pay for General Schedule grade 15, step 1.

(a) The minimum rate of basic pay for newly appointed SES members within DoD is the rate for General Schedule grade 15, step 4, with locality rate applicable to each individual employee's duty location. Current SES members whose rate of basic pay is below General Schedule grade 15, step 4, with locality rate applicable to their duty location, may have their pay adjusted either through the performance management process or as a result of reassignment to a position of increased responsibility.

(b) The rate of basic pay at the ceiling of Tier 1 is equivalent to the rate for EX-III.

(2) The maximum rate of basic pay at Tier 2 will be set annually by the USD(P&R) at approximately the midpoint between the rates for EX-III and EX-II. Pay at rates above EX-III is authorized pursuant to Section 5382 of Title 5, U.S.C., and Section 534.404(e) of Title 5, C.F.R., for a certified SES PMS.

(3) The maximum rate of basic pay at Tier 3 is equivalent to the rate for EX-II, as authorized pursuant to Section 5382 of Title 5, U.S.C., and Section 534.403(a) of Title 5, C.F.R., for a certified SES PMS.

(4) Table 6 illustrates the three-level tier structure using the maximum tier rates established for calendar year 2017.

**Table 6. Sample Tier Rates (for Calendar Year 2017)**

<b>Tier</b>	<b>Salary Ceiling</b>
Tier 1	\$172,100 (EX-III)
Tier 2	\$180,000 (midpoint between EX-III and EX-II rounded up to nearest \$1000)
Tier 3	187,000 (EX-II)

#### **4.3. COMPENSATION AND PROTOCOL STATUS IN A TIER ENVIRONMENT.**

**a. Executive Pay Decisions.** In making pay decisions, appointing authorities should be sensitive to the pay scale of civilian personnel in alternate personnel systems, laboratory demonstration pay bands, and under the General Schedule, such that, to the extent possible, the pay of executives is set at competitive rates within the tier.

(1) **Non-Career Executives.** Pay of non-career executives must be approved by the White House Presidential Personnel Office and OPM before the effective date of the action.

(2) **New Appointees into the SES System.** The tier limits act as a control point when determining the appropriate pay rate for new executives. When DoD Components make pay-setting decisions, they must consider the nature and quality of the individual's experience, qualifications, and accomplishments as they relate to the requirements of the SES position, as well as the individual's current responsibilities and performance requirements.

(a) DoD Components may offer a salary up to 10 percent above the appointee's existing pay, but not to exceed EX-III, unless approved by the appointing authority. The salary must be set no lower than the rate of basic pay for General Schedule grade 15, step 4, with locality rate.

(b) Rates of basic pay above the rate for level EX-III, but less than or equal to the rate for EX-II under a certified performance appraisal system, generally are reserved for those newly appointed executives who possess superior leadership or other essential competencies, as determined by the appointing authority. In addition, they will serve in positions with the broadest scope of authority, highest levels of responsibility, and significant personal accountability for the success or failure of the DoD Component's programs. Other relevant factors may also be considered, including unique and in-demand qualifications and accomplishments as they relate to the position and the basis for action; e.g., recruitment of the executive.

(c) When a former executive is reappointed to an executive position after a break in service of more than 30 days, the DoD Component may set the rate of basic pay of a former executive at any rate corresponding to the executive's new position, responsibilities, and requirements, consistent with Section 534.404(i) of Title 5, C.F.R.

(d) If there has been a break in executive service of 30 days or less, the executive's rate of basic pay must be set consistent with part 534.404(i) of Title 5, C.F.R., at any rate within

the SES rate range (without regard to whether the employee received a pay adjustment during the previous 12-month period), but not higher than the executive's former SES rate of basic pay. The USD(P&R) may grant an exception and approve a higher rate than the executive's former rate of basic pay, if warranted, for such reasons as the need to attract skills and leadership expertise that are critical to the success of the mission and not readily available in the existing workforce or the external applicant pool.

**b. Movements Within a Tier.** Reassignment of an executive to a position within the same tier generally does not result in an increase in pay. The USD(P&R) may approve a pay increase under Paragraph 4.4.c.(2) of this section if the reassignment is to a position of substantially greater scope and responsibility.

**c. Movements to a Higher Tier.** The appointing authority may approve a pay increase of up to 20 percent of the executive's basic pay. If the transfer or reassignment occurs at a time that the pay increase cannot be made at the time of the annual performance payout, the pay increase must comply with Paragraph 4.4.c of this section.

**d. Movements to a Lower Tier.** Reassignment of an executive to a position in a lower tier, pay and status requirements will depend on the circumstances.

(1) When movement to a lower tier is done at the discretion of the appointing authority to meet organizational needs and is not mainly at the request of the executive, the executive will be "grandfathered" and will not lose pay, protocol status, or the opportunity for future pay increases up to the limit of the prior tier. Examples of circumstances supporting a determination that a movement to a lower tier was designed to meet organizational needs include:

(a) The executive independently sought a lower tier position to gain competence and experience that will ultimately benefit DoD overall or a DoD Component.

(b) The gaining appointing authority finds and documents that the executive's experience will significantly contribute or enhance the organization's ability to attain goals and objectives.

(2) When movement to a lower tier is at the request of the executive, the executive will not be "grandfathered." The executive retains his or her salary and assumes the protocol status of the new lower tier position. All future pay increases will be determined based on the 50-percent rule (see Glossary).

(3) When movement to a lower tier is for cause, the executive will not be "grandfathered."

(a) The executive assumes the protocol status of the new lower tier.

(b) At the discretion of the appointing authority, salary may be decreased or retained.

**e. Transfer From Another Federal Agency.** The executive assumes the protocol status of the Tier of the new position and pay must remain within Tier limits. Pay may be set lower than that held in the non-DoD federal agency voluntarily and with the approval of the executive.

**f. Pay Increases for Executives Whose Pay Exceeds the Position Tier Limit.** If the salary exceeds the tier limit of the lower tier, future pay increases will be based on the 50-percent rule unless:

(1) The appointing authority grants an exception in accordance with this volume; or

(2) Grandfathering is applicable in accordance with Paragraph 4.3.d.1. In such instances, performance payouts for career executives generally should be paid in bonus until pay is within the tier limit.

**g. After OPM Certification of the SES PMS.** If an executive enters on duty after any suspension of the DoD-certified SES PMS, a basic pay adjustment may be made to increase that executive's rate of basic pay up to the appropriate rate, but not to exceed EX-II, after certification renewal of the SES PMS. The determination to provide an additional pay increase may not be made effective before the date the DoD system is certified, or after December 31 of the CY for which the agency's SES PMS is certified. The appointing authority must approve a pay adjustment made in accordance with this paragraph.

#### **4.4 PAY ADJUSTMENTS – GENERAL.**

a. The basic pay of an executive may not typically be adjusted, whether increased or decreased, more than once during any 12-month period. The assignment of a pay rate upon initial appointment to the SES is a pay setting event that starts a new 12-month waiting period for a pay adjustment increase; this pay adjustment applies even if the executive's rate of pay is not an increase from the previous rate of pay received before appointment.

b. The following pay actions do not count against the 12-month rule:

(1) **Zero Adjustment.** A determination is made to grant a zero adjustment in pay after reviewing an executive's annual summary rating, provided the executive's rate of basic pay does not fall below the minimum of the rate range in accordance with part 534.404(c)(3)(ii) of Title 5, C.F.R.

(2) **Increase in Executive Schedule Rates.** A determination may be made to provide an additional pay increase in accordance with Section 534.404(f) of Title 5, C.F.R., when there is an increase in Executive Schedule rates of pay.

(3) **Change in Rate Range.** A pay adjustment may be made to maintain an executive's relative position in the SES rate range pursuant to Section 534.404(b)(4) of Title 5, C.F.R. On the effective date of an increase in the minimum or maximum rate of basic pay of the SES rate range, an appointing authority may increase the rate of basic pay of an executive who meets or exceeds his or her performance expectations. The appointing authority may increase the basic pay to an amount that does not exceed the amount necessary to maintain the executive's relative position in the SES rate range.

(4) **Increase to Minimum Rate.** An increase may be made pursuant to Section 534.404(c)(3) of Title 5, C.F.R., to make sure an executive's rate of basic pay does not fall below the minimum rate of the SES rate range.

c. The following pay actions are exceptions to the 12-month rule:

(1) **Exceptionally Meritorious Accomplishment.** The USD(P&R) may approve a pay increase when an executive's exceptionally meritorious accomplishment significantly contributes to the agency's performance. A pay adjustment for this purpose is rare and unusual. It recognizes circumstances in which an accomplishment is so significant to the DoD Component's mission that it warrants a basic pay increase that is timed to the significant accomplishment itself rather than to the annual performance appraisal process.

(2) **Reassignment to Position with Greater Scope and Responsibility.** The USD(P&R) may approve a pay increase when an executive is reassigned to a position with substantially greater scope and responsibility or to recruit a senior executive with superior leadership or other competencies from a position in another agency.

(3) **Retention.** The USD(P&R) may approve a pay increase when retention of the executive is critical to the mission of the DoD Component, and the executive would be likely to leave the DoD in the absence of the pay increase. Although an offer of other employment is not required, there must be other evidence that suggests that the executive would likely leave DoD.

(4) **Conforming to Pay Cycle.** The pay action aligns an executive with DoD's SES PMS. For example, an executive who was appointed to the SES within the last twelve months or who transferred to an SES position from another agency with a different performance appraisal system and pay adjustment cycle within the last twelve months may receive a pay adjustment.

d. A decrease in basic pay will be considered for an executive who receives a "Minimally Successful" or "Unsatisfactory" annual summary rating, or otherwise fails to meet a critical performance requirement. An executive also may receive a reduction in pay as a disciplinary or adverse action resulting from conduct-based activity, including, but not limited to, misconduct, neglect of duty, or malfeasance.

(1) The reduction may not be greater than 10 percent of the executive's basic pay.

(2) The procedures in Section 534.404(j) of Title 5, C.F.R. must be followed. Reductions in pay are not appealable under Section 7543 of Title 5, U.S.C.

(3) The 12-month rule applies to decreases in pay.

#### **4.5. PAY POOL FUNDING AND PERFORMANCE PAYOUTS.**

a. An executive may be considered for a performance-based pay increase (i.e., an increase in basic pay) and a performance bonus as part of the annual performance appraisal process.

(1) An executive who receives an annual summary rating of “Outstanding,” “Exceeds Fully Successful,” or “Fully Successful” will be considered for an annual pay increase or performance bonus, subject to annual payout guidance issued by the USD(P&R). Executives with the highest performance ratings, corresponding to the highest levels of individual performance and contribution to the DoD mission, should receive the largest corresponding performance-based pay increases, up to the salary range limits appropriate for the tier of the position and subject to the limitation on the maximum rate of basic pay in Section 534.403(a) of Title 5, C.F.R.

(2) Unless grandfathered or covered by the 50-percent rule, executives rated “Fully Successful” will receive no more than the amount of performance-based pay increase needed to maintain their relative position in the rate range for their tier.

(3) An executive who receives an annual summary rating of “Minimally Successful” or “Unsatisfactory” will not receive a performance-based pay increase for the current performance appraisal period, unless required to maintain the executive’s salary at the minimum salary rate described in Paragraph 4.2.c.(2) of this section.

b. Performance payout formulas are used to determine recommended performance payouts, including performance-based pay adjustments and performance bonuses. Performance payouts will be calculated and administered within the pay pool’s funding allocation.

(1) **Determining the Pay Pool Funding Factor.** The pay pool funding factor is the amount budgeted for performance-based pay increases and performance bonuses, expressed as a percentage of total basic pay of all career executives in the pay pool. The pay pool funding factor is the sum of three variables, normally expressed as percentages of the aggregate annual salaries of the executives in a pay pool: the President’s Adjustment to Executive Pay; the organization’s executive pay progression budget--the percentage of the payroll budget set aside for executive performance-based pay increases; and the organization’s executive performance bonus budget--the percentage of the payroll budget set aside for executive performance-based incentives.

(a) The USD(P&R) will determine and announce annually limits on the amount of the overall pay pool funding factors, the amounts of the President’s Adjustment to Executive Pay, the executive pay progression budget, the executive performance bonus budget, and other applicable payout guidance.

(b) The appointing authority may set aside some of the pay pool funding factors, referred to as reserve monies, for payouts such as those made outside of the normal performance pay adjustment cycle, as described in Paragraph 4.4.b of this section.

(2) **Determining the Pay Pool Value.** The pay pool value is determined by multiplying the pay pool funding factor (exclusive of any reserve) by the total salaries of all covered executives in the pay pool.

(a) The amount of money available for performance-based pay increases is the total aggregate basic pay of eligible executives in the pay pool as of the end of the fiscal year before the fiscal year in which the award payments are made, multiplied by the sum of the President’s

Adjustment to Executive Pay percentage and the organization's executive pay progression budget percentage. All performance-based pay increases are paid from this fund and determined using a pay-for-performance formula. Performance-based pay increases are not guaranteed. They are based on performance and determined through this SES PMS.

(b) The performance bonus budget percentage is the total aggregate basic pay of the career executives in the pay pool as of the end of the fiscal year before the fiscal year in which the award payments are made, multiplied by the percentage rate of the organization's performance bonus budget. In accordance with Section 534.405(b)(1)(i) of Title 5, C.F.R., the performance bonus budget may not exceed the statutory cap of 10 percent of total aggregate basic pay of the career executives in the pay pool as of the end of the fiscal year before the fiscal year in which the award payments are made.

(c) Funds from the performance-based pay increase budget may be used to pay bonuses. However, none of the amount budgeted for performance bonuses may be used for performance-based pay increases.

(d) DoD Components may use discretion in determining the proportion of an individual career executive's total performance payout, which is paid as a performance-based pay increase or bonus, consistent with this volume, unless that proportion is prescribed in annual USD(P&R) guidance.

(e) If permitted by the DoD Component, the rating official selects the recommended payout percentage from the payout percentage ranges and limits, published in the annual USD(P&R) closeout guidance, and any supplemental guidance provided by the DoD Component. In selecting the performance-based pay increase and performance bonus percentages, the rating official will defer to such guidance and, to the extent allowable, will also consider:

1. Overall pay pool funding factor.
2. Recommended performance rating and score compared to the range of possible performance ratings and scores.
3. Recommended performance rating and score compared to the probable distribution of ratings and scores for other executives in the pay pool.
4. Impact of the executive's performance on the organizational mission.
5. If the executive is subject to grandfathering or the 50-percent rule.
6. Whether the total performance payout for an executive should be subject to proration for less than a full year of service during the performance year or recent receipt of a significant pay increase on appointment, reassignment, or transfer, authorized by Paragraph 4.3 of this section.

7. Whether the executive received an out-of-cycle pay increase during the rating period that requires completion of a new 12-month waiting period before a performance pay increase can be approved.

(f) Any proposed performance pay increase will not exceed the salary cap for the tier of the position held by the executive, unless the executive is grandfathered or subject to the 50-percent rule. Performance-based pay increases that would result in an executive's salary exceeding the applicable statutory salary cap also will not be granted.

1. A pay pool manager may recommend that the appointing authority reallocate some or all of any unexpended basic pay funds to executives not at the top of their tier rate range. This reallocation is placed back into the pay pool and may be distributed to executives whose salaries have not yet reached the top of the respective tier rate range, as determined by the PRB or appointing authority.

2. Any additional increase in the basic pay of an executive as a result of this reallocation may be offset by reduction in the executive's performance bonus.

(g) Any proposed performance bonus amount must be between 5 and 20 percent of basic pay, as required by Section 5384 of Title 5, U.S.C.

(h) Within a pay pool, the total performance payout by percentage of salary (pay increase percentage and bonus percentage) for each executive rated Level 5 should exceed the highest total performance payout percentage for any executive in the pay pool rated Level 4. Likewise, the total performance payout percentage for each executive in the pay pool rated Level 4 should exceed the highest total performance payout percentage payouts for all executives in the pay pool rated Level 3. Exceptions are allowed for total performance payout adjustments authorized by paragraph 4.6 of this section.

(3) **Determining Performance Payout.** The amount of an executive's total performance payout is the executive's basic pay at the end of the performance appraisal period, multiplied by the sum of the percentages awarded: Total Performance Payout = Salary x (Performance Pay Increase Percentage + Performance Bonus Percentage).

(a) The total performance payout is checked, throughout the appraisal process, against the limits specified in the annual USD(P&R) closeout guidance.

(b) Once total performance payout is checked against applicable limits, the appointing authority determines how funds awarded will be split between basic pay increase and performance bonus. The appointing authority decides that either the results of the performance payout formula and the recommendation of the performance review process are appropriate for each executive in the pay pool, or that adjustments are necessary. The appointing authority can adjust the payout percentage amounts within the ranges and limits allowed in the USD(P&R) annual closeout guidance, or make a total performance payout adjustment in accordance with Paragraph 4.6 of this section.

(c) Meaningful distinctions must be made as appropriate in both performance-based pay and performance-based bonus separately.

**4.6. TOTAL PERFORMANCE PAYOUT ADJUSTMENT.** A total performance payout adjustment is an increase or decrease to an executive's total performance payout. The adjustment may be made to the executive's performance-based pay increase or performance bonus.

a. An adjustment in the performance payout is made for these circumstances:

(1) A total performance payout increase may be made to:

(a) Recognize rare and unusual circumstances in which an executive achieves extraordinary results over and above that which the performance payout formula provides; or

(b) Recognize a significant team accomplishment or achievement in meeting an organization's strategic goals.

(2) A total performance payout decrease may be made:

(a) When the executive has less than a full year of service during the performance appraisal period (prorating).

(b) Following a recent hiring action in which a significant pay increase was granted upon appointment, reassignment, or transfer.

(c) For compliance with maximum limits imposed by statute, regulation, or annual USD(P&R) closeout guidance.

b. The decision to make an adjustment to an executive's total payout must be made in a judicious and prudent manner and may not be used to avoid applying the necessary rigor for assigning an executive's performance score during a performance appraisal period.

c. Only the appointing authority may grant a total performance payout adjustment, which might be recommended by the rating official, pay pool manager, or PRB. The decision to grant such an adjustment must be documented in writing.

d. An adjustment to increase an executive's total performance payout must be made within the existing pay pool funding limitations.

#### **4.7. PERSONNEL ACTION PROCESSING PROCEDURES.**

a. All tier designations will be recorded in the Defense Civilian Personnel Data System. Defense Civilian Personnel Data System coding for tier assignment designations are:

(1) 1 – Tier 1.

(2) 2 – Tier 2.

(3) 3 – Tier 3.

- (4) A – Grandfathered from Tier 3 to Tier 2.
- (5) B – Grandfathered from Tier 3 to Tier 1.
- (6) C – Grandfathered from Tier 2 to Tier 1

b. The servicing human resource office for executives will record tier designations resulting from any change or re-designation in tier structure in Defense Civilian Personnel Data System within 60 days of the effective date of the tier change.

**4.8. INCENTIVE AWARDS.** Receiving a performance bonus does not preclude an executive from receiving other awards, if the employee is not monetarily rewarded twice for the same accomplishment.

a. Consistent with DoD Component or activity awards authorities and delegations, awards may be granted to executives, either as individuals or as members of a team. The granting of such awards will be based on a suggestion, invention, superior accomplishment, productivity gain, or other personal effort that contributes to the efficiency, economy, or other improvement to government operations, or achieves a significant reduction in paperwork. Personal conduct must also be considered when granting awards. The award itself may be monetary, non-monetary, informal recognition, honorary, or a combination and does not apply to overall performance.

b. Awards covered by this section that exceed \$25,000 must be submitted to OPM for review and approval in accordance with Section 451.107 of Title 10, C.F.R. OPM will submit its recommendation for approval of awards in excess of \$25,000 to the President for final approval.

c. Awards covered by this section apply to career executives only.

**4.9. PRESIDENTIAL RANK AWARDS (PRA).** In accordance with Section 4507 of Title 5, U.S.C., executives may be recognized for exceptional performance over an extended period of time. There are two categories of awards: distinguished executives are recognized for sustained extraordinary accomplishment; and meritorious executives are recognized for sustained accomplishment. Both of these awards are monetary.

a. Executives are eligible to receive a PRA and a performance bonus in the same CY.

b. DoD Components will not deny or reduce a performance payout to PRA winners solely on the basis of receiving or having been nominated for one of these PRA awards. The decision to grant a performance payout must be based on accomplishments during the applicable performance period.

## APPENDIX A TO SECTION 4: SES TIER STRUCTURE

**Table 7. SES Tier Structure Characteristics**

Tier 3		
Characteristics		Indicators
Responsibility <ul style="list-style-type: none"> <li>• Degree of latitude exercised</li> <li>• Degree of policy-making authority</li> <li>• Degree of decision-making authority</li> <li>• Degree of alignment to enterprise perspective</li> </ul>	Impact on Mission <ul style="list-style-type: none"> <li>• Impact on objectives and strategic goals (outside DoD, across DoD, Component, organization)</li> <li>• Impact on development of goals and objectives vs reaction to them</li> <li>• Complex and multi-Component, multi-function, multi-agency, multi-national or joint interactions</li> <li>• Activities that are vital to the mission accomplishment of multiple organizations</li> <li>• Most significant levels of latitude and responsibility, as indicated by degree of policy and decision-making authority</li> <li>• Impact is extraordinary, tangible, and substantially furthers Department, Component or agency objectives and strategic goals</li> </ul>	<ul style="list-style-type: none"> <li>• Leader, deputy, or manager of large line or policy organization at the Component or agency headquarters or major command or equivalent</li> <li>• Reports to a Presidential appointee with Senate confirmation or a three or four-star G/FO or equivalent</li> <li>• Typically supervises at least one senior executive of G/FO or equivalent</li> <li>• Serves as the most senior level in a substantial functional community</li> <li>• Represents top leadership to external entities, including Congress, Office of Management and Budget, and White House staff</li> <li>• Approves or effects Component or agency-wide policies and programs</li> <li>• Represents the Component or agency or organization at key interagency meetings</li> <li>• Formulates the Component or agency-wide strategic plans, programmatic objectives, policies and standards</li> </ul>
Complexity <ul style="list-style-type: none"> <li>• Size of budget</li> <li>• Size of staff</li> <li>• Degree of consensus, collaboration, coordination required</li> <li>• Interplay of policies</li> <li>• Degree of precedence</li> <li>• Single vs multi-function</li> </ul>		
Scope of Influence <ul style="list-style-type: none"> <li>• Number of organizations affected</li> <li>• Level of organizations affected</li> <li>• Impact inside vs outside DoD or Component or agency</li> </ul>		

**Table 7. SES Tier Structure Characteristics, Continued**

<b>Tier_2</b>		
<b>Characteristics</b>		<b>Indicators</b>
Responsibility <ul style="list-style-type: none"> <li>• Degree of latitude exercised</li> <li>• Degree of policy-making authority</li> <li>• Degree of decision-making authority</li> <li>• Degree of alignment to enterprise perspective</li> </ul>	Impact on Mission <ul style="list-style-type: none"> <li>• Impact on objectives and strategic goals (outside DoD, across DoD, Component, organization)</li> <li>• Impact on development of goals and objectives vs reaction to them</li> <li>• Interactions are typically less complex than Tier 3 and generally involve multi-Component or intra-Component or agency participants</li> <li>• Activities that are vital to the mission accomplishment of the assigned organization</li> <li>• Latitude and responsibility, as indicated by degree of policy and decision-making authority, typically include Component or agency-level only</li> <li>• Impact is tangible and furthers Component or agency objectives and strategic goals</li> </ul>	<ul style="list-style-type: none"> <li>• Leader or deputy of an organization below headquarters-level or serves as a senior functional authority with accountability for major programs</li> <li>• Manages large programs, personnel, or organizations</li> <li>• Formulates, oversees, and enforces Component or agency policy</li> <li>• Has approval authority on major command or equivalent policies and programs</li> <li>• Represents functional area at Component, agency, organization or Service at interagency meetings</li> <li>• Serves on boards, committees, and other groups pertaining to assigned functional area</li> <li>• Typically reports to Tier 3 Senior Executive or two or three star G/FO or equivalent. May supervise at least one Tier 1 senior executive or G/FO or equivalent</li> </ul>
Complexity <ul style="list-style-type: none"> <li>• Size of budget</li> <li>• Size of staff</li> <li>• Degree of consensus, collaboration, coordination required</li> <li>• Interplay of policies</li> <li>• Degree of precedence</li> <li>• Single vs multi-function</li> </ul>		
Scope of Influence <ul style="list-style-type: none"> <li>• Number of organizations affected</li> <li>• Level of organizations affected</li> <li>• Impact inside vs outside DoD or Component or agency</li> </ul>		

**Table 7. SES Tier Structure Characteristics, Continued**

<b>Tier 1</b>		
<b>Characteristics</b>		<b>Indicators</b>
Responsibility <ul style="list-style-type: none"> <li>• Degree of latitude exercised</li> <li>• Degree of policy-making authority</li> <li>• Degree of decision-making authority</li> <li>• Degree of alignment to enterprise perspective</li> </ul>	Impact on Mission <ul style="list-style-type: none"> <li>• Impact on objectives and strategic goals (outside DoD, across DoD, Component, organization)</li> <li>• Impact on development of goals and objectives vs reaction to them</li> <li>• Interactions are typically less complex than Tier 2 and generally involve intra-Component or agency participants</li> <li>• Activities that are vital to the mission accomplishment of the assigned organization</li> </ul>	<ul style="list-style-type: none"> <li>• Oversees planning and effective execution on the full spectrum of programs</li> <li>• Develops systems and standards for the administration and management of approved plans and programs</li> <li>• Develops policies and programs</li> <li>• Manages medium to small programs that have Component or agency-wide impact</li> <li>• Participates in a primary role in planning, programming, and budgeting activities</li> <li>• Initiates programs and action to ensure adherence to Component or agency-wide policies and national security objectives</li> <li>• Technical expertise-based positions, leader or authority within an organization below major command-level and focused as in technical, engineering, contracts, industrial management</li> </ul>
Complexity <ul style="list-style-type: none"> <li>• Size of budget</li> <li>• Size of staff</li> <li>• Degree of consensus, collaboration, coordination required</li> <li>• Interplay of policies</li> <li>• Degree of precedence</li> <li>• Single vs multi-function</li> </ul>	<ul style="list-style-type: none"> <li>• Latitude and responsibility, as indicated by degree of policy and decision-making authority, typically include Component- or agency-level only</li> <li>• Impact is tangible and furthers Component or agency objectives and strategic goals</li> </ul>	
Scope of Influence <ul style="list-style-type: none"> <li>• Number of organizations affected</li> <li>• Level of organizations affected</li> <li>• Impact inside vs outside DoD or Component or agency</li> </ul>	<p><i>Characterized by significant functional or technical expertise; positions at this level are more likely to be encumbered by newly-appointed executives.</i></p>	

## GLOSSARY

### G.1. ACRONYMS.

ASD(M&RA)	Assistant Secretary of Defense for Manpower and Reserve Affairs
DASD(CPP)	Deputy Assistant Director for Civillian Personnel
DISES	Defense Intelligence Senior Executive Service
EPAT	Executive Performance Appraisal Tool
EX-I	Level I of the Executive Schedule
EX-II	Level II of the Executive Schedule
EX-III	Level III of the Executive Schedule
G/FO	General or Flag Officer
HLR	higher level review
OPM	Office of Personnel Management
PRA	Presidential Rank Award
PRB	Performance Review Board
PMS	Performance Management System
PPM	Pay Pool Manager
SES	Senior Executive Service
U.S.C.	United States Code
USD(I)	Under Secretary of Defense for Intelligence
USD(P&R)	Under Secretary of Defense for Personnel and Readiness

**G.2. DEFINITIONS.** These terms and their definitions are for the purpose of this issuance.

**50-percent rule.** The 50-percent rule may be applied to limit the basic pay of an executive whose pay exceeds the tier limit of his or her assigned position. Under this rule, performance-based pay increases are limited to 50 percent of the difference between the old and new pay ceiling, until the salary falls within the tier rate limit of the executive's permanent position.

**agency-specific performance requirement.** Optional performance requirement written as a competency or specific result and commitment for a particular critical element.

**appointing authority.** The Secretaries of the Military Departments for SES positions in their respective Military Departments and the Deputy Secretary of Defense for all other SES positions other than DISES positions and those in the Office of the Inspector General of the Department of Defense.

**appraisal (performance appraisal).** The annual process under which performance requirements are established, reviewed, evaluated, assigned a summary rating, and documented in writing. The results of performance appraisals are used as a basis to adjust pay, grant bonuses, and make other personnel decisions.

**basic pay.** The annual rate of compensation exclusive of awards, bonuses, and differentials, as indicated in Title 5 U.S.C. The rate of basic pay may not exceed the applicable maximum rates pursuant to law and regulation, including Section 5307 of Title 5 U.S.C.

**closeout guidance.** The instructions the USD(P&R) issues to DoD Component heads to begin the closeout of a fiscal year.

**critical element.** A key component of an executive's work that contributes to organizational goals and results and is so important that unsatisfactory performance of the element would make the executive's overall job performance unsatisfactory.

**executive.** An appropriated fund employee assigned to a positions in the SES in accordance with Section 3132 of USD (P&R) Memorandum dated April 28, 2008.

**executive schedule.** A five-level pay schedule for members of the SES that can be adjusted yearly by the President of the United States.

**“grandfather.”** An exception to authorize the retention of pay, protocol status, and full future pay increase for executives moving from a higher tier position to a lower tier position.

**HLR.** A review of an executive's recommended performance appraisal by a person at a higher level than the rating official of the executive. Must be requested by the executive.

**incentive award.** Recognition or incentive granted for a suggestion, invention, superior accomplishment, or other meritorious effort pursuant to the authority of Chapter 45 of 5 U.S.C.

**minimum performance appraisal period.** The shortest amount of time in which an SES member must have served in a position under an established performance plan in order for an appraisal to be completed. The DoD has established a minimum appraisal period of 90 days, consistent with part 430 of Title 10.

**oversight official.** Provides oversight of the performance management system and issues performance appraisal guidelines.

**President's Adjustment to Executive Pay.** When appropriate, one of three variables in the equation that determines the pay pool funding factor. An annually determined adjustment to the rate of the pay scales for executives determined by Executive order and published by OPM. It is not guaranteed and not granted automatically across the board.

**pay pool.** A combination of organizational elements (e.g., divisions, branches, functional communities) and/or tier structures that is defined for purposes of determining performance payouts under the Executive Pay and Performance Appraisal System.

**pay pool funding factor.** The sum of three variables (President's Adjustment to Executive Pay; pay progression budget; and performance bonus budget), which becomes part of the overall formula to calculate a performance payout.

**pay pool manager.** The individual charged with the overall responsibility for the effective operation of the pay pool and for recommending distribution of funds in a manner consistent with DoD, DoD Component, and organizational policies.

**pay pool value.** The amount of money available for performance payouts in a pay pool. It is calculated by multiplying the pay pool funding factor by the total salaries of all covered executives in the pay pool.

**pay progression budget.** One of three variables in the equation that determines the pay pool funding factor. It is a percentage of the payroll budget set aside for performance-based pay increases and is determined and published annually by each DoD Component head.

**performance.** The accomplishment of the work described in the executive's performance plan.

**performance appraisal period.** The established period of time for which an executive's performance will be appraised and rated. Generally, the performance appraisal period begins October 1 of each year and ends on September 30 of each year. Also called the rating period.

**performance award (bonus).** A one-time, lump sum payment paid to SPs in recognition of performance during the performance appraisal period. A Performance Bonus is not part of basic pay.

**performance-based pay increase.** An increase to an executive's basic pay, awarded as part of a performance payout through the SES PMS.

**performance bonus budget.** One of three variables in the equation that determines the pay pool funding factor. It is a percentage of the payroll budget set aside for performance awards of career executives and is determined and published annually by the appointing authority.

**performance payout.** The total monetary value of a basic pay increase and performance bonus.

**performance payout formula.** The formula that calculates a performance payout. The formula is issued through USD(P&R) closeout guidance.

**performance plan.** The document that describes the individual and organizational expectations for the performance appraisal period and establishes the elements and performance requirements against which the executive's performance will be evaluated.

**performance requirements.** Written statements of measurable results expected to be achieved during the performance appraisal period. Typically, there are between one and four specific, measureable, aligned, realistic, and timely written performance requirements for each critical element. They describe both "what is expected" and "how it is to be accomplished," usually for the "Fully Successful" performance rating level. These are the standards of performance required by 5 U.S.C. against which executives will be evaluated.

**performance score.** The numeric value between 0 and 500 associated with a performance rating.

**PMS.** The framework of policies and practices that an agency establishes in accordance with subchapter II of Chapter 43 of 5 U.S.C., for planning, monitoring, developing, evaluating and rewarding both individual and organizational performance and for using resulting performance information in making personnel decisions.

**PRB.** A panel of individuals established in each DoD Component to provide oversight to ensure balance, equity, and fairness in the evaluation and scoring process under the performance appraisal system and to ensure there are meaningful distinctions in relative performance reflected in the performance requirements.

**progress review.** A review of the executive's progress in meeting the performance requirements. A progress review is not a performance rating.

**rate range.** The range the executive is paid within the DoD tier structure.

**rating official.** The individual who is responsible for assessing an executive's performance as part of the annual performance appraisal process and develops the recommended performance appraisal, including the initial summary rating.

**ratings.**

annual summary rating. The overall rating level that an appointing authority assigns at the end of the performance appraisal period. This is the official rating.

initial summary rating. The overall recommended rating level and score the rating official derives from appraising the executive's performance during the appraisal period and forwards to the PRB.

**specific, measureable, aligned, realistic, and timely.** A framework used for developing measurable results-driven performance requirements. The acronym stands for: specific (define results to be accomplished within the scope of the job), measurable (define quality, quantity – identify the degree of excellence expected, and effectiveness), aligned (support specific strategic goals), realistic or relevant (requirements are achievable yet challenging), and timely (define a deadline or timeframe for achieving the requirements).

**total performance payout adjustment.** An increase or decrease to the proposed basic pay increase and performance bonus, as calculated by the performance payout formula determined by the appointing authority.

## **REFERENCES**

Code of Federal Regulations, Title 5

DoD Directive 1400.25, “DoD Civilian Personnel Management System,” November 25, 1996

DoD Directive 1403.03, “The Career Lifecycle Management of the Senior Executive Service Leaders within the Department of Defense,” October 25, 2007

DoD Directive 5124.02, “Under Secretary of Defense for Personnel and Readiness (USD(P&R)),” June 23, 2008

United States Code, Title 5

United States Code, Title 10