

PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

SEP 19 2014

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Senior Executive and Senior Professional Pay and Performance Management
System - Closeout Guidance for the Fiscal Year 2014 Performance Appraisal Period

This memorandum and its attachment provides part one of the Fiscal Year (FY) 2014 closeout guidance for the Senior Executive Service (SES) and Senior Professional (SP) workforce. The Department will issue additional guidance for awarding SES and SP bonus awards under a separate cover. The FY 2014 performance appraisal period will close on September 30, 2014.

Especially in a time of fiscal austerity, it is vital the Department continue to apply rigor in SES and SP performance evaluation and assessment. The Department must maintain its commitment to an appraisal system that makes meaningful distinctions in performance which enables rewarding individuals accordingly. For example, Authorizing Officials must ensure Level 5 ratings are reserved for those SES and SP employees who have achieved exemplary results linked to the achievement of organizational goals. The SES and SP employees should receive the ratings they earn based on the results accomplished. Quotas and forced distributions in ratings are not allowed. Moreover, when granting awards the Authorizing Official must ensure SES and SP employees exemplify the highest standards of personal conduct and integrity.

I am confident the Department will continue to meet the high standards we have set for ourselves and I appreciate your continued support in this regard. Questions regarding this correspondence may be directed to (b)(6) Chief, Civilian Senior Executive Management Division, at (b)(6)


Jessica L. Wright

Attachments:
As stated

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Department of Defense Senior Executive Service and Senior Professional Performance Management and Pay Closeout Guidance for Appraisal Period Fiscal Year 2014

Rating Official Accuracy and Understanding of Rating Level Distinctions

Rating Officials must be able to articulate the Department of Defense (DoD) position on all rating level definitions. Executives must understand that doing what is expected and achieving what is required of them in their performance plans is upholding the performance agreement between them, the Rating Official and the organization. This level of performance garners executives a Level 3 rating. To earn rating levels above Level 3, executives must not only achieve expected results, but must also demonstrate real and proven results that have created meaningful change or realized additional savings beyond established targets. Consequently, Level 5 ratings should be reserved for extraordinary results that significantly advance the Department's mission or program objectives and clearly demonstrate significant efficiencies or cost savings. When the Authorizing Official (AO) certifies the validation package, he/she will also be certifying concurrence with any Level 5 ratings given based on superior achievement for the performance period. In making distinctions, quotas or forced distributions in ratings are not authorized.

Pay Pool Funding and Performance Award Ranges by Rating

The Department will issue additional guidance for awarding Senior Executive Service (SES) and Senior Professionals (SP) bonus awards under separate cover.

Rating Period and DoD Transfers of SES and SP Employees Post-September 30, 2014

The minimum rating period for SES and SP employees is 90 days before the end of the performance appraisal period. Please ensure all eligible employees, including those who are or may be departing from your organization after the end of the performance period (September 30, 2014), receive a performance rating recommendation. Supervisors who depart prior to the end of the appraisal period may provide an interim summary rating for executives who have been under their supervision for the minimum appraisal period.

SES and SP (Senior Leader (SL)/Scientific or Professional (ST) employees) eligible to be rated will have rating and performance bonus decisions made within the Pay Pool to which they are assigned at the end of the rating period. The rating period ends on September 30, 2014.

Each Component should ensure it counsels newly hired and departing executives on the process so there is an understanding that the losing organization both evaluates and funds an earned bonus.

Executives who change jobs to a position in the same or different DoD Component with a different Pay Pool within 90 days of the end of the performance cycle may be assessed and assigned an Initial Summary Rating (ISR) by the Rating Official of record prior to movement. The ISR may be further evaluated and considered by the gaining Pay Pool and Performance

Review Board (PRB). The gaining AO may assign an Annual Summary rating and payout based upon the SESs or SPs performance outcomes prior to movement.

Rating officials who change jobs within 90 days of the end of the performance cycle must assess and provide a recommended ISR for all of their SESs or SPs who have been on a performance plan for a minimum of 90 days. The incoming Rating Official may provide additional narrative to the recommended ISR at the end of the performance appraisal period. If provided, the additional narrative by the incoming rating official must be documented in a Word document no more than three pages in length.

Executives who change jobs to a position outside of the Department after the end of the performance rating period are not entitled to a pay increase but may be considered for a performance bonus. It would not be appropriate to deny a bonus payout solely on the basis that the executive left the organization after the end of the performance period.

It is inappropriate to deny or reduce a performance payout to Presidential Rank Award winners solely on the basis of receiving one of these awards. The decision to grant a performance payout must be based upon accomplishments during the applicable performance period.

Higher Level Review

Within seven work days of receiving the initial summary rating or pay pool recommendation, depending on Component business rules, an executive may request that rating determination be reviewed by a higher level official before the rating is presented to the PRB. The Higher Level Reviewer (HLR) must respond, in writing, within seven work days. The HLR may not change the initial rating but may recommend a different rating to the PRB and the appointing authority. In keeping with Department policy and section 430.308 (b) of title 5 Code of Federal Regulations (CFR), this will be the only opportunity for a higher level review.

It is imperative that ratings sent forward by executive raters be accurate and free from deliberate inflation or other bias in an effort to have initial summary ratings on par with PRB decisions and what the AO approves at the conclusion of this process.

Components must also comply with applicable Office of Personnel Management regulations (5 CFR 430.308 (b)) and guidance (SES Desk Guide 2013, Section 5) which require the HLR function be performed by a designated individual not a panel or board. While it is not expected that a Component would assign one person as the HLR for the entire agency, it is required that the assigned HLRs make their decision(s) based on the information provided and apart from any process that involves multiple reviewers for a single request.

Organizational Assessment and Performance Ratings

Rating Officials, Pay Pool Panels, PRBs and AOs must use the appropriate organizational assessment results to inform their determinations on individual performance ratings. The results of the Department's Fiscal Year (FY) 2014 Organizational Assessment, which will be released at the end of FY 2014, can be used for this purpose. This information is to be communicated across

the organization for use by the rating chain to determine the extent to which an SES's or SP's performance impacted organizational results and to ensure the performance rating reflects the impact and progress on Department or Component strategic goals.

Deriving Final SES Ratings Under the Government-wide Performance Appraisal System

The government-wide performance appraisal form for SES mandates both the initial and final rating and score be shown at the element level. For DoD, this means PRB deliberations must include elemental rating and score notations if the rating is altered. The PRB will need to determine in which element(s) a recommended change is being made to derive the executives' final score and overall rating level.

Timeline - Pay Out for SES and SL/ST Performance Bonuses and Pay Increases in CY 2015

DoD Timeline for FY 2014 Performance Appraisal Closeout Activities	
Activity	Dates
Performance cycle ends	September 30, 2014
Components close out their performance cycle and raters determine initial executive ratings	October 1 - December 31, 2014
Components allow executives opportunity for Higher Level Review	
Components convene Pay Pool Panels	
Components convene Performance Review Boards	
Components aggregate rating and award (if any) decisions	
Components coordinate rating and award (if any) decision approval with Authorizing Official (Secretaries of the Military Departments)	
Components submit their rating and pay results to P&R for validation	NLT January 7, 2015
P&R validates Component ratings and award (if any) decisions	NLT January 19, 2015
Components provide approved award (if any) decisions to DFAS for processing	NLT January 21, 2015
Executives may receive Performance Bonus (if any) as soon as	January 30, 2015