



PERSONNEL AND
READINESS

UNDER SECRETARY OF DEFENSE
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SEP 15 2008

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
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DIRECTORS OF THE DEFENSE FIELD AGENCIES

Subject: Executive and Senior Professional Pay and Performance Management System –
Close-out Guidance for the 2007-2008 Performance Appraisal Period

This memorandum and its attachments provide the 2007-2008 close-out guidance for Executives and Senior Professionals. Overall guidance is contained in the “Executive and Senior Professional Pay and Performance System,” Subchapter 920, dated April 18, 2008, and the DoD Tier Policy dated April 28, 2008. A copy of these policies may be found at http://www.cpms.osd.mil/sespm/tier_policy.aspx.

The Tier Policy will be used as a means of ensuring comparability in executive compensation across the Department. Compensation and rewards will recognize that high level performance in some positions has more impact than comparable performance in others. To facilitate compensation decisions, the Deputy Secretary of Defense determined the overall Pay Pool Funding Factor for Executives and Senior Professionals to be up to 13%. In addition, for Executives, the Pay Pool Funding caps for each Tier are as follows: Tier 1: 11%; Tier 2: 13% and Tier 3 17%. Individual Basic Pay Increases normally will not exceed 8 percent of the basic salary of an Executive or Senior Professional. Exceptions only may be approved by Authorizing Officials.

The annual DoD Organizational Assessment for Fiscal Year 2008 will be released by the Deputy Secretary of Defense shortly. The DoD Organizational Assessment and any



Component organizational assessments must be used by Rating Officials, Pay Pool Panels, Performance Review Boards (PRBs) and Authorizing Officials to inform individual performance ratings and payout decisions. This memorandum provides the following information tools:

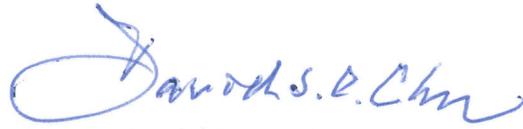
- Attachment 1: Key close-out responsibilities and DoD timeline.
- Attachment 2: 2007-2008 Performance Validation Checklist.
- Attachment 3: Template and instructions for recording rating and payout information. To more efficiently and effectively record rating and payout distributions of executive and senior professionals, each respective DoD Executive Resource HR Officer will receive an excel spreadsheet with key fields (e.g., executive's name, tier, current salary, and other pertinent information) populated via DCPDS for each servicing executive and senior professional on the rolls as of September 30, 2008.
- Attachment 4: PowerPoint template and instructions for describing rating results.
- Attachment 5: Examples of share values for rating distribution.
- Attachment 6: OPM SES Survey Summary.

In performing your close out responsibilities, I ask that you review the Department's results, once again, on the 2008 OPM Senior Executive survey and address areas in need of improvement. The survey results can be found at www.cpms.osd.mil/sespm/. The key findings are summarized in Attachment 6. In particular, we can do better by:

- Clearing our calendars and making time to conduct meaningful performance assessments.
- Conducting worthwhile performance reviews and discussing the linkage to your organizational results.
- Improving the pay-for-performance communication process – including setting expectations, communicating the organizational priorities, reporting performance progress, identifying development needs, and sharing the annual, aggregate organizational performance appraisal results with Executives and Senior Professionals.

Finally, I need your continued focus and leadership in driving greater discipline and rigor in Executive and Senior Professional performance evaluation and assessment. The Department is committed to an appraisal system that makes meaningful distinctions in performance and rewards individuals accordingly. The pay-for-performance system is fully optimized when such distinctions are made. Supervisors must be held accountable for assessing performance fairly and ensuring meaningful distinctions in performance based upon individual and organizational performance.

I appreciate your support in helping the Department transform to a performance-based culture.

A handwritten signature in blue ink that reads "David S. C. Chu". The signature is written in a cursive style with a large initial "D" and "C".

David S. C. Chu

Attachments:
As stated