

Driving Organizational Results

Module **6**

Rewarding Your Performance

Department of Defense
Executive Performance Workshops

- You learn
 - The factors used to determine your Performance Payout
 - About the roles and responsibilities of individuals involved in the pay pool process
 - About how the pay pool is funding
 - How performance payouts are calculated
 - How basic pay increases and bonuses are determined

- Decided annually in December
- Consists of basic pay increases and Performance Bonuses
- Determined by the Authorizing Official based on
 - Performance Payout Formula
 - Recommendations from
 - Rating Official
 - Higher Level Reviewer
 - Pay Pool Panel and Pay Pool Manager
 - Performance Review Board (PRB)

- **Presidential Adjustment of Executive's Basic Pay (PAEP)**
 - Applicable to SES
 - Annually determined adjustment to Executive's pay scale and determined by Executive Order
- **General Pay Increase (GPI)**
 - Applicable to Senior Professionals
 - Across the board percentage that is discretionary and determined by Executive Order
- **Pay Progression Budget**
 - Percent of budget designated for performance-based pay increases
- **Performance Bonus Budget**
 - Percent of budget designated for one-time performance-based incentives

- **SES Pay Pool Funding Factor**
 - **IMPORTANT:** Different for each tier
 - Tier 3 has the highest Pay Pool Funding Factor and Tier 1 the lowest
 - Used to distinguish levels of responsibilities and difficulty of challenges
 - PAEP + Pay Progression Budget + Performance Bonus Budget
 - Determined annually by the Deputy Secretary of Defense
- **Senior Professional Pay Pool Funding Factor**
 - GPI + Pay Progression Budget + Performance Bonus Budget
- **Basic Pay Increase Pool**
 - PAEP + Pay Progression Budget
 - Increases based on performance
 - Increases are not guaranteed

- Pay Pool Value
 - Pay Pool Funding Factor \times Total salaries of all Executives in the Pay Pool
- Total Share Value
 - (Sum Total (Salary \times Number of Shares))
- Share Value
 - Pool Value / Total Share Value
- Performance Payout
 - Salary \times Number of Shares \times Share Value

- Eligibility requirements
 - Minimum Performance Score of 70
 - “Achieved Expectations” on all Performance Elements
- Authorizing Official reviews
 - Performance Payout Formula
 - Recommendations from
 - Rating Official
 - Higher Level Reviewer
 - Pay Pool Panel and Manager
 - PRB

- **Bonus Pool**
 - Amount of money available for Performance Bonuses
 - Based upon review of past funding and current budgetary restrictions
 - Bonus pool can not exceed 10 percent of basic combined salaries in the Pay Pool

- **Performance Bonus**
 - SES
 - Between 5 - 20 percent of basic pay
 - Senior Professionals
 - Between 0 – 20 percent of basic pay

Performance Payout Example – Assumptions

- Pay Pool includes 40 executives
- Each executive earns \$135,000 a year
- Each executive received 12 performance shares
- Important: The example is an illustration of the mathematical calculation – it does not illustrate the required differentiation between performance levels or the values of the Pay Pool Funding Factor

...Let's do the math

- **Step 1: Determine Pay Pool Funding Factor**
 - Pay Progression Budget + PAEP/GPI + Performance Bonus Budget
(1.7% + 1.3% + 7% = 10%)
- **Step 2: Determine Pay Pool Value**
 - Pay Pool Funding Factor x Total Salaries in the Pool
(10% x \$5,400,000 = \$540,000)
- **Step 3: Determine Basic Pay Increase Cap:**
 - (Pay Progression Budget + PAEP) x Total Salaries
(1.7% + 1.3% = 3%) x \$5,400,000 = \$162,000



- **Step 4: Determine Total Share Value**
 - Executive's Pay X Number of Shares = Executive Share
(\$135,000 x 12 = \$1,620,000)
 - Calculate sum of all Executive Shares = Total Share Value
(\$135,000 x 12 x 40) = \$64,800,000)
- **Step 5: Determine Share Value**
 - Pay Pool Value / Sum of (salary x shares) = Share Value
(\$540,000/\$64,800,000 = .008333)



- Step 6: Determine Executive's Total Performance Payout
 - Salary x Number of Shares x Value Per Share
($\$135,000 \times 12 \times .008333 = \$13,500$)
- Step 7: Determine Split between Pay Increase and Performance Bonus
 - Recommended by the PRB
 - \$4,050 basic pay increase
 - \$9,450 Performance Bonus

- Basic pay increase does not exceed the appropriate executive level salary cap (\$270,000 in our example)
 - Pay increase / Executive x total number of Executives
 - \$ 4,050 x 40 = \$162,000
- Performance Bonus is:
 - 5% - 20% of annual salary for Executives
 - 0% - 20% for Senior Professionals

- The results you achieved in support of our organizational goals have earned you:
 - \$139,050 in Salary
 - \$9,450 Performance Bonus



- Only the Authorizing Official can grant an increase or decrease to payout
- Adjustments can be made to increase payout
 - Recognize rare and unusual performance
 - Recognize a team's achievement in meeting organizational goals
- Adjustments can decrease payout
 - Less than a full year of service from the rating period (pro-rated)
 - Recent hiring action that incurred a significant pay raise

- Incentive Awards can be given to career individuals or teams
- Incentive Awards are based on
 - Suggestion
 - Invention
 - Superior accomplishment
 - Productivity gain
 - Improvement that generates less paperwork
- Presidential Rank Awards can be given for extended periods of exceptional service
 - Distinguished Executive
 - Meritorious Executive

- SES Website (Includes SC 920)
 - www.cpms.osd.mil/sespm
- Executive Performance in the 21st Century: A Guide to Driving Organizational Results
- Workshop Resource Package
- Executive Management Development Office