



UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000



APR 13 2005

PERSONNEL AND
READINESS

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, NET ASSESSMENT
DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Executive and Senior Professional Pay and Performance System - Interim
Policy Pending Certification

I am pleased to announce that the Office of Personnel Management (OPM) has approved the new Department of Defense (DoD) Executive and Senior Professional Pay and Performance System. This system covers all Executive and Senior Professionals within the Department including Senior Executive Service (SES) members, Senior Levels (SLs) and Scientific and Professionals (STs). With coordination and approval of the Under Secretary of Defense for Intelligence (USD(I)) this policy will also apply to Defense Intelligence Senior Executive Service (DISES) and Defense Intelligence Senior Levels (DISLs).

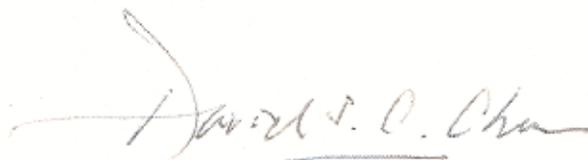
The laws governing SES, SLs, and STs performance management and pay significantly changed in 2002 and 2003. Under these new laws, among other changes, are higher aggregate limitations on pay for certain members of the SES and employs in SL and ST positions, as well as increased limitations in basic pay for SES members. In order for DoD to have access for these increased limitations, OPM, with Office of Management and Budget (OMB) concurrence must certify that the design and application of DoD's executive and senior professional performance appraisal systems make meaningful distinctions based on relative performance. Provisional certification affords the Department the authority to set SES basic pay up to Executive Level II and increases the aggregate pay limit to the Vice President's salary.



Each Executive and Senior Professional is required to have a new performance plan in place not later than July 1, 2005. To develop the required performance plans, follow the attached guidance, which will shortly be incorporated in DoD 1400.25-M, Subchapter 920 "Executive and Senior Professional Pay and Performance System." Supervisors of Executives and Senior Professionals should work cooperatively with their employees to build performance plans. Plans must include expectations of accomplishment relative to position requirements, the organization's mission, and other mission-related requirements, as well as appropriate external standards, such as the President's Management Agenda and the Department's Government Performance and Results Act goals. Ensure that each performance plan supports and facilitates performance excellence, accountability, strategic alignment, and links performance to organizational results.

In addition, Components should extend rating cycles that currently end June 30, 2005, to the end of the rating period to September 30, 2005. The DoD executive performance management cycle will be October 1 to September 30 of each year.

To meet the provisional certification requirements, the Department must submit a 10 percent sampling of executive performance plans from each Component, to include the DoDIG, along with a copy of each Component's strategic plan(s). OPM and OMB will review the performance plans to ensure they align with the Department's organizational goals and Component strategic plans. Submit your performance plans and a copy of your strategic plan by June 30, 2005 to Ms. Rita Orona, Civilian Personnel Policy. Ms. Orona can be reached at (703) 571-9288.



David S. C. Chu

Attachment:
As stated

SC920. SUBCHAPTER 920

EXECUTIVE AND SENIOR PROFESSIONAL PAY AND PERFORMANCE SYSTEM

TABLE OF CONTENTS

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
SC920.1	PURPOSE	1
SC920.2	APPLICABILITY	1
SC920.3	DEFINITIONS	1
SC920.4	POLICY	3
SC920.5	PERFORMANCE	4
SC920.6	BONUSES	4
SC920.7	PAY	5
SC920.8	RESPONSIBILITIES	5
SC920AP.1	DoD EXECUTIVE PAY AND PERFORMANCE APPRAISAL SYSTEM	8
SC920AP.1.1	PURPOSE	8
SC920AP.1.2	COVERAGE	8
SC920AP.1.3	PAY	8
SC920AP.1.4	PROGRAM REQUIREMENTS	10
SC920AP.2	DoD SENIOR PROFESSIONAL PAY AND PERFORMANCE APPRAISAL SYSTEM	31
SC920AP.2.1	PURPOSE	31
SC920AP.2.2	COVERAGE	31
SC920AP.2.3	PAY	31
SC920AP.2.1	PROGRAM REQUIREMENTS	32

SC920. SUBCHAPTER 920

SUBJECT: Executive and Senior Professional Pay and Performance

References: (a) DOD Directive 1400.25, "DOD Civilian Personnel Management System," November 25, 1996
(b) Title 5, United States Code
(c) Title 5, Code of Federal Regulations
(d) Title 10, United States Code

SC920.1. PURPOSE

This subchapter implements the executive and senior professional pay and performance management policies under references (a) through (d); prescribes procedures, delegates authority, and assigns responsibility for executive and senior professional performance management within the Department of Defense (DoD); and establishes the DoD Executive and Senior Professional Pay and Performance Systems and establishes the Pay and Performance Appraisal System for Executives (Senior Executive Service (SES)), and the Pay and Performance Appraisal Program for Senior Professionals (Senior Levels (SLs), and Scientific and Professionals (STs).

SC920.2. APPLICABILITY

This subchapter applies to DoD SES, SLs, and STs. It may be administratively extended to the Defense Intelligence Senior Executive Service (DISES) and Defense Intelligence Senior Levels (DISLs) upon approval of the Under Secretary of Defense for Intelligence (USD(I)). If so extended, the USD(I) will perform the functions of the Authorizing Official and the DoD Components Head with respect to DISES and DISL positions; the Component will include positions in the Defense Civilian Intelligence Personnel System.

SC920.3. DEFINITIONS

SC920.3.1. Appraisal. The process under which performance is reviewed, evaluated, and documented in writing.

SC920.3.2. Authorizing Official. The head of a Component or an official who is delegated authority in writing to act for the head of the Component is defined as an Authorizing Official for the purpose of this policy. Authorizing Officials include the Deputy Secretary of Defense for the Office of the Secretary of Defense, Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, Defense Agencies, DoD Field Activities and other organizational entities of the Department; the Secretaries of the Military Departments for their respective Military Departments; the Inspector General for the Office of the Inspector General of the Department of Defense; and heads of other DoD Agencies and Field Activities with independent appointing authority for themselves and their serviced activities; and their designees.

SD920.3.3. Award. Recognition or incentive granted under the authority of Chapter 45 of reference (c).

SC920.3.4. Component. For the purpose of this Subchapter, DoD Components are the Military Departments, the Office of the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense, the Defense Agencies and DoD Field Activities and all other organizational entities of the Department of Defense.

SC920.3.5. Critical Element. Critical elements are the key components of an executive's or senior professional's work that contribute to organizational goals and results, and are so important that unsatisfactory performance of the element would make the executive's overall job performance unsatisfactory.

SC920.3.6. Discretionary Pay Increase. A pay increase based on contribution to organizational performance over and above the basic pay increase that an executive or senior professional earns as a result of the evaluation of the employee's performance during a rating period. The decision to grant a discretionary pay increase is part of the performance payout decision.

SC920.3.7. Executive. For the purposes of this policy, the term executive includes U.S. citizen appropriated fund employees assigned to positions in the Senior Executive Service (SES) under 5 U.S.C. 5382 and 5383 and Defense Intelligence SES (DISES).

SC920.3.8. Executive and Senior Professional Pay and Performance Appraisal Systems. DoD-wide policies, requirements, and parameters governing the performance of executives and senior professionals, which includes the appraisal programs under references (b) and (c). This includes policies, practices, and procedures for planning, monitoring, developing, evaluating, and rewarding senior employee performance.

SC920.3.9. Final Rating. The final rating is the rating approved by the Authorizing Official that is required at the end of the annual appraisal period. Sometimes called the rating of record.

SC920.3.10. Minimum Rating Period. The minimum time that an employee must serve under a performance plan to be rated is 90 days.

SC920.3.11. Performance Bonus. A lump sum monetary bonus paid in recognition of an executive or senior professional's performance during the rating period.

SC920.3.12. Performance Element. Performance elements are the major job assignments and/or position responsibilities that contribute to accomplishing the mission and goals of the organization during the rating period. There are seven core performance elements: Leadership/Supervision, Contribution to Mission Accomplishment, Resource Management, Communication, Cooperation/Teamwork, Customer Care, and Technical Competence/Problem Solving. All executive and senior professional performance elements are critical.

SC920.3.13. Performance Improvement Plan. A structured agreement on how the employee will improve performance within a specified period of time.

SC920.3.14. Performance Payout Shares. Shares are assigned as a result of the employee's final performance score and are the basis on which individuals earn an increase to basic pay or a performance bonus, or both.

SC920.3.15. Performance Plan. A performance plan is a written summary of work the executive or senior professional is expected to accomplish during the appraisal period and the requirements against which performance will be evaluated. The performance plan consists of the jobs, tasks, and objectives to be accomplished during the rating period and the applicable performance elements and performance requirements for the position.

SC920.3.16. Performance Rating. The written comparison of performance compared to the requirements for the position. There are five rating levels: Exceptional Results, Exceeds Expected Results, Achieved Expectations, Minimally Satisfactory and Unsatisfactory.

SC920.3.17. Performance Requirements. Performance requirements are statements of the level of performance expected for each performance element. Performance requirements are used to evaluate accomplishments and include the performance standards required by 5 U.S.C.43 and 5 CFR 430 for SL/ST positions.

SC920.3.18. Performance Review Board. A panel of individuals established to provide oversight to ensure balance, equity and fairness to the evaluation and scoring process and to ensure there are meaningful distinctions in relative performance. The panel reviews the Rating Official's "preliminary performance scores" and "recommended shares" and recommends to the Authorizing Official the employee's "final performance score" and number of "assigned shares."

SC920.3.19. Performance Score. The performance score is the numeric rating between 0 and 100 assigned by the Authorizing Official to the employee's performance after evaluating it against the established performance elements and requirements.

SC920.3.20. Preliminary Performance Score. The preliminary performance score is the score between 0 and 100, recommended by the Rating Official after evaluating the employee's performance against the established performance elements and performance requirements. Sometimes called the Initial Summary Rating.

SC920.3.21. Rating Official. The senior leader who assigns the preliminary performance score.

SC920.3.22. Rating Period. The DoD rating period is October 1 to September 30 of each year.

SC920.3.23. Senior Professional. Senior professionals are those employees in appropriated fund positions classified as Senior Level (SL), Scientific and Professional (ST) under U.S.C. 5376, and Defense Intelligence SLs (DISL).

SC920.4. POLICY

It is the policy of the Department that DoD Executive and Senior Professional Pay and Performance support and facilitate performance excellence, accountability, and strategic alignment, and link performance to organizational results. Performance plans must support the Department's (and the respective Component's or organization's) strategic plan, Government Performance and Results Act (GPRA) goals and other related goals, desired outcomes and system results. Oversight of the performance appraisal process will include an annual assessment of the Component's performance, use of guidelines for performance evaluation, certification of the assessment process and appropriate recognition for executives and senior professionals. Recognition (pay increases and performance bonuses) will reflect organizational and individual performance. The Executive and Senior Professional Pay and Performance Systems will be transparent across the Department and have appropriate Department-wide accountability mechanisms. The Systems will be applied in a consistent, equal, nondiscriminatory and nonpoliticized manner.

SC920.5. PERFORMANCE

SC920.5.1. The DoD Executive and Senior Professional Pay and Performance Systems covered by this Subchapter govern all pay and performance appraisals for covered DoD employees. This subchapter establishes the standard pay and performance systems for employees assigned to SES, SL, and ST, positions.

SC920.5.2. Appendix 1 of this Subchapter establishes the DoD Executive Pay and Performance Appraisal System for executives in the SES. Appendix 2 of this Subchapter establishes the DoD Senior Professional Pay and Performance Appraisal System for employees in SL and ST positions.

SC920.6. BONUSES

SC920.6.1. Bonuses are tools to recognize, motivate and reward significant individual achievements or contributions and shall be an integral part of executive and senior professional performance management.

SC920.6.2. Receiving a performance bonus does not preclude an executive or senior professional from receiving other awards, provided that the employee is not monetarily awarded twice for the same accomplishment.

SC920.6.3. Executives and senior professionals may not receive a Presidential Rank Award and a performance bonus in the same year.

SC920.6.4. Consistent with DoD Component/activity awards authorities and delegations, awards may be granted to executives and senior professionals, either as individuals or as members of a team. The granting of such awards shall 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. The award itself may be monetary, non-monetary, informal recognition, honorary, or a combination thereof.

SC920.7. PAY

SC920.7.1. General. Executive and senior professional pay is set based upon a number of factors including executive and organizational performance results, the complexity and scope of work, the breadth of responsibility, the employee's experience, pay history and qualifications. Executive and senior professional pay adjustments must be linked to performance.

SC920.8. RESPONSIBILITIES

SC920.8.1. Pursuant to section 430.404 of reference (c), the Secretary of Defense, as the head of the Department of Defense, exercises overall responsibility for:

SC920.8.1.1. Establishing policy for DoD Executive and Senior Professional Pay and Performance Systems;

SC920.8.1.2. Rigorously overseeing and annually assessing Systems implementation;

SC920.8.1.3. Ensuring assessment is linked to the performance expectations and evaluations;

SC920.8.1.4. Providing performance appraisal guidelines based on an assessment of the Department mission accomplishments and external standards such as the Government Performance Review Act (GPRA) and President's Management Agenda to Authorizing Officials, Rating Officials and Performance Review Boards (as appropriate); and

SC920.8.1.5. Establishing DoD mission performance review mechanisms that can be used to assist in the evaluation of accomplishments.

SC920.8.2. The Under Secretary of Defense (Personnel and Readiness) (USD (P&R)), shall:

SC920.8.2.1. Develop DoD Executive and Senior Professional Pay and Performance System policy consistent with references (a) through (c); for Secretary of Defense approval;

SC920.8.2.2. Issue guidelines for Systems implementation and ensure the appraisal system makes meaningful distinctions based on relative performance;

SC920.8.2.3. Ensure evaluation goals and indicators of success incorporate government and department goals and objectives; and

SC920.8.2.5. Issue annual guidance for implementation of pay adjustments to ensure pay determinations are based on performance and reflect component and organizational performance.

SC920.8.2.6. Validate Component certifications provided under SC920.8.3.9. before annual performance bonuses and performance pay increases are effected.

SC920.8.2.7. Through oversight, validate that pay adjustments are based on performance and reflect Component and organizational performance.

SC920.8.3. The DoD Component Heads for SES, ST, and SL members shall:

SC920.8.3.1. Implement the established Executive and Senior Professional Pay and Performance Systems consistent with DoD policy and guidance;

SC920.8.3.2. Ensure pay adjustments are based on performance and reflect Component and organizational performance;

SC920.8.3.3. Budget to support executive and senior professional pay, and performance bonuses;

SC920.8.3.4. Set pay for accessions, and adjust pay for reassignments and transfers, and adjust pay based on performance and other criteria outlined in this Subchapter;

SC920.8.3.5. Provide training for Rating Officials, executives and senior professionals prior to implementation and periodically as necessary;

SC920.8.3.6. Evaluate and improve performance management within their Component;

SC920.8.3.7. Provide performance appraisal guidelines based on an assessment of Department or Component mission accomplishments and other standards such as DoD mission requirements and accomplishments, and GPRA to Authorizing Officials, Rating Officials and Performance Review Boards (as appropriate);

SC920.8.3.8. Establish Component mission performance review mechanisms that can be used to assist in the evaluation of executive and senior professional accomplishments; and

SC920.8.3.9. Certify annually that:

SC920.8.3.9.1. The appraisal system makes meaningful distinctions based on relative performance, holds executives accountable for organizational performance, and that pay adjustments, performance bonuses and final summary ratings reflect and recognize individual performance and contribution to the Component and Department's mission; and

SC920.8.3.9.2. Final summary ratings, pay adjustments, and bonuses accurately reflect the employee's performance requirements, which include business results, employee and customer perspectives, and when applicable, accountability for the performance management of subordinates.

SC920.8.4. Authorizing Officials shall provide oversight, ensuring that:

SC920.8.4.1. The executive and senior professional appraisal process makes meaningful distinctions based on relative performance;

SC920.8.4.2. The results of the executive and senior professional appraisal process take into account, as appropriate, the Department and Component's assessment of its performance against program performance measures, as well as other relevant considerations;

SC920.8.4.3. The agency's performance is assessed relative to the Department's goals, strategic plans and program performance measures using such indicators as achievements based on GPRA objectives;

SC920.8.4.4. Basic pay, pay adjustments, performance bonuses, and other awards based on the results of the appraisal process accurately reflect and recognize individual performance and/or contribution to agency or organization performance; and

SC920.8.4.5. Appraisal guidelines based on an assessment of the Component mission accomplishments and other standards such as DoD mission requirements and accomplishments and GPRA are provided to Rating and Reviewing Officials and Performance Review Boards (as appropriate).

SC920AP.1. APPENDIX 1 TO SUBCHAPTER 920

DoD EXECUTIVE PAY AND PERFORMANCE APPRAISAL SYSTEM

SC920AP.1.1. PURPOSE. The purpose of the Executive Pay and Performance Appraisal System is to provide an equitable method for appraising and compensating covered executives. It is essential for the development of a highly productive workforce and to provide management, at the lowest practical level, the authority, control, and flexibility needed to accomplish the mission and meet organizational goals, including the requirements of the organization's strategic plan. The System allows for executive involvement in and oversight of the evaluation process, communication between the Rating Official and executive, clear accountability, executive pay progression based on performance, mission accomplishment, and an understandable basis for adjustments in pay.

SC920AP.1.2. COVERAGE.

SC920AP.1.2.1. DOD Component Coverage. The DoD Executive Pay and Performance Appraisal System applies to all DoD appropriated fund Components.

SC920AP.1.2.2. Employee Coverage. The provisions of this Appendix cover executives assigned to positions in the SES under U.S.C. 5382 and 5383.

SC920AP.1.3 PAY.

SC920AP.1.3.1. Executive Basic Pay.

SC920AP.1.3.1.1. DoD executives will have their basic pay set within a pay band of 120% of a GS-15 step 1 to Executive Level III, and up to Executive Level II with a pay and performance system certified in accordance with parts 430 and 1330 of reference (c). Pay will be based on executive and organizational performance results, the complexity and scope of work, and the breadth of responsibility of the executive position.

SC920AP.1.3.1.2. Executive basic pay is exclusive of bonuses, differentials and allowances as outlined in section 530.202, reference (c).

SC920AP.1.3.2. Pay for New Accessions.

SC920AP.1.3.2.1. Upon accession, an executive's pay will normally be set at any rate within the range not to exceed Executive Level III.

SC920AP.1.3.2.2. The criteria for setting pay above Executive Level III pursuant to a pay and performance system certified in accordance with parts 430 and 1330 of reference (c), not to exceed Executive Level II, are in SC920AP.1.4.9.1.6 of this policy.

SC920AP.1.3.2.3. In setting a new senior executive's rate of basic pay, the Component must consider the nature and quality of the executive's experience, pay history, qualifications, job responsibilities and performance expectations.

SC920AP.1.3.2.4. Pay Adjustment for Executives. Adjustments in basic pay after appointment to increase or reduce the rate of basic pay of an executive must be made consistent with this policy. An Authorizing Official may:

SC920AP.1.3.2.4.1. Approve only once in any 12-months period, except as provided in section SC920AP.1.3.2.4.2, an increase in pay if the executive's individual performance and/or contributions to Component performance so warrant. Pay increase determinations should consider such elements as unique skills, qualifications, or competencies that the individual possesses, and their contributions to the Component's performance, as well as the executive's current responsibilities.

SC920AP.1.3.2.4.2. Approve an increase in an executive's rate of basic pays more than once during a 12-month period where the Authorizing Official determines and documents with a written justification that an additional increase is warranted:

SC920AP.1.3.2.4.2.1. For an exceptionally meritorious accomplishment that contributes significantly to the Department or Component's performance;

SC920AP.1.3.2.4.2.2. For reassignment to a position with substantially greater scope and responsibility;

SC920AP.1.3.2.4.2.3. For the retention of an executive who is critical to the mission of the Component and who would likely leave the Component in the absence of a pay increase; or

SC920AP.1.3.2.4.2.4. To align a senior executive with the agency's senior executive appraisal and pay adjustment cycle.

SC920AP.1.3.2.4.3. Approve an increase in basic pay to maintain the executive's relative position in the SES rate range (consistent with section 534.404(b)(4) of reference (c).

SC920AP.1.3.3. Pay Setting upon Return from Assignment Outside the 48 Contiguous States and the District of Columbia. There will be an adjustment to the pay of executives who were in positions located outside the 48 contiguous States or the District of Columbia as of the first pay period beginning on or after January 1, 2004, upon their return to the Continental United States. The adjustment will be equal to the amount of locality rate authorized for the applicable locality area upon reassignment. The adjustment will not be considered a pay adjustment for the purpose of applying the provisions of parts 430 and 534, reference (c).

SC920AP.1.3.4. Setting Rates of Basic Pay Following a Break in Service.

SC920AP.1.3.4.1. When a former executive is reappointed to an executive position after a break in service of more than 30 days, an Authorizing Official 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 this policy.

SC920AP.1.3.4.2. If there has been a break in executive service of 30 days or less, the executive's rate of basic pay must be set at a rate within the SES rate range, but not higher than the executive's former SES rate of basic pay.

SC920AP.1.4. PROGRAM REQUIREMENTS

SC920AP.1.4.1. General. The steps in the performance appraisal process are charted in attachment 1 of this Appendix. Executive performance plans must:

SC920AP.1.4.1.1. Describe the performance elements of the executive's work and the performance level (i.e., performance requirements) expected to achieve expectations;

SC920AP.1.4.1.2. Reflect the performance elements and required individual and organizational performance requirements consistent with the goals and objectives in strategic plans;

SC920AP.1.4.1.3. Be developed in consultation with the executive; and

SC920AP.1.4.1.4. Be communicated to the executive on or before the beginning of the appraisal period, during the appraisal period, and following the final rating.

SC920AP.1.4.2. Development of the Performance Plan.

SC920AP.1.4.2.1. Performance plans shall be in place within 30 days of the beginning of each appraisal period, after the entrance on duty of a new executive, reinstatement of an executive, or the reassignment or transfer to a different executive position.

SC920AP.1.4.2.2. Performance plans should be modified when mission or workload changes occur.

SC920AP.1.4.2.3. Using the DoD Executive Performance Appraisal Form, attachment 2 of this Appendix, the Rating Official documents the performance elements and requirements for the position.

SC920AP.1.4.2.3.1. Performance Elements.

SC920AP.1.4.2.3.1.1. There are seven standard performance elements that shall be used to evaluate an executive. They are: leadership/supervision; contribution to mission accomplishment; resource management; communication; cooperation/teamwork; customer care; and technical competence/problem solving. A full description of these performance elements is provided at the end of this Appendix.

SC920AP.1.4.2.3.1.2. Rating Officials may include additional elements with approval of the Authorizing Official.

SC920AP.1.4.2.3.1.3. A Rating Official may exclude any non-mandatory performance element that does not apply to a specific position. Elements are selected based on each executive's job assignments or position responsibilities. However, contribution to mission accomplishment, leadership/supervision, and customer care elements are mandatory for all executives.

SC920AP.1.4.2.3.1.4. Authorizing Officials may establish guidance for weighting performance elements. Rating officials must assign a percentage value (or weight) to each performance element based on the relative importance of each element. The weights may vary by element or be the same for each. The sum of the weights for all elements will be 100%.

SC920AP.1.4.2.3.2. Performance Requirements.

SC920AP.1.4.2.3.2.1. The Rating Official must work with the executive to develop performance requirements for each performance element that reflect the duties, responsibilities and expected outcomes.

SC920AP.1.4.2.3.2.2. Performance requirements specify the outputs and outcomes of a particular performance element. Performance requirements must describe the level of performance expected to achieve expectations. These are the standards against which the executive's performance will be appraised.

SC920AP.1.4.2.3.2.3. Performance requirements for executives apply to their respective areas of responsibility; reflect expected agency or organizational performance; clearly describe performance that is measurable, verifiable, or apparent; and focus on tangible outputs, outcomes, milestones or other deliverables.

SC920AP.1.4.3. On-Going Performance Feedback. The Rating Official shall provide ongoing feedback as necessary to an executive on the executive's performance relative to the performance plan.

SC920AP.1.4.3.1. Executives may request periodic feedback on performance. Feedback can be provided at any time during the appraisal period.

SC920AP.1.4.3.2. At least one progress review must be held between the Rating Official and executive during the rating period. The Rating Official will document the feedback using Part B II of the Executive Pay and Performance Appraisal Form and inform the executive of accomplishments towards performance requirements.

SC920AP.1.4.4. Appraising Performance. Appraisals will be based upon an assessment of individual and organizational performance considering: results achieved consistent with DoD goals; customers' satisfaction and employee perspectives; the effectiveness, productivity, performance of the executives and employees for whom the executive is responsible; activities that demonstrate commitment to diversity, leadership and the merit principles; contribution to mission accomplishment; resource management; problem solving and technical competence; cooperation and teamwork; communication and customer care.

SC920AP.1.4.4.1. Performance Rating Period.

SC920AP.1.4.4.1.1. Duration of the Rating Period. The duration of the rating period normally will be 12 months, except when an executive fails to achieve expectations, when a new executive (through appointment, reinstatement, reassignment) is assigned to a position after the beginning of the rating period, or other situations that may warrant a rating period of less or more than 12 months (e.g., departure of the rater before the end of the rating period). The rating period shall be October 1 through September 30 each year.

SC920AP.1.4.4.1.2. Minimum Rating Period. In order to provide for meaningful evaluation of an executive's performance, the minimum rating period will be 90 days.

SC920AP.1.4.4.2. Performance Appraisal.

SC920AP.1.4.4.2.1. Each Rating Official will determine the degree and level to which the executive has accomplished the performance requirements for the executive's position and assign a score for each performance element. Each performance element will be evaluated and rated separately. The sum of the scores is the executive's preliminary performance score.

SC920AP.1.4.4.2.2. Rating Officials may request that the executive provide written input describing accomplishments throughout the rating period. The narrative comments will assist the Rating Official to evaluate more fully the executive's performance.

SC920AP.1.4.4.2.3. At the end of the appraisal period, to fully evaluate the executive's accomplishments and determine the preliminary performance score, the Rating Official considers the executive's comments describing accomplishments towards performance elements and performance requirements, and input from individuals in the executive's rating chain, subordinates and customers. The Rating Official must communicate to the executive the appraisal of his/her performance. Rating Officials document accomplishments on pages 3 and 4, Part C, Section I, of the Executive Pay and Performance Appraisal form. Components may add Component-specific instructions or requirements at the top of this section of the appraisal form.

SC920AP.1.4.4.2.4. Rating Officials must conduct an end of rating period performance review with each of their executives. Signatures are required on the Executive Pay and Performance Appraisal Form in Part C for the Rating Official and Part D for the executive.

SC920AP.1.4.4.2.5. Performance Levels:

SC920AP.1.4.4.2.5.1. **Exceptional Results** is performance that far exceeds what is expected in the attainment of the performance requirement, as evidenced by exceptional accomplishments or contributions to the mission.

SC920AP.1.4.4.2.5.2. **Exceeds Expected Results** is performance that surpasses what is expected in the attainment of the performance requirements and/or results in the achievement of unexpected outcomes that contribute to the mission.

SC920AP.1.4.4.2.5.3. **Achieved Expectations** is performance that fully meets the attainment of the requirements as defined by the performance plan.

SC920AP.1.4.4.2.5.4. **Minimally Satisfactory** is performance that partially meets or demonstrates some progress toward the attainment of the performance requirements described in the performance plan.

SC920AP.1.4.4.2.5.5. **Unsatisfactory** is performance that fails to meet the requirements for any element in the performance plan.

SC920AP.1.4.4.3. Performance Scores.

SC920AP.1.4.4.3.1. Following a review of the executive's accomplishments, the Rating Official will consider the executive's performance against each performance requirement and assign between 0 and 100 points to each element. The Rating Official will multiply the points by the percentage weight for each element and sum the results to arrive at a preliminary performance score.

SC920AP.1.4.4.3.1.1. The maximum score is 100 points.

SC920AP.1.4.4.3.1.2. An executive whose performance is unsatisfactory for any element (i.e., receives fewer than 51 points) will receive a final rating of Unsatisfactory.

SC920AP.1.4.4.3.1.3. Components may use an alternative scoring strategy to achieve the adjective performance rating, with USD (P&R) approval.

SC920AP.1.4.4.3.2. Score Ranges and Shares for Payout. The preliminary performance score will be used to determine recommended share and adjective performance rating that will drive the basic pay increase or performance bonus. Using the Share Conversion Chart found in Figure 920AP.1-1, the Rating Official selects the recommended number of shares from the performance payout shares column that corresponds to the employee's preliminary performance score found in the score column.

**Performance Rating, Score Ranges and Shares for Payout
Share Conversion Chart**

Performance Rating	Score	Performance Payout Shares
Exceptional Results	95 – 100	11, 12 13, 14, 15, or 16 shares
Exceeds Expected Results	86 – 94	7, 8, 9 or 10 shares
Achieved Expectations	70 – 85	1, 2, 3, 4, 5 or 6 shares
Minimally Satisfactory	51 – 69	0 shares
Unsatisfactory	0 – 50	0 shares

Figure 920AP.1-1

SC920AP.1.4.4.3.3. An executive will receive a performance payout as a percentage of current basic pay. This percentage is based on the number of shares granted based on the executive’s final performance score. After a performance score is assigned, the Rating Official will recommend the number of shares that should be granted. The Rating Official will determine the recommended number of shares using the framework above. In determining the number of shares, the Rating Official will take into consideration the preliminary performance score, the executive’s current basic pay, overall funding availability, and performance of the executive against the relative performance of other executives. The performance payout shares earned by an executive will be used to calculate the performance payout as outlined in the payout formula.

SC920AP.1.4.4.3.4. Distribution of performance scores will not be forced or artificially constrained by a Rating Official, Authorizing Official or Performance Review Board (PRB).

SC920AP.1.4.5. Higher Level Review.

SC920AP.1.4.5.1. Components may require a review of the Rating Official’s recommendations by another official. The official should document this review by signing the Appraisal Form in the area indicated for Second-Level Reviewer.

SC920AP.1.4.5.2. Section 4312(b)(3) of reference (b) provides an executive the opportunity to respond in writing after receipt of the initial rating, and to request review by an official at a higher organizational level (if there is one) prior to review by the PRB. The executive must request such review within 7 calendar days of receiving the initial rating.

SC920AP.1.4.5.2.1. The executive may comment in writing regarding his/her preliminary performance score and/or appraisal.

SC920AP.1.4.5.2.2. A higher-level reviewing official, either another executive or an active duty General/Flag Officer, at a higher level in the Component, must be appointed to consider the executive’s response. Components may appoint someone outside of the Component to perform the review when the Authorizing Official is also the Rating Official or the review is more appropriately conducted by an external executive or General/Flag Officer. When a General/Flag Officer is involved in the review, the executive must agree to the military member’s involvement.

SC920AP.1.4.5.2.3. The higher-level reviewing official may not change the Rating Official's preliminary performance score, but may recommend a different preliminary performance score to the PRB and the Authorizing Official.

SC920AP.1.4.5.2.4. Copies of the reviewer's findings and recommendations must be given to the executive, the Rating Official, the Second-Level Reviewer (as appropriate), the PRB and the Authorizing Official.

SC920AP.1.4.6. Performance Review Board.

SC920AP.1.4.6.1. A Performance Review Board (PRB) or Boards will be established by the Authorizing Official to review the Rating Official's preliminary performance score, associated performance rating and recommendation for the number of payout shares to be granted. This review process gives the Authorizing Officials the opportunity to verify that the evaluations and approach to scoring are consistent among Rating Officials within the pay pool and ensures that performance assessments of executives are comparable within the pay pool.

SC920AP.1.4.6.2. Authorizing Officials may determine the composition of the established PRB consistent with Chapter 43 of reference (b), Part 430 of reference (c) and PRB procedures.

SC920AP.1.4.6.3. The PRB will review and evaluate the preliminary performance score, performance ratings and recommended performance payout shares as they relate to mission accomplishments and performance, the written review by the higher level reviewing official, and the executive's written response, if any, to:

SC920AP.1.4.6.3.1. Make written recommendations concerning an executive's performance rating to the Authorizing Official; and

SC920AP.1.4.6.3.2. Make written recommendations concerning performance bonuses and increases to basic pay.

SC920AP.1.4.6.4. PRB members may not take part in any deliberations involving their own appraisals or those in their supervisory chain.

SC920AP.1.4.7. Final Performance Ratings. The Authorizing Official:

SC920AP.1.4.7.1. Determines final performance rating, performance score and performance payout shares after consideration of comments provided by a higher-level reviewer (if appropriate) and PRB recommendations;

SC920AP.1.4.7.2. Certifies that the results of the appraisal process make meaningful distinctions based on relative performance and are consistent with those guidelines established under SC920.8.1, SC920.8.2, SC920.8.3 and SC930.8.4 of this policy; and

SC920AP.1.4.7.3. Assures that pay adjustments, performance bonuses, and pay (based on the results of the appraisal process) accurately reflect and recognize individual performance and/or contributions to the Component's mission performance, as appropriate.

SC920AP.1.4.8. Pay Pools.

SC920AP.1.4.8.1. Each Authorizing Official shall determine the executive pay pool structure. Generally, pay pools may be combinations of organizational elements, (e.g., Divisions, Branches, functional communities, etc.), that are defined for purposes of determining performance payouts under the Executive Pay and Performance Appraisal System. Pay pools must be established to avoid conflicts of interest.

SC920AP.1.4.8.2. Decisions regarding the amount of the performance payout are based on the established performance payout calculations described below. The Authorizing Official shall identify a pay pool manager for each pay pool. The pay pool manager is responsible for ensuring that distribution of funds is based upon executive performance, contributions and organizational success.

SC920AP.1.4.8.3. The amount of money available for basic pay increases is determined by the total of the general pay increase (GPI), plus an amount that considers market rates relative to where the executives in the pay pool work.

SC920AP.1.4.8.4. Performance bonus payments are funded separately, but the amount of money available for performance bonus payments must be equivalent to no more than 10 percent of total basic pay of the executives in the pay pool.

SC920AP.2.4.8.5. The sum of these factors is the pay pool funding factor (e.g., 2 percent from the GPI, 3 percent for market adjustments, and 10 percent for performance bonuses = 15 percent).

SC920AP.1.4.9. Performance Payouts.

SC920AP.1.4.9.1. Basic Pay Increases and Performance bonuses.

SC920AP.1.4.9.1.1. Performance payouts occur annually, normally in January. The amount of money available for performance share payouts is divided into two elements, basic pay increases and performance bonuses. The payouts made to executives from the pay pool include basic pay increases and/or performance bonuses based on performance scores and are subject to the amounts available in the respective funds.

SC920AP.1.4.9.1.2. Executives must have a performance rating of "Achieved Expectations" (based on a performance score of at least 70, or the equivalent) to be considered for a bonus. In addition, executives must achieve expectations for all performance elements to be eligible for a performance payout.

SC920AP.1.4.9.1.3. A performance bonus must be between 5 to 20 percent of basic pay.

SC920AP.1.4.9.1.4. Basic pay increases will not be granted to executives at the top of the pay band however, an executive may receive a performance bonus that does not exceed the maximum level authorized.

SC920AP.1.4.9.1.5. An Authorizing Official or the pay pool manager may reallocate to executives, not at the top of their pay band (uncapped executives), some or all of any unexpended basic pay funds for executives at the top of their pay band (capped executives). This reallocation is placed back into the pay pool and distributed to the uncapped executives as determined by the PRB or Authorizing Official. Any increase in an uncapped executive's basic pay as a result of this reallocation will be offset by an equivalent reduction in the executive's performance bonus payment. Thus, the uncapped executive's total performance payout is unchanged.

SC920AP.1.4.9.1.6. Increases above the EX-III level are dependent upon the executive's performance and/or contribution to agency performance and the position's responsibilities, relative to the scope of work level, breadth of responsibility and impact on the DoD or Component mission. Rates of basic pay higher than the rate of EX-III, but less than or equal to EX-II, are approved by the Authorizing Official, and are reserved for:

SC920AP.1.4.9.1.6.1. Those executives who have demonstrated the highest levels of individual performance and/or made the greatest contributions to Department or Component performance, as determined by the Authorizing Official;

SC920AP.1.4.9.1.6.2. Executives who have demonstrated exceptionally meritorious accomplishments;

SC920AP.1.4.9.1.6.3. Executives who are reassigned to positions with substantially greater scope and responsibility;

SC920AP.1.4.9.1.6.4. Executives who are assigned to positions critical to the agency mission; or

SC920AP.1.4.9.1.6.5. Newly appointed executives who possess superior leadership or other competencies, consistent with the Component's strategic human capital plan.

SC920AP.1.4.9.2. Performance payouts will be calculated and administered so that a pay pool manager does not exceed the resources that are available in the pay pool.

SC920AP.1.4.9.3. In making performance payouts, the amount of that year's pay pool and share value will be determined as follows:

SC920AP.1.4.9.3.1. The pay pool funding factor must be determined first. The pay pool funding factor is the percentage amount budgeted for basic pay increases and performance bonuses.

SC920AP.1.4.9.3.1.1. Next, the pay pool value is determined by multiplying the pay pool funding factor determined above by the sum of the combined basic pay salaries of all executives in the pay pool as follows:

Pool Value = Pay pool funding factor X Total salaries of all covered executives.

SC920AP.1.4.9.3.1.2. No more than the amount budgeted for the basic pay increases may be used for basic pay increases. Rating Officials and pay pool managers otherwise may use discretion in determining the proportion of an executive's total performance payout that is paid as a performance basic pay increase and/or performance bonus, consistent with the bonus parameters in SC920AP.1.4.9.1.3.

SC920AP.1.4.9.3.1.3. Next, the share value is calculated. Multiply each individual executive's basic pay by the number of shares awarded to that executive (Salary X Shares). The sum total of (Salary X Shares) for all executives in the pay pool is divided into the pool value to arrive at the share value as follows:

Share Value = Pool Value / (Sum Total (Salary X Shares))

The share value represents a fixed percentage basic pay increase for each executive. The value of a share cannot be exactly determined until the rating and PRB process is complete.

SC920AP.1.4.9.3.1.4. An executive's total performance payout is the share value multiplied by the executive's end-of-rating period basic pay salary multiplied by the number of shares earned by the executive.

Executive Performance Payout = Salary X Shares X Share Value

SC920AP.1.4.9.4. The total performance payout is checked against the limit specified in reference (c) that performance bonuses must be paid within the range of 5 and 20 percent of basic pay.

Performance Payout Example

Assumptions – 40 executives in the pay pool. The executive in question makes \$140,000 per year and received 12 performance shares. The other 39 executives make \$140,000 each and receive 12 performance shares each. This example is a simple illustration of the mathematical calculation; it does not illustrate the required differentiation between performance levels.

1. Authorizing Official Determines Pay Pool Funding Factor

3% (budgeted for pay increases) + 2% (general pay increase) + 10% (potential performance bonuses) = 15%

2. Determine Pay Pool Value

Pay Pool Funding Factor x Total Salaries of all covered executives = Pay Pool Value -- $15\% \times \$5,600,000 = \$840,000$

3. Determine Basic Pay Increase Cap

(Amount Budgeted for Pay Increases + GPI) x Total Salaries
 $(3\% + 2\%) \times \$5,600,000 = \$280,000$

4. Determine Total Share Value

Executive Pay x Shares assigned to Executive = Executive Share
The total of all Executive Shares = Total Share Value
 $\$140,000 \times 12 = 1,680,000 + (\$140,000 \times 12 \times 39) = 67,200,000$

5. Determine Value Per Share

Pay Pool Value / Total Share Value = Value per Share
 $\$840,000 / 67,200,000 = .0125$

6. Determine the Executive's Total Performance Payout

Salary x Shares x Value per Share = Performance Payout
 $\$140,000 \times 12 \times .0125 = \$21,000$

7. Determine Split between Pay Increase and Performance Bonus (PRB determination)

$\$5,000$ Pay Increase and $\$16,000$ Performance Bonus

8. Check that Performance Bonus is Between 5% and 20% of the Executive's Annual Salary

$\$7,000$ and $\$28,000$ in this example

9. Check that Total Pay Increase is at or under the Basic Pay Increases Cap (\$280,000 in this Example)

Total Pay Increase = Pay Increase + Pay Increase (40 times in this Example)
 $\$5,000 \times 40 = 200,000$

10. Based on these Calculations, the Executive in the Example Receives \$145,000 in Salary and a \$16,000 Performance Bonus

SC920AP.1.4.10. Performance Payout Flexibilities.

SC920AP.1.4.10.1. The aggregate amount budgeted for basic pay increases may not be exceeded.

SC920AP.1.4.10.2. Pay pool managers may set aside a portion of the available basic pay adjustment pay pool dollars or use other funding sources for discretionary pay increases.

SC920AP.1.4.10.2.1. A discretionary pay increase may be used to recognize an executive for extraordinary achievement or performance with an increase to basic pay beyond what the performance payout formula provides.

SC920AP.1.4.10.2.2. Discretionary pay increases are capped at EX-II consistent with the policies established to approve basic pay above EX-III.

SC920AP.1.4.11. Compensation Cap. Total compensation paid to an executive during a calendar year may not exceed EX-I, or the Vice President's salary with a certified executive performance system.

SC920AP.1.4.12. Performance Awards.

The award budget is separate from money used for basic pay increases and performance bonuses. The amount of money available for awards must be equivalent to a minimum of one-half percent of total basic pay salary dollars.

SC920AP.1.4.13. Grievances.

An executive may not grieve any performance plan, appraisal, rating level, performance score, shares allocation, adjustment in basic pay, the nonreceipt of a performance bonus, or the amount of such bonus.

SC920AP.1.4.14. Training.

To ensure that the Department's performance management policy and systems are effectively implemented, periodic training will supplement informational meetings and/or briefings for Rating Officials and executives relative to performance management, including performance planning and appraising performance.

Department of Defense Executive Pay and Performance Appraisal			
Part A – Performance Plan			
1. Name of Executive (Last, First, MI)	2. Position Title	3. Organization	4. Pay Pool Manager
5. Rating period dates: Beginning/ending (yyymmdd)/(yyymmdd)	6. Performance Type ___ Annual ___ Interim	7. Appointment Type: ___ SES: Career, Noncareer, LTD Term, LTD Emergency ___ DISES	
Part B I – Performance Elements and Requirements (See Page 2, Part B, Section I.)			
The signatures below acknowledge joint development and understanding of the performance elements and performance requirements.			
8.a. Signature of executive	8.b. Typed name of executive (Last, First, MI)	8.c. Date	
9.a. Signature of rating official	9.b. Typed name of rating official (Last, First, MI)	9.c. Date	
Part B II - On-Going Feedback			
10. Record of performance feedback within the rating period:			
Date (yyymmdd) _____ Executive: _____ Rating Official _____			
Date (yyymmdd) _____ Executive: _____ Rating Official _____			
Part C – Preliminary Performance Score			
Preliminary Performance Score is based on the total scores of performance accomplishments on page 2.			
11.a. Preliminary performance score. _____		11.b. Preliminary performance rating _____	
11.c. Recommended performance shares _____		11.d. Recommended discretionary pay increase _____	
11.e. Signature, Rating Official _____		11.f. Date (yyymmdd) _____	
11.g. Signature, Second Level Reviewer _____		11.h. Date (yyymmdd) _____	
Part D - Executive Acknowledgement of Appraisal			
Signature acknowledges that the executive is aware of and was provided a copy of this evaluation. It does not constitute agreement or disagreement with the evaluation.			
12.a. Signature of Executive		12.b. Date (yyymmdd)	
12.c. ___ Higher level review Executive's Initials _____ Date Request Submitted _____ (Check indicates the executive's request for a higher-level review within 7 workdays after receipt of the preliminary rating.)			
Part E - Performance Review Board Recommendations			
13.a. Performance Rating _____		13.b. Performance Score _____	13.c. Performance Shares _____
Part F - Authorizing Official – Performance Score, Pay Increases and Performance bonuses			
14.a. Performance Score _____ Shares _____	14.b. Basic Pay Increase: _____ \$ _____	14.c. Performance bonus: \$ _____	14.d. Discretionary Pay Increase: \$ _____
14.e. Signature of Authorizing Official			14.f. Date (yyymmdd)

Department of Defense
Executive Pay and Performance Appraisal

Part B Section I – Performance Elements, Performance Requirements and Preliminary Score Limited to One Page.

Performance Scores	Performance Elements and Requirements
1. ____ Leadership/Supervision ____ Weight	1. Leadership/Supervision. (Mandatory): Demonstrates effective and ethical individual and organization leadership to assess situations realistically; identifies and recommends or implements needed changes.
2. ____ Contribution to Mission Accomplishment ____ Weight	2. Contribution to Mission Accomplishment (Mandatory): Executes the position’s assigned duties in a manner that contributes to the successful outcome of strategic goals and objectives.
3. ____ Resource Management ____ Weight	3. Resource Management. Demonstrates effective use/management of personal and organizational resources such as time, personnel, equipment and/or funds.
4. ____ Communication ____ Weight	4. Communication: Demonstrates effective listening, writing and oral communications skills.
5. ____ Cooperation/Teamwork ____ Weight	5. Cooperation/Teamwork: Demonstrates trait of flexibility, adaptability and decisiveness and the ability to exhibit and foster cooperation in team efforts and organizational settings.
6. ____ Customer Care ____ Weight	6. Customer Care (Mandatory): Demonstrates effective interactions with internal and external customers.
7. ____ Technical Competence/ Problem Solving ____ Weight	7. Technical Competence/Problem Solving: Demonstrates the knowledge and skills required to execute the position’s assigned duties and responsibilities.
____ Preliminary Performance Score	

Department of Defense
Executive Pay for Performance Appraisal

Part C – Accomplishments (Components may add Component-specific instructions or requirements)

Department of Defense
Executive Pay for Performance Appraisal

Part C– Accomplishments (Components may add Component-specific instructions or requirements)

Department of Defense Executive Pay and Appraisal

Administrative Instructions

Part A

Performance Plan (Page 1, Blocks 1 – 7 (Page 1)

Identify pertinent information about the executive being rated.

Section 6.

Annual Rating: Completed after the end of the appraisal period.

Interim Rating: Appraisal of executive performance, other than the annual rating, completed during the rating period due to a reassignment or on the departure of a supervisor.

Part B

I - Performance Elements, Performance Requirements and Preliminary Score (Page 2)

Identifies the seven, standard performance elements for each executive, which includes major areas of responsibilities. Each performance element must be supported by one or more performance requirements, which state what is expected at the achieved expectations performance level. Performance requirements must be specific so that expectations are clear, i.e., level of quality, time frame, etc. Documents the Rating Official's preliminary performance score based on the executive's accomplishments towards meeting the performance requirements of each performance element. If the Rating Official is going to weight any of the performance elements, the weight must be documented in this page. Preliminary performance score total is documented here, as well as in Part C, section 11.a.

I - Performance Elements and Performance Requirements (Page 1, blocks 8 and 9) The signatures of the executive and Rating Official are required in this Part to acknowledge joint development and understanding of the performance elements and requirements.

II - On-Going Feedback (Page 1, block 10) Documents performance feedback sessions between the executive and the Rating Official. At least one entry is required during the rating period.

Part C - (Pages 3 and 4 or no more than two pages on plain bond paper)

Document the executive's accomplishments on each performance requirement. The Rating Official, Performance Review Board, and Authorizing Official consider accomplishments in determining increases to basic pay and performance bonuses. Component-specific instructions may be added before accomplishments are addressed.

Document the Rating Official's determination of the preliminary performance score (block 11.a., from Part B Section I), the preliminary performance rating (block 11.b.), the recommend performance shares (block 11.c.) based on the preliminary performance score relative to the range of performance shares in the following table, and a recommended discretionary pay increase.

Performance Rating, Score Ranges and Shares for Payout Share Conversion Chart

Performance Rating	Score Range	Performance Payout Shares
Exceptional Results	95 – 100	11, 12 13, 14, 15, or 16 shares
Exceeds Expected Results	86 – 94	7, 8, 9 or 10 shares
Achieved Expectations	70 – 85	1, 2, 3, 4, 5 or 6 shares
Minimally Satisfactory	51 – 69	0 shares
Unsatisfactory	0 – 50	0 shares

Part D

Executive Acknowledgement of Appraisal.

Signature of executive, block 12.a. The signature of the executive acknowledges that the executive is aware of and has been provided a copy of this evaluation. Signature does not constitute agreement or disagreement with the appraisal. If the executive desires to provide a written response to the preliminary performance rating, and desires a higher-level review, the executive places a check in block 12.c. and initials and dates the form.

Part E - Performance Review Board (PRB) Recommendations

Blocks 13. a. through 13.c. document PRB recommendations to the Authorizing Official: the performance rating (block 13.a.); the performance score (block 13.b.); and the performance shares (block 13.c.).

Part F - Authorizing Official – Performance Score, Pay Increases and Performance Bonuses

Blocks 14 a. through 14.f. document the Authorizing Officials decisions on: the performance score and performance shares (block 14.a.); the dollar amount of the increase in basic pay (block 14.b.); the dollar amount of the performance bonus (block 14.c.); the discretionary pay increase (block 14.d.); the signature of the Authorizing Official (block 14.e); and the date of the Authorizing Official's decisions (block 14.f.).

Department of Defense Executive Pay and Performance Appraisal System Performance Elements

1. **Leadership/Supervision (Mandatory)**: Demonstrates effective and ethical individual and organization leadership to assess situations realistically; identifies and recommends or implements needed changes. Actively furthers the mission of the organization and assures that organizational performance is aligned to the strategic plan. Works to improve the diversity of the organization, ensures that all employee rights are respected and takes responsibility for the effective management of employee performance. Builds leaders for the future through active engagement in and support for developmental programs.
2. **Contribution to Mission Accomplishment (Mandatory)**: Executes the position's assigned duties in a manner that contributes to the successful outcome of strategic goals and objectives. Ensures that the accomplishments of the organization or program managed can be directly tied to mission need. Specifies the results or commitments to be achieved during the rating period.
3. **Resource Management**: Demonstrates effective use/management of personal and organizational resources such as time, personnel, equipment and/or funds. Meets schedules and deadlines, and accomplishes work in order of priority; generates and accepts new ideas and methods for increasing work efficiency; effectively utilizes and properly controls available resources; supports organization's resource development and conservation goals. Manages organization or program within the parameters established for the Department's Internal Control Program.
4. **Communication**: Demonstrates effective listening, writing, and oral communication skills. Provides or exchanges oral/written ideas and information that are timely, accurate, and easily understood. Represents the organization in a manner appropriate for the level of communication. Understands and operates under the communication release requirements of the organization.
5. **Cooperation/Teamwork**: Demonstrates traits of flexibility, adaptability and decisiveness and the ability to exhibit and foster cooperation in team efforts and organizational settings. Uses the appropriate cooperation and teamwork skills for the situation.
6. **Customer Care (Mandatory)**: Demonstrates effective interactions with internal and external customers. Demonstrates care for customers through respectful, courteous, reliable and conscientious actions. Seeks out, develops, and/or maintains solid working relationship with customers to identify their needs, quantifies those needs, and develops practical solutions. Keeps customer informed. Within the scope of job responsibility, seeks out and develops new programs and/or reimbursable customer work.
7. **Technical Competence/Problem Solving**: Demonstrates the knowledge and skills required to execute the position's assigned duties and responsibilities. Ensures the technical accuracy of the work produced or provided by organization managed. Independently identifies issues and recognizes all sides in the resolution process.

Department of Defense Executive Pay and Performance System

The basis for determining the rating level of each performance element will be the relationship of the executive's accomplishments to the performance requirements. The table below identifies each of the seven benchmark performance elements: Leadership/Supervision; Contribution to Mission Accomplishment; Resource Management; Communication; Cooperation/Teamwork; Customer Care; and Technical Competence/Problem Solving and illustrates accomplishments and contributions that may be considered in reviewing the executive's accomplishments.

Performance Element	Competencies/Performance Accomplishment:
Leadership/Supervision (mandatory element)	<p>Vision - Takes a long-term view and acts as a catalyst for organizational change; builds a shared vision with others. Influences others to translate vision into action. Engages in succession planning.</p> <p>Service Motivation - Creates and sustains an organizational culture which encourages others to provide the quality of service essential to high performance. Enables others to acquire the tools and support they need to perform well. Shows a commitment to public service. Influences others toward a spirit of service and meaningful contributions to mission accomplishment.</p> <p>Integrity/Honesty - Instills mutual trust and confidence; creates a culture that fosters high standards of ethics; behaves in a fair and ethical manner toward others, and demonstrates a sense of corporate responsibility and commitment to public service.</p> <p>Leveraging Human Capital - Recruits, develops, and retains a diverse high quality workforce in an equitable manner consistent with applicable law and merit systems principles. Leads and manages an inclusive workplace that maximizes the talents of each person to achieve sound business results. Respects, understands, values and seeks out individual differences to achieve the vision and mission of the organization. Develops and uses measures and rewards to hold self and others, including subordinate managers and supervisors, accountable for achieving results that embody the principles of diversity and achieve organizational results.</p> <p>Decisiveness - Exercises good judgment by making sound and well-informed decisions; perceives the impact and implications of decisions; makes effective and timely decisions, even when data is limited or solutions produce unpleasant consequences; is proactive and achievement oriented.</p>
Contribution to Mission Accomplishment (mandatory element)	<p>Strategic Alignment - Achieves results that support and contribute to the accomplishment of the strategic goals of the organization, Component and the Department.</p> <p>Strategic Thinking - Formulates effective strategies consistent with the business and competitive strategy of the Department and Component in a global economy. Examines policy issues and strategic planning with a long-term perspective. Determines objectives and sets priorities; anticipates potential threats or opportunities.</p> <p>Entrepreneurship - Identifies opportunities to develop and market new products and/or services within or outside of the organization. Is willing to take risks; initiates actions that involve a deliberate risk to achieve a recognized benefit or advantage.</p> <p>External Awareness - Identifies and keeps up to date on key national and international policies and economic, political, and social trends that affect the organization. Understands near-term and long-range plans and determines how best to be positioned to achieve a competitive business advantage in a global economy or to best achieve the goals of the Department and Component.</p>

Performance Element	Competencies/Performance Accomplishment:
Resource Management	<p>Financial Management - Demonstrates broad understanding of principles of financial management and marketing expertise necessary to ensure appropriate funding levels. Prepares, justifies, and/or administers the budget for the program area; uses cost-benefit thinking to set priorities; monitors expenditures in support of programs and policies. Identifies cost-effective approaches. Manages procurement and contracting.</p> <p>Human Resources Management - Assesses current and future staffing needs based on organizational goals and budget realities. Using merit principles, ensures staff is appropriately selected, developed, utilized, appraised, and rewarded; takes corrective action, as appropriate.</p> <p>Technology Management - Uses efficient and cost-effective approaches to integrate technology into the workplace and improve program effectiveness. Develops strategies using new technology to enhance decision-making. Understands the impact of technological changes on the organization.</p> <p>Accountability - Assures that effective controls are developed and maintained to ensure the integrity of the organization. Holds self and others accountable for rules and responsibilities. Can be relied upon to ensure that projects within areas of specific responsibility are completed in a timely manner and within budget. Monitors and evaluates plans; focuses on results and measuring attainment of outcomes. Complies with all accountability systems requirements, and documents actions taken.</p>
Communication	<p>Influencing/Negotiating – Consistent with Department and Component policies, persuades others; builds consensus through give and take; gains cooperation from others to obtain information and accomplish goals; facilitates "win-win" situations.</p> <p>Interpersonal Skills - Considers and responds appropriately to the needs, feelings, and capabilities of different people in different situations; is tactful, compassionate and sensitive, and treats others with respect.</p> <p>Oral Communication - Makes clear and convincing oral presentations to individuals or groups; listens effectively and clarifies information as needed; facilitates an open exchange of ideas and fosters an atmosphere of open communication.</p> <p>Political Savvy - Identifies the internal and external politics that impact the work of the organization. Approaches each problem situation with a clear perception of organizational and political reality; recognizes the impact of alternative courses of action.</p> <p>Written Communication - Expresses facts and ideas in writing in a clear, convincing and organized manner.</p>

Performance Element	Competencies/Performance Accomplishment:
Cooperation/ Teamwork:	<p>Flexibility - Is open to change and new information; adapts behavior and work methods in response to new information, changing conditions, or unexpected obstacles. Adjusts rapidly to new situations warranting attention and resolution.</p> <p>Resilience - Deals effectively with pressure; maintains focus and intensity and remains optimistic and persistent, even under adversity. Recovers quickly from setbacks. Effectively balances personal life and work.</p> <p>Conflict Management - Identifies and takes steps to prevent potential situations that could result in unpleasant confrontations. Manages and resolves conflicts and disagreements in a positive and constructive manner to minimize negative impact.</p> <p>Team Building - Inspires, motivates, and guides others toward goal accomplishment. Consistently develops and sustains cooperative working relationships. Encourages and facilitates cooperation within the organization and with customer groups; fosters commitment, team spirit, pride, and trust. Develops leadership in others through coaching, mentoring, rewarding, and guiding employees.</p>
Customer Care (mandatory element)	<p>Customer Service - Balancing interests of a variety of clients, readily readjusts priorities to respond to pressing and changing client demands. Anticipates and meets the need of clients; achieves quality end products; is committed to continuous improvement of services.</p> <p>Partnering - Develops networks and builds alliances, engages in cross-functional activities; collaborates across boundaries, and finds common ground with a widening range of stakeholders. Utilizes contacts to build and strengthen internal support bases.</p>
Problem Solving/ Technical Competence	<p>Problem Solving - Identifies and analyzes problems; distinguishes between relevant and irrelevant information to make logical decisions; provides solutions to individual and organizational problems.</p> <p>Technical Credibility - Understands and appropriately applies procedures, requirements, regulations, and policies related to specialized expertise. Is able to make sound hiring and capital resource decisions and to address training and development needs. Understands linkages between administrative competencies and mission needs.</p> <p>Continual Learning - Grasps the essence of new information; masters new technical and business knowledge; recognizes own strengths and weaknesses; pursues self-development; seeks feedback from others and opportunities to master new knowledge.</p> <p>Creativity and Innovation - Develops new insights into situations and applies innovative solutions to make organizational improvements; creates a work environment that encourages creative thinking and innovation; designs and implements new or cutting-edge programs.</p>

Steps in the Performance Appraisal Process

Rating Official

1. Develop Performance Plan
2. Determine which of the 7 Standard Performance Elements Relate to Position
3. Weight the Performance Elements
4. Develop, with the Executive, a Narrative Description of the Performance Requirements for each Element
5. Discuss Performance Elements and Requirements with Executive
6. Document Performance Elements and Requirements on the DoD Executive Pay and Performance Appraisal Form
7. Provide On-Going Feedback
8. Hold at Least One Progress Review and Document it
9. Ask Executive for Narrative Input, if Desired
10. Appraise Executive's Performance at the End of the Rating Period
11. Assess Executive Accomplishments Against Performance Elements and Requirements
12. Assign Numeric Score to Performance Elements as Preliminary Performance Score
13. Use Share Conversion Chart, Assign Preliminary Performance Payout Shares
14. Discuss Performance Appraisal with Executive

Performance Review Board

15. Review Executive Performance Appraisals, Preliminary Performance Score and Performance Payout Shares
16. Recommend Executive Performance Ratings, Performance Bonuses and Increases to Basic Pay

Authorizing Official

17. Determine Final Performance Rating, Performance Score and Performance Payout Share (including Split Between Bonus and Increase to Basic Pay)

SC920AP.2. APPENDIX 2 TO SUBCHAPTER 920

DoD SENIOR PROFESSIONAL PAY AND PERFORMANCE APPRAISAL SYSTEM

SC920AP.2.1. PURPOSE. The purpose of the Senior Professional Pay and Performance Appraisal System is to provide an equitable method for appraising and compensating covered senior professionals. It is essential for the development of a highly productive workforce and to provide management, at the lowest practical level, the authority, control, and flexibility needed to accomplish the mission and meet organizational goals, including the requirements of the organization's strategic plan. The System allows for senior professional involvement in and oversight of the evaluation process, communication between Rating Official and senior professional, clear accountability of contribution by each senior professional, senior professional progression by linking individual senior professional performance to mission accomplishment, and an understandable basis for adjustments in pay.

SC920AP.2.2. COVERAGE.

SC920AP.2.2.1. DoD Component Coverage. The DoD Senior Professional Pay and Performance Appraisal System applies to all DoD appropriated fund Components.

SC920AP.2.2.2. Employee Coverage. The provisions of this Appendix cover senior professionals assigned to positions in the ST/SL under 5 U.S.C. 5376.

SC920AP.2.3. PAY.

SC920AP.2.3.1. Senior Professional Basic Pay.

SC920AP.2.3.1.1. Senior professional basic pay is exclusive of bonuses, differentials and allowances as outlined in section 530.202, reference (c).

SC920AP.2.3.2. Pay for New Accessions.

SC920AP.2.3.2.1. In setting a new senior professional's rate of basic pay, the Component must consider the nature and quality of the senior professional's experience, pay history, qualifications, job responsibilities and performance expectations.

SC920AP.2.3.2.2. Pay Adjustment for Senior Professionals. Adjustments in basic pay after appointment to increase or reduce the rate of basic pay of a senior professional must be made consistent with this policy. An Authorizing Official may:

SC920AP.2.3.2.2.1. Approve only once in any 12-months period, except as provided in section SC920AP.2.3.2.2.2, an increase in pay if the senior professional's individual performance and/or contributions to Component performance so warrant. Pay increase determinations should consider such elements as unique skills, qualifications, or competencies that the individual possesses, and contributions to the Component's performance, as well as the senior professional's current responsibilities.

SC920AP.2.3.2.2. Approve an increase in basic pay to maintain the senior professional's relative position in the ST/SL rate range (consistent with this policy and reference (c)).

SC920AP.2.4. PROGRAM REQUIREMENTS.

SC920AP.2.4.1. General. The steps in the performance appraisal process are charted in attachment 1 of this Appendix. Senior professional performance plans must:

SC920AP.2.4.1.1. Describe the performance elements of the senior professional's work and the performance level (i.e., performance requirements) expected to achieve expectations;

SC920AP.2.4.1.2. Reflect the performance elements and required individual and organizational performance requirements consistent with the goals and objectives in strategic plans;

SC920AP.2.4.1.3. Be developed in consultation with the senior professional; and

SC920AP.2.4.1.4. Be communicated to the senior professional on or before the beginning of the appraisal period, during the appraisal period, and following the final rating.

SC920AP.2.4.2. Development of the Performance Plan.

SC920AP.2.4.2.1. Performance plans shall be in place within 30 days of the beginning of each appraisal period, after the entrance on duty of a new senior professional, reinstatement of a senior professional, or the reassignment or transfer to a different senior professional position.

SC920AP.2.4.2.2. Performance plans should be modified when mission or workload changes occur.

SC920AP.2.4.2.3. Using the DoD Senior Professional Performance Appraisal Form, attachment 2 of this Appendix, the Rating Official documents the performance elements and requirements for the position.

SC920AP.2.4.2.3.1. Performance Elements.

SC920AP.2.4.2.3.1.1. There are seven standard performance elements that shall be used to evaluate a senior professional. They are: leadership/supervision; contribution to mission accomplishment; resource management; communication; cooperation/teamwork; customer care; and technical competence/problem solving. A full description of these performance elements is provided at the end of this Appendix.

SC920AP.2.4.2.3.1.2. Rating Officials may include additional elements with approval of the Authorizing Official.

SC920AP.2.4.2.3.1.3. A Rating Official may exclude any non-mandatory performance element that does not apply to a specific position. Elements are selected based on each senior professional's job assignments or position responsibilities. However, contribution to mission accomplishment, customer care and the technical competence/problem solving elements are mandatory for all senior professionals.

SC920AP.2.4.2.3.1.4. Authorizing Officials may establish guidance for weighting performance elements. Rating officials must assign a percentage value (or weight) to each performance element based on the relative importance of each element. The weights may vary by element or be the same for each. The sum of the weights for all elements will be 100%.

SC920AP 2.4.2.3.2. Performance Requirements.

SC920AP.2.4.2.3.2.1. The Rating Official must work with the senior professional to develop performance requirements for each performance element that reflect the duties, responsibilities and expected outcomes.

SC920AP.2.4.2.3.2.2. Performance requirements specify the outputs and outcomes of a particular performance element. Performance requirements must describe the level of performance expected to achieve expectations. These are the standards against which the senior professional's performance will be appraised.

SC920AP.2.4.2.3.2.3. Performance requirements for senior professionals apply to their respective areas of responsibility; reflect expected agency or organizational performance; clearly describe performance that is measurable, verifiable, or apparent; and focus on tangible outputs, outcomes, milestones or other deliverables.

SC920AP.2.4.3. On-Going Performance Feedback. The Rating Official shall provide ongoing feedback as necessary to a senior professional on the senior professional's performance relative to the performance plan.

SC920AP.2.4.3.1. Senior professionals may request periodic feedback on performance. Feedback can be provided at any time during the appraisal period.

SC920AP.2.4.3.2. At least one progress review must be held between the Rating Official and senior professional during the rating period. The Rating Official will document the feedback using Part B II of the Senior Professional Pay and Performance Appraisal Form and inform the senior professional of accomplishments towards performance requirements.

SC920AP.2.4.4. Appraising Performance. Appraisals will be based upon an assessment of individual and organizational/program performance considering: results achieved consistent with DoD goals; customers' satisfaction; and for those senior professionals with supervisory responsibilities and employee perspectives, the effectiveness, productivity, performance of the senior professionals and employees for whom the senior professional is responsible; activities that demonstrate commitment to diversity, leadership and the merit principles; contribution to

mission accomplishment; resource management; problem solving and technical competence; cooperation and teamwork; communication and customer care.

SC920AP.2.4.4.1. Performance Rating Period.

SC920AP.2.4.4.1.1. Duration of the Rating Period. The duration of the rating period normally will be 12 months, except when an senior professional fails to achieve expectations, when a new senior professional (through appointment, reinstatement, reassignment) is assigned to a position after the beginning of the rating period, or other situations that may warrant a rating period of less or more than 12 months (e.g., departure of the rater before the end of the rating period). The rating period shall be October 1 through September 30 each year.

SC920AP.2.4.4.1.2. Minimum Rating Period. In order to provide for meaningful evaluation of a senior professional's performance, the minimum rating period will be 90 days.

SC920AP.2.4.4.2. Performance Appraisal.

SC920AP.2.4.4.2.1. Each Rating Official will determine the degree and level to which the senior professional has accomplished the performance requirements for the senior professional's position and assign a score for each performance element. Each performance element will be evaluated and rated separately. The sum of the scores is the senior professional's preliminary performance score.

SC920AP.2.4.4.2.2. Rating Officials may request that the senior professional provide written input describing accomplishments throughout the rating period. The narrative comments will assist the Rating Official to evaluate more fully the senior professional's performance.

SC920AP.2.4.4.2.3. At the end of the appraisal period, to fully evaluate the senior professional's accomplishments and determine the preliminary performance score, the Rating Official considers the senior professional's comments describing accomplishments towards performance elements and performance requirements, and input from individuals in the senior professional's rating chain, subordinates, peers and customers. The Rating Official must communicate to the senior professional the appraisal of his/her performance. Rating Officials document accomplishments on pages 3 and 4, Part C, Section I, of the Senior Professional Pay and Performance Appraisal form. Components may add Component-specific instructions or requirements at the top of this section of the appraisal form.

SC920AP.2.4.4.2.4. Rating Officials must conduct an end of rating period performance review with each of their senior professionals. Signatures are required on the Senior Professional Pay and Performance Appraisal Form in Part C, Section II for the Rating Official and Part D for the senior Professional.

SC920AP.2.4.4.2.5. Performance Levels:

SC920AP.2.4.4.2.5.1. **Exceptional Results** is performance that far exceeds what is expected in the attainment of the performance requirement, as evidenced by exceptional accomplishments or contributions to the mission.

SC920AP.2.4.4.2.5.2. **Exceeds Expected Results** is performance that surpasses what is expected in the attainment of the performance requirements and/or results in the achievement of unexpected outcomes that contribute to the mission.

SC920AP.2.4.4.2.5.3. **Achieved Expectations** is performance that fully meets the attainment of the requirements as defined by the performance plan.

SC920AP.2.4.4.2.5.4. **Minimally Satisfactory** is performance that partially meets or demonstrates some progress toward the attainment of the performance requirements described in the performance plan.

SC920AP.2.4.4.2.5.5. **Unsatisfactory** is performance that fails to meet the requirements for any element in the performance plan.

SC920AP.2.4.4.3. Performance Scores.

SC920AP.2.4.4.3.1. Following a review of the senior professional's accomplishments, the Rating Official will consider the senior professional's performance against each performance requirement and assign between 0 and 100 points to each element. The Rating Official will multiply the points by the percentage weight for each element and sum the results to arrive at a preliminary performance score.

SC920AP.2.4.4.3.2. The maximum score is 100 points

SC920AP.2.4.4.3.3. A senior professional whose performance is unsatisfactory for any element (i.e., receives fewer than 51 points) will receive a final rating of Unsatisfactory.

SC920AP.2.4.4.3.4. Components may use an alternative scoring strategy to achieve the adjective performance rating with USD(P&R) approval.

SC920AP.2.4.4.3.2. Score Ranges and Shares for Payout. The preliminary performance score will be used to determine recommended share and adjective performance rating that will drive the basic pay increase or performance bonus. Using the Share Conversion Chart found in Figure 920AP.2-1, the Rating Official selects the recommended number of shares from the performance payout shares column that corresponds to the employee's preliminary performance score found in the score column.

**Performance Rating, Score Ranges and Shares for Payout
Share Conversion Chart**

Performance Rating	Score	Performance Payout Shares
Exceptional Results	95 – 100	11, 12 13, 14, 15, or 16 shares
Exceeds Expected Results	86 – 94	7, 8, 9 or 10 shares

Achieved Expectations	70 – 85	1, 2, 3, 4, 5 or 6 shares
Minimally Satisfactory	51 – 69	0 shares
Unsatisfactory	0 – 50	0 shares

Figure 920AP.2-1

SC920AP.2.4.4.3.3. A senior professional will receive a performance payout as a percentage of current basic pay. This percentage is based on the number of shares granted based on the senior professional’s final performance score. After a performance score is assigned, the Rating Official will recommend the number of shares that should be granted. The Rating Official will determine the recommended number of shares using the framework above. In determining the number of shares, the Rating Official will take into consideration the preliminary performance score, the senior professional’s current basic pay, overall funding availability, and performance of the senior professional against the relative performance of other senior professionals. The performance payout shares earned by a senior professional will be used to calculate the performance payout as outlined in the payout formula.

SC920AP.2.4.4.3.4. Distribution of performance scores will not be forced or artificially constrained by a Rating Official, Authorizing Official or Performance Review Board (PRB).

SC920AP.2.4.5. Higher Level Review.

SC920AP.2.4.5.1. Components may require a review of the Rating Official’s recommendations by another official. The official should document this review by signing the Appraisal Form in the area indicated for Second-Level Reviewer.

SC920AP.2.4.5.2. The senior professional may respond in writing after receipt of the initial rating, and request review by an official at a higher organizational level (if there is one). The senior professional must request such review within 7 calendar days of receiving the initial rating.

SC920AP.2.4.5.2.1. The senior professional may comment in writing regarding his/her preliminary performance score and/or appraisal.

SC920AP.2.4.5.2.2. A higher-level reviewing official, either another senior professional, a member of the SES, or an active duty General/Flag Officer, at a higher level in the Component, must be appointed to consider the senior professional’s response. Components may appoint someone outside of the Component to perform the review when the Authorizing Official is also the Rating Official or the review is more appropriately conducted by an external executive, senior professional, or General/Flag Officer. When a General/Flag Officer is involved in the review, the senior professional must agree to the military member’s involvement.

SC920AP.2.4.5.2.3. The higher-level reviewing official may not change the Rating Official’s preliminary performance score, but may recommend a different preliminary performance score to the Authorizing Official.

SC920AP.2.4.5.2.4. Copies of the reviewer's findings and recommendations must be given to the senior professional, the Rating Official, the Second-Level Reviewer (as appropriate), and the Authorizing Official.

SC920AP.2.4.6. Final Performance Ratings. The Authorizing Official:

SC920AP.2.4.6.1. Determines final performance rating, performance score and performance payout shares after consideration of comments provided by a higher-level reviewer (if appropriate);

SC920AP.2.4.6.2. Certifies that the results of the appraisal process make meaningful distinctions based on relative performance and are consistent with those guidelines established under SC920.8.1, SC920.8.2, SC920.8.3 and SC930.8.4 of this policy; and

SC920AP.2.4.6.3. Assures that pay adjustments, performance bonuses, and pay (based on the results of the appraisal process) accurately reflect and recognize individual performance and/or contributions to the Component's mission performance, as appropriate.

SC920AP.2.4.7. Pay Pools.

SC920AP.2.4.7.1. Each Authorizing Official shall determine the senior professional pay pool structure. Generally, pay pools may be combinations of organizational elements, (e.g., Divisions, Branches, functional communities, etc.), that are defined for purposes of determining performance payouts under the Senior Professional Pay and Performance Appraisal System. Pay pools must be established to avoid conflicts of interest.

SC920AP.2.4.7.2. The Authorizing Official shall identify a pay pool manager for each pay pool. The pay pool manager is responsible for ensuring that distribution of ratings and funds is based upon senior professional performance, contributions and organizational success.

SC920AP.2.4.7.3. The amount of money available for basic pay increases will be determined annually by the USD(P&R), in consultation with the Under Secretary of Defense (Comptroller). Prior to making the determination on the amount available, the USD(P&R) shall solicit recommendations from the Heads of the DoD Components concerned.

SC920AP.2.4.7.4. Performance bonus payments are funded separately, but the amount of money available for performance bonus payments must be equivalent to no more than 10 percent of total basic pay of the senior professionals in the pay pool.

SC920AP.2.4.8. Performance Payouts.

SC920AP.2.4.8.1. Basic Pay Increases and Performance Bonuses.

SC920AP.2.4.8.1.1. Performance payouts occur annually generally in January. The amount of money available for performance share payouts is divided into two elements, basic pay increases and performance bonuses. The payouts made to senior

professionals from the pay pool include basic pay increases and/or performance bonuses based on performance scores and are subject to the amounts available in the respective funds.

SC920AP.2.4.8.1.2. Senior professionals must have a performance rating of “Achieved Expectations” (based on a performance score of at least 70, or the equivalent) to be considered for a bonus. In addition, senior professionals must achieve expectations for all performance elements to be eligible for a performance payout.

SC920AP.2.4.8.1.3. Basic pay increases will not be granted to senior professionals at the top of the senior professional pay band (EX IV) however, a senior professional may receive a performance bonus that does not exceed the maximum level authorized.

SC920AP.2.4.8.1.4. An Authorizing Official or the pay pool manager may reallocate to senior professionals, not at the top of their pay band (uncapped senior professionals), some or all of any unexpended basic pay funds for senior professionals at the top of their pay band (capped senior professionals). This reallocation is placed back into the pay pool and distributed to the uncapped senior professionals as determined by the Authorizing Official. Any increase in an uncapped senior professional’s basic pay as a result of this reallocation will be offset by an equivalent reduction in the senior professional’s performance bonus payment. Thus, the uncapped senior professional’s total performance payout is unchanged.

SC920AP.2.4.8.2. Performance payouts will be calculated and administered so that a pay pool manager does not exceed the resources that are available in the pay pool.

SC920AP.2.4.8.3. In making performance payouts, the amount of that year’s pay pool and share value will be determined as follows:

SC920AP.2.4.8.3.1. The pay pool funding factor must be determined first. The pay pool funding factor is the percentage amount budgeted for basic pay increases and performance bonuses.

SC920AP.2.4.8.3.1.1. Next, the pay pool value is determined by multiplying the pay pool funding factor determined above by the sum of the combined basic pay salaries of all senior professionals in the pay pool as follows:

Pool Value = Pay pool funding factor X Total salaries of all covered senior professionals.

SC920AP.2.4.8.3.1.2. No more than the amount budgeted for the basic pay increases may be used for basic pay increases. Rating Officials and pay pool managers otherwise may use discretion in determining the proportion of a senior professional’s total performance payout that is paid as a performance basic pay increase and/or performance bonus, consistent with the incentive parameters in this Appendix.

SC920AP.2.4.8.3.1.3. Next, the share value is calculated. Multiply each individual senior professional's basic pay by the number of shares awarded to that senior professional (Salary X Shares). The sum total of (Salary X Shares) for all senior professionals in the pay pool is divided into the pool value to arrive at the share value as follows:

$$\text{Share Value} = \text{Pool Value} / (\text{Sum Total (Salary X Shares)})$$

The share value represents a fixed percentage basic pay increase for each senior professional. The value of a share cannot be exactly determined until the rating process is complete.

SC920AP.2.4.8.3.1.4. A senior professional's total performance payout is the share value multiplied by the senior professional's end-of-rating period basic pay salary multiplied by the number of shares earned by the senior professional.

$$\text{Senior professional Performance Payout} = \text{Salary X Shares X Share Value}$$

Performance Payout Example

Assumptions – 40 senior professionals in the pay pool. The senior professional in question makes \$140,000 per year and received 12 performance shares. The other 39 senior professionals make \$140,000 each and receive 12 performance shares each. This example is a simple illustration of the mathematical calculation; it does not illustrate the required differentiation between performance levels.

1. Authorizing Official Determines Pay Pool Funding Factor

Sample = 15%

2. Determine Pay Pool Value

Pay Pool Funding Factor x Total Salaries of all covered senior professionals =
Pay Pool Value
 $15\% \times \$5,600,000 = \$840,000$

3. Determine Basic Pay Increase Cap

Sample = \$280,000

4. Determine Total Share Value

Senior professional Pay x Shares assigned to senior professional = senior
professional Share
The total of all senior professional Shares = Total Share Value
 $\$140,000 \times 12 = 1,680,000 + (\$140,000 \times 12 \times 39) = 67,200,000$

5. Determine Value Per Share

Pay Pool Value / Total Share Value = Value per Share
 $\$840,000 / 67,200,000 = .0125$

6. Determine the Senior Professional's Total Performance Payout

Salary x Shares x Value per Share = Performance Payout
 $\$140,000 \times 12 \times .0125 = \$21,000$

7. Determine Split between Pay Increase and Performance Bonus

\$5,000 Pay Increase and \$16,000 Performance Bonus

8. Check that Total Pay Increase is at or under the Basic Pay Increases Cap (\$280,000 in this Example)

Total Pay Increase = Pay Increase + Pay Increase (40 times in this Example)
 $\$5,000 \times 40 = 200,000$

9. Based on these Calculations, the Senior Professional in the Example Receives \$145,000 in Salary and a \$16,000 Performance Bonus

SC920AP.2.4.9. Performance Payout Flexibilities.

SC920AP.2.4.9.1. The aggregate amount budgeted for basic pay increases may not be exceeded.

SC920AP.2.4.9.2. Pay pool managers may set aside a portion of the available basic pay adjustment pay pool dollars or use other funding sources for discretionary pay increases.

SC920AP.2.4.9.2.1. A discretionary pay increase may be used to recognize a senior professional for extraordinary achievement or performance with an increase to basic pay beyond what the performance payout formula provides. Rating Officials and pay pool managers may use discretion in determining the proportion of an executive's total performance payout that is paid as a basic pay adjustment, not to exceed EX-IV and/or performance bonus.

SC920AP.2.4.10. Compensation Cap. Total compensation paid to a senior professional during a calendar year may not exceed EX-I, or the Vice President's salary with a certified senior executive performance system.

SC920AP.2.4.11. Performance Bonuses.

The performance bonus budget is separate from money used for basic pay increases and performance bonuses. The amount of money available for performance bonuses must be equivalent to a minimum of one-half percent of total basic pay salary dollars.

SC920AP.2.4.12. Training.

To ensure that the Department's performance management policy and systems are effectively implemented, periodic training will supplement informational meetings and/or briefings for Rating Officials and senior professionals relative to performance management, including performance planning and appraising performance.

**Department of Defense
Senior Professional Pay and Performance Appraisal**

Part A – Performance Plan

1. Name of Senior Professional (Last, First, MI)	2. Position Title	3. Organization	4. Pay Pool Manager
5. Rating period dates: Beginning/ending (yyymmdd)/(yyymmdd)	6. Performance Type ___ Annual ___ Interim	7. Appointment Type: ___ ST ___ SL ___ Other	

Part B I – Performance Elements and Requirements (See Page 2, Part B, Section I.)

The signatures below acknowledge joint development and understanding of the performance elements and performance requirements.

8.a. Signature of senior professional	8.b. Typed name of senior professional (Last, First, MI)	8.c. Date
9.a. Signature of rating official	9.b. Typed name of rating official (Last, First, MI)	9.c. Date

Part B II - On-Going Feedback

10. Record of performance feedback within the rating period:

Date (yyymmdd) _____ Senior Professional: _____ Rating Official _____
 Date (yyymmdd) _____ Senior Professional: _____ Rating Official _____

Part C – Preliminary Performance Score

Preliminary Performance Score is based on the total scores of performance accomplishments on page 2.

11.a. Preliminary performance score. _____	11.b. Preliminary performance rating _____
11.c. Recommended performance shares _____	11.d. Recommended discretionary pay increase _____
11.e. Signature, Rating Official _____	11.f. Date (yyymmdd) _____
11.g. Signature, Second Level Reviewer _____	11.h. Date (yyymmdd) _____

Part D - Senior Professional Acknowledgement of Appraisal

Signature acknowledges that the senior professional is aware of and was provided a copy of this evaluation.
It does not constitute agreement or disagreement with the evaluation.

12.a. Signature of Senior Professional	12.b. Date (yyymmdd)
--	----------------------

12.c. ___ Higher level review Senior Professional's Initials _____ Date Request Submitted _____

(Check indicates the senior professional's request for a higher-level review within 7 workdays after receipt of the preliminary rating.)

Part E - Authorizing Official – Performance Score, Pay Increases and Performance Bonuses

14.a. Performance Score _____	14.b. Basic Pay Increase: _____ \$ _____	14.c. Performance bonus: _____ \$ _____	14.d. Discretionary Pay Increase: _____ \$ _____
14.e. Signature of Authorizing Official			14.f. Date (yyymmdd)

Department of Defense
Senior Professional Pay and Performance Appraisal

Part B Section I – Performance Elements, Performance Requirements and Preliminary Score Limited to One Page.

Performance Scores	Performance Elements and Requirements
1. ____ Leadership/Supervision ____ Weight	1. Leadership/Supervision. Demonstrates effective and ethical individual and organization leadership to assess situations realistically; identifies and recommends or implements needed changes.
2. ____ Contribution to Mission Accomplishment ____ Weight	2. Contribution to Mission Accomplishment (Mandatory): Executes the position’s assigned duties in a manner that contributes to the successful outcome of strategic goals and objectives.
3. ____ Resource Management ____ Weight	3. Resource Management. Demonstrates effective use/management of personal and organizational resources such as time, personnel, equipment and/or funds.
4. ____ Communication ____ Weight	4. Communication: Demonstrates effective listening, writing and oral communications skills.
5. ____ Cooperation/Teamwork ____ Weight	5. Cooperation/Teamwork: Demonstrates trait of flexibility, adaptability and decisiveness and the ability to exhibit and foster cooperation in team efforts and organizational settings.
6. ____ Customer Care ____ Weight	6. Customer Care (Mandatory): Demonstrates effective interactions with internal and external customers.
7. ____ Technical Competence/ Problem Solving ____ Weight	7. Technical Competence/Problem Solving (Mandatory): Demonstrates the knowledge and skills required to execute the position’s assigned duties and responsibilities.
____ Preliminary Performance Score	

Department of Defense
Senior Professional Pay for Performance Appraisal

Part C – Accomplishments (Components may add Component-specific instructions or requirements)

Department of Defense
Senior Professional Pay for Performance Appraisal

Part C– Accomplishments (Components may add Component-specific instructions or requirements)

Department of Defense Senior Professional Pay and Appraisal

Administrative Instructions

Part A Performance Plan (Page 1, Blocks 1 – 7 (Page 1)

Identify pertinent information about the senior professional being rated.

Section 6.

Annual Rating: Completed after the end of the appraisal period.

Interim Rating: Appraisal of senior professional performance, other than the annual rating, completed during the rating period due to a reassignment or on the departure of a supervisor.

Part B

I - Performance Elements, Performance Requirements and Preliminary Score (Page 2)

Identifies the seven, standard performance elements for each senior professional, which includes major areas of responsibilities. Each performance element must be supported by one or more performance requirements, which state what is expected at the achieved expectations performance level. Performance requirements must be specific, so that expectations are clear, i.e., level of quality, time frame, etc. Documents the Rating Official's preliminary performance score based on the senior professional's accomplishments towards meeting the performance requirements of each performance element. If the Rating Official is going to weight any of the performance elements, the weight must be documented in this page. Preliminary performance score total is documented here, as well as in Part C, section 11.a.

I - Performance Elements and Performance Requirements (Page 1, blocks 8 and 9) The signatures of the senior professional and Rating Official are required in this Part to acknowledge joint development and understanding of the performance elements and requirements.

II - On-Going Feedback (Page 1, block 10) Documents performance feedback sessions between the senior professional and the Rating Official. At least one entry is required during the rating period.

Part C - (Pages 3 and 4 or no more than two pages on plain bond paper)

Document the senior professional's accomplishments towards each performance requirement in this section. The Rating Official, Performance Review Board, and Authorizing Official consider accomplishments in determining increases to basic pay and performance bonuses. Component-specific instructions may be added.

Document the Rating Official's determination of the preliminary performance score (block 11.a., from Part B Section I), the preliminary performance rating (block 11.b.), the recommend performance shares (block 11.c.) based on the preliminary performance score relative to the range of performance shares in the following table, and a recommended discretionary pay increase.

Performance Rating, Score Ranges and Shares for Payout Share Conversion Chart

Performance Rating	Score Range	Performance Payout Shares
Exceptional Results	95 – 100	11, 12 13, 14, 15, or 16 shares
Exceeds Expected Results	86 – 94	7, 8, 9 or 10 shares
Achieved Expectations	70 – 85	1, 2, 3, 4, 5 or 6 shares
Minimally Satisfactory	51 – 69	0 shares
Unsatisfactory	0 – 50	0 shares

Part D

Senior professional Acknowledgement of Appraisal.

Signature of senior professional, block 12.a. The signature of the senior professional acknowledges that the senior professional is aware of and has been provided a copy of this evaluation. Signature does not constitute agreement or disagreement with the appraisal. If the senior professional desires to provide a written response to the preliminary performance rating, and desires a higher-level review, the senior professional places a check in block 12.c. and initials and dates the form.

Part E - Authorizing Official – Performance Score, Pay Increases and Performance Bonuses

Blocks 14 a. through 14.f. document the Authorizing Officials decisions on: the performance score and performance shares (block 14.a.); the dollar amount of the increase in basic pay (block 14.b.); the dollar amount of the performance bonus (block 14.c.); the discretionary pay increase (block 14.d.); the signature of the Authorizing Official (block 14.e); and the date of the Authorizing Official's decisions (block 14.f.).

Department of Defense Senior Professional Pay and Performance Appraisal System Performance Elements

1. **Leadership/Supervision**: Demonstrates effective and ethical individual and organization leadership to assess situations realistically; identifies and recommends or implements needed changes. Actively furthers the mission of the organization and assures that organization performance is aligned to the strategic plan. Works to improve the diversity of the organization, ensures that all employee rights are respected and is responsible for the effective management of employee performance. Builds leaders for the future through active engagement in and support for developmental programs.
2. **Contribution to Mission Accomplishment (Mandatory)**: Executes the position's assigned duties in a manner that contributes to the successful outcome of strategic goals and objectives. Ensures that the accomplishments of the organization or program managed can be directly tied to mission need. Specifies the results or commitments to be achieved during the rating period.
3. **Resource Management**: Demonstrates effective use/management of personal and organizational resources such as time, personnel, equipment and/or funds. Meets schedules and deadlines, and accomplishes work in order of priority; generates and accepts new ideas and methods for increasing work efficiency; effectively utilizes and properly controls available resources; supports organization's resource development and conservation goals. Manages organization or program within the parameters established for the Department's Internal Control Program.
4. **Communication**: Demonstrates effective listening, writing, and oral communication skills. Provides or exchanges oral/written ideas and information that are timely, accurate, and easily understood. Represents the organization in a manner appropriate for the level of communication. Understands and operates under the communication release requirements of the organization.
5. **Cooperation/Teamwork**: Demonstrates traits of flexibility, adaptability and decisiveness and the ability to exhibit and foster cooperation in team efforts and organizational settings. Uses the appropriate cooperation and teamwork skills for the situation.
6. **Customer Care (Mandatory)**: Demonstrates effective interactions with internal and external customers. Demonstrates care for customers through respectful, courteous, reliable and conscientious actions. Seeks out, develops, and/or maintains solid working relationship with customers to identify their needs, quantifies those needs, and develops practical solutions. Keeps customer informed. Within the scope of job responsibility, seeks out and develops new programs and/or reimbursable customer work.
7. **Technical Competence/Problem Solving (Mandatory)**: Demonstrates the knowledge and skills required to execute the position's assigned duties and responsibilities. Ensures the technical accuracy of the work produced or provided by organization/program

managed. Independently identifies issues and recognizes all sides in the resolution process.

Department of Defense Senior Professional Pay and Performance System

<p>The basis for determining the rating level of each performance element will be the relationship of the senior professional's accomplishments to the performance requirements. The table below identifies each of the seven benchmark performance elements: Leadership/Supervision; Contribution to Mission Accomplishment; Resource Management; Communication; Cooperation/Teamwork; Customer Care; and Technical Competence/Problem Solving, and illustrates accomplishments and contributions to be considered in reviewing the senior professional's performance.</p>	
Performance Element	Competencies/Performance Accomplishment:
<p>Leadership/Supervision</p>	<p>Vision - Takes a long-term view and acts as a catalyst for organizational change; builds a shared vision with others. Influences others to translate vision into action. Engages in succession planning.</p> <p>Service Motivation - Creates and sustains an organizational culture which encourages others to provide the quality of service essential to high performance. Enables others to acquire the tools and support they need to perform well. Shows a commitment to public service. Influences others toward a spirit of service and meaningful contributions to mission accomplishment.</p> <p>Integrity/Honesty - Instills mutual trust and confidence; creates a culture that fosters high standards of ethics; behaves in a fair and ethical manner toward others, and demonstrates a sense of corporate responsibility and commitment to public service.</p> <p>Leveraging Human Capital - Recruits, develops, and retains a diverse high quality workforce in an equitable manner consistent with applicable law and merit systems principles. Leads and manages an inclusive workplace that maximizes the talents of each person to achieve sound business results. Respects, understands, values and seeks out individual differences to achieve the vision and mission of the organization. Develops and uses measures and rewards to hold self and others, including subordinate managers and supervisors, accountable for achieving results that embody the principles of diversity and achieve organizational results.</p> <p>Decisiveness - Exercises good judgment by making sound and well-informed decisions; perceives the impact and implications of decisions; makes effective and timely decisions, even when data is limited or solutions produce unpleasant consequences; is proactive and achievement oriented.</p>
<p>Contribution to Mission Accomplishment (mandatory element)</p>	<p>Strategic Alignment – Achieves results that support and contribute to the accomplishment of the strategic goals of the organization, Component and the Department.</p> <p>Strategic Thinking - Formulates effective strategies consistent with the business and competitive strategy of the Department and Component in a global economy. Examines policy issues and strategic planning with a long-term perspective. Determines objectives and sets priorities; anticipates potential threats or opportunities.</p> <p>Entrepreneurship - Identifies opportunities to develop and market new products and/or services within or outside of the organization. Is willing to take risks; initiates actions that involve a deliberate risk to achieve a recognized benefit or advantage.</p> <p>External Awareness - Identifies and keeps up to date on key national and international policies and economic, political, and social trends that affect the organization. Understands near-term and long-range plans and determines how best to be positioned to achieve a competitive business advantage in a global economy or to best achieve the goals of the Department and Component.</p>

Performance Element	Competencies/Performance Accomplishment:
Resource Management	<p>Financial Management - Demonstrates broad understanding of principles of financial management and marketing expertise necessary to ensure appropriate funding levels. Prepares, justifies, and/or administers the budget for the program area; uses cost-benefit thinking to set priorities; monitors expenditures in support of programs and policies. Identifies cost-effective approaches. Manages procurement and contracting.</p> <p>Human Resources Management - Assesses current and future staffing needs based on organizational goals and budget realities. Using merit principles, ensures staff is appropriately selected, developed, utilized, appraised, and rewarded; takes corrective action, as appropriate.</p> <p>Technology Management - Uses efficient and cost-effective approaches to integrate technology into the workplace and improve program effectiveness. Develops strategies using new technology to enhance decision-making. Understands the impact of technological changes on the organization.</p> <p>Accountability - Assures that effective controls are developed and maintained to ensure the integrity of the organization. Holds self and others accountable for rules and responsibilities. Can be relied upon to ensure that projects within areas of specific responsibility are completed in a timely manner and within budget. Monitors and evaluates plans; focuses on results and measuring attainment of outcomes. Complies with all accountability systems requirements, and documents actions taken.</p>
Communication	<p>Influencing/Negotiating – Consistent with Department and Component policies, persuades others; builds consensus through give and take; gains cooperation from others to obtain information and accomplish goals; facilitates "win-win" situations.</p> <p>Interpersonal Skills - Considers and responds appropriately to the needs, feelings, and capabilities of different people in different situations; is tactful, compassionate and sensitive, and treats others with respect.</p> <p>Oral Communication - Makes clear and convincing oral presentations to individuals or groups; listens effectively and clarifies information as needed; facilitates an open exchange of ideas and fosters an atmosphere of open communication.</p> <p>Political Savvy - Identifies the internal and external politics that impact the work of the organization. Approaches each problem situation with a clear perception of organizational and political reality; recognizes the impact of alternative courses of action.</p> <p>Written Communication - Expresses facts and ideas in writing in a clear, convincing and organized manner.</p>

Performance Element	Competencies/Performance Accomplishment:
Cooperation/ Teamwork	<p>Flexibility - Is open to change and new information; adapts behavior and work methods in response to new information, changing conditions, or unexpected obstacles. Adjusts rapidly to new situations warranting attention and resolution.</p> <p>Resilience - Deals effectively with pressure; maintains focus and intensity and remains optimistic and persistent, even under adversity. Recovers quickly from setbacks. Effectively balances personal life and work.</p> <p>Conflict Management - Identifies and takes steps to prevent potential situations that could result in unpleasant confrontations. Manages and resolves conflicts and disagreements in a positive and constructive manner to minimize negative impact.</p> <p>Team Building - Inspires, motivates, and guides others toward goal accomplishment. Consistently develops and sustains cooperative working relationships. Encourages and facilitates cooperation within the organization and with customer groups; fosters commitment, team spirit, pride, and trust. Develops leadership in others through coaching, mentoring, rewarding, and guiding employees.</p>
Customer Care (mandatory element)	<p>Customer Service - Balancing interests of a variety of clients, readily readjusts priorities to respond to pressing and changing client demands. Anticipates and meets the need of clients; achieves quality end products; is committed to continuous improvement of services.</p> <p>Partnering - Develops networks and builds alliances, engages in cross-functional activities; collaborates across boundaries, and finds common ground with a widening range of stakeholders. Utilizes contacts to build and strengthen internal support bases.</p>
Problem Solving/ Technical Competence (mandatory element)	<p>Problem Solving - Identifies and analyzes problems; distinguishes between relevant and irrelevant information to make logical decisions; provides solutions to individual and organizational problems.</p> <p>Technical Credibility - Understands and appropriately applies procedures, requirements, regulations, and policies related to specialized expertise. Is able to make sound hiring and capital resource decisions and to address training and development needs. Understands linkages between administrative competencies and mission needs.</p> <p>Continual Learning - Grasps the essence of new information; masters new technical and business knowledge; recognizes own strengths and weaknesses; pursues self-development; seeks feedback from others and opportunities to master new knowledge.</p> <p>Creativity and Innovation - Develops new insights into situations and applies innovative solutions to make organizational improvements; creates a work environment that encourages creative thinking and innovation; designs and implements new or cutting-edge programs.</p>

Steps in the Performance Appraisal Process

Rating Official

1. Develop Performance Plan
2. Determine which of the 7 Standard Performance Elements Relate to Position
3. Weight the Performance Elements
4. Develop, with the Senior Professional, a Narrative Description of the Performance Requirements for each Element
5. Discuss Performance Elements and Requirements with Senior Professional
6. Document Performance Elements and Requirements on the DoD Senior Professional Pay and Performance Appraisal Form
7. Provide On-Going Feedback
8. Hold at Least One Progress Review and Document it
9. Ask Senior Professional for Narrative Input, if Desired
10. Appraise Senior Professional's Performance at the End of the Rating Period
11. Assess Senior Professional Accomplishments Against Performance Elements and Requirements
12. Assign Numeric Score to Performance Elements as Preliminary Performance Score
13. Use Share Conversion Chart, Assign Preliminary Performance Payout Shares
14. Discuss Performance Appraisal with Senior Professional

Authorizing Official

15. Determine Final Performance Rating, Performance Score and Performance Payout Share (including Split Between Bonus and Increase to Basic Pay)