



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

JAN - 4 2007

The Honorable David S. C. Chu
Under Secretary of Defense for
Personnel and Readiness
4000 Defense Pentagon
Washington, DC 20301-4000

Dear Dr. Chu:

This is in response to your request of December 1, 2006, for full certification of the Department of Defense (DoD) Senior Executive Service (SES) performance appraisal system for calendar years 2007 and 2008. We have reviewed your request and have determined, and the Office of Management and Budget concurs, that your system warrants provisional certification for calendar year 2007. You are permitted to authorize pay above the rate for level III of the Executive Schedule, up to the rate for level II of the Executive Schedule, for your highest performing SES staff, and you are permitted to use the higher aggregate pay limit.

We are granting provisional certification because your system meets the criteria for provisional certification, including the additional requirements detailed in my memo for Heads of Departments and Agencies, Certification of Performance Appraisal Systems for Senior Employees for Calendar Year 2007, dated October 31, 2006. If you believe that through additional documentation DoD can demonstrate that it meets the requirements for full certification for 2007, you may submit a request for full certification prior to the cutoff date.

In reviewing requests for certification, OPM is focusing on the importance of how agencies implement and apply these systems, and the effect they have on their executives and workforce. Therefore, I ask DoD to continue the training of its executives on the design and operation of your pay-for-performance system so they understand the process for determining ratings, pay, and awards. I am concerned some executives perceive agencies are using quotas, or forced distributions, to determine ratings. Using a forced distribution of ratings is prohibited and it is important DoD ensures it is not happening and executives clearly understand the rating process. Please also ensure your executives, as well as your Performance Review Boards and rating officials, are briefed on organizational performance and how performance is to be considered when determining ratings, pay, and awards. Finally, in addition to training on the system, agencies are required to communicate the overall results of their pay-for-performance system while maintaining confidentiality to the extent possible so executives see the general distributions of ratings and accompanying rewards.

As you know, you must provide OPM with a report showing the data that result from the application of your certified system, including your pay adjustments and awards. You must also reapply for either provisional or full certification for calendar year 2008 if you wish to continue to apply a higher maximum rate of basic pay and the higher aggregate limitation on pay in that

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calendar year. In addition, I authorize the Department of Defense to extend this provisional certification into early 2008 for the sole purpose of adjusting pay based on official ratings under your certified appraisal system that are given for appraisal cycles that end on or after September 30, 2007. Please notify Ms. Margaret Haack, your OPM Human Capital Officer, if you use this extension.

You should also contact Ms. Haack if you have questions regarding your certification status or requirements at 404-331-3451, extension 231, or by e-mail at margaret.haack@opm.gov. Ms. Haack will continue to work with you on making continuing improvements to your system and its application.

Sincerely,



Linda M. Springer
Director