



PERSONNEL AND
READINESS

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

JUL 30 2018

MEMORANDUM FOR CHIEF MANAGEMENT OFFICER OF THE DEPARTMENT OF
DEFENSE
SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
CHIEF, NATIONAL GUARD BUREAU
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DIRECTOR OF COST ASSESSMENT AND PROGRAM
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INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR OF OPERATIONAL TEST AND EVALUATION
CHIEF INFORMATION OFFICER OF THE DEPARTMENT OF
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ASSISTANT SECRETARY OF DEFENSE FOR LEGISLATIVE
AFFAIRS
ASSISTANT TO THE SECRETARY OF DEFENSE FOR PUBLIC
AFFAIRS
DIRECTOR OF NET ASSESSMENT
DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Fiscal Year 2018 Closeout Guidance for Senior Executive Service and Senior Professional Performance Appraisal Cycle and Pay

This memorandum and its attachment provide Fiscal Year 2018 (FY18) closeout guidance for the Senior Executive Service (SES), Senior Professional (SP) and equivalent workforce. The FY18 performance appraisal period will close on September 30, 2018.

It is vital that the Department of Defense (DoD) continues to apply rigor in SES and SP performance evaluations and maintain its commitment to an appraisal system that makes meaningful distinctions in performance. A Level 3 rating reflects accomplishment of the high expectations of our SES and SP workforce. Level 4 and 5 ratings are reserved for those SES and SP employees who have achieved exemplary results distinctly exceeding the Level 3 rating and linked to the achievement of organizational goals. SES and SP employees should receive the ratings they earn based on the results they accomplished. Quotas and forced distributions in ratings are not allowed.

Unless additional guidance is provided from the Office of Management and Budget and the Office of Personnel Management, pay pool funding for SES and SP bonuses will be a maximum of 7.5 percent of aggregate career SES and SP salaries, respectively, as of September 30, 2018. Separate pay pools must be used to fund SES and SP bonuses and performance-based

pay increases. If a Presidential Adjustment to Executive Pay is granted in FY19, SES and SP pay is adjusted individually, based on each SES and SP employee’s assigned performance rating and in accordance with sections 534.404 and 534.507 of Title 5, Code of Federal Regulations. Funding for SES and SP performance-based pay increases will not exceed 3 percent of the aggregate salaries of career SES and SP employees and those non-career and limited-term SESs authorized to receive a pay increase as of September 30, 2018.

Components must make meaningful distinctions in both bonuses and performance-based pay increases separately. In implementing performance-based payouts (including bonuses and performance-based pay increases) within the ranges established in the chart below, Components shall ensure that no SES or SP with a Level 3 rating receives a bonus percentage equal to, or in excess of, that received by any SES or SP with a Level 4 rating. As well, no SES or SP with a Level 3 rating may receive a percentage of pay increase equal to, or in excess of, that received by any SES or SP with a Level 4 rating. Similarly, no SES or SP with a Level 4 rating may receive a bonus percentage equal to, or in excess of, that received by any SES or SP with a Level 5 rating. Finally, no SES or SP with a Level 4 rating may receive a percentage of pay increase equal to, or in excess of, that received by any SES or SP with a Level 5 rating. This guidance is not applicable to SES and SP employees whose performance-based pay increase would cause them to exceed their tier or statutory pay cap. Additionally, Appointing Authorities must ensure SES and SP performance distributions are reviewed at the Component level for consistency across multiple pay pools.

All political appointees continue to be covered by a pay freeze on discretionary awards, bonuses, and similar payments.

Components with Defense Intelligence SES and Defense Intelligence Senior Level employees follow the requirements specified in this guidance, with any appropriate changes deemed necessary by the Under Secretary of Defense for Intelligence, who serves as the appointing authority for their closeout results. Nonappropriated Funded Executives follow the requirements outlined in this guidance, but are not limited by the ranges below.

Subject to the above, the following pay increase and bonus ranges are established for SES tiers and SPs across the Department, with the following restrictions:

Rating Level	Performance-Based Bonus Ranges (7.5%)	Performance-Based Pay Increase Ranges (3%)
Level 5	SES: 0 or 5 - 15% SP: 0 - 15%	4.1 - 10%
Level 4	SES: 0 or 5 - 8% SP: 0 - 8%	2.1 - 4%
Level 3	SES: 0 or 5% SP: 0 - 5%	0 - 2%

In accordance with the timeline set forth in the attachment to this memorandum, Components must submit their initial determinations on performance appraisals, signed by the appointing authority, to this office no later than January 2, 2019, for assessment and, as appropriate, validation of compliance of the Component's appraisal process with guidance applicable to the SES performance management system. I will make final recommendations, if any, to the Appointing Authority. Performance bonuses should be paid out in the most timely manner possible following validation.

I am confident the Department will continue to meet the high standards we have set for ourselves, and I appreciate your continued support in this regard. Questions regarding this correspondence may be directed to Greg Price, Interim Director, Defense Executive Resources Management Office whom you may reach at (571) 372-2282 or by email at Gregory.W.Price8.civ@mail.mil.



Robert L. Wilkie

Attachment:
As stated

**Department of Defense Senior Executive Service and Senior Professional
Performance Management and Pay Closeout Guidance
for Appraisal Period Fiscal Year 2018**

Rating Official Accuracy and Understanding of Rating Level Distinctions

Rating Officials must be able to articulate the Department of Defense's (DoD) position on all rating level definitions. Senior Executive Service (SES) members, Senior Professionals (SP) or equivalent workforce must understand that the Department has high expectations in achieving what is required of them in their performance plans. Achieving what is required garners SES and SP a Level 3 rating. To earn rating levels above Level 3, SES and SP must not only achieve expected results, but must also demonstrate real and proven results that have created meaningful change or realized additional savings beyond established targets. Consequently, Level 5 ratings should be reserved for extraordinary results that significantly advance the Department's mission or program objectives and clearly demonstrate significant efficiencies or cost savings. When the Appointing Authority certifies the final determinations on performance appraisals, he/she will also be certifying that Level 5 ratings accurately reflect performance at that level based on the criteria established in the SES or SP performance plan. In making distinctions, quotas or forced distributions in ratings are not authorized.

Components must complete the appropriate Ratings Distribution Justification Form in cases where the modal rating for either their SES or SP workforce is 4 or 5. These forms must be signed by the Component's Appointing Authority and returned with the Component's validation package.

SP Pay Policy

Part 534, subpart E of Title 5, Code of Federal Regulations provides rules for setting and adjusting rates of basic pay for the SP workforce. If the rate of basic pay for an SP is increased to the top 10 percent of the pay range, it must be approved by the Secretary of the Military Department or the Director of Administration in the Office of the Chief Management Officer, as applicable. The top 10 percent for Fiscal Year (FY) 2018 pay is from \$186,255 to \$189,600.

Rating Period and DoD Transfers of SES and SP Employees Post-September 30, 2018

The minimum rating period for SES and SP is 90 days before the end of the performance appraisal period. Components must ensure that all eligible SES and SP, including those who are or may be departing from the organization after the end of the performance period (September 30, 2018), receive a performance rating recommendation. Rating and performance award decisions when an SES or SP is reassigned or transferred will be made in accordance with section 3.2 of the DoD Instruction 1400.25, Volume 920.

Higher Level Review

An SES or SP may request only one higher level review (HLR) in a performance cycle. Per Deputy Secretary of Defense Memorandum, "FY 2017 Closeout Guidance for Senior Executive Service and Senior Professional Performance Appraisal Cycle and Pay," dated September 28, 2017, Components may limit the single opportunity for an HLR to either after the SES or SP receives

his/her recommended performance appraisal from the Rating Official or after he/she receives the pay pool manager’s recommendation.

Organizational Assessment and Performance Ratings

Rating Officials, Pay Pool Panels, Performance Review Boards (PRB), and Appointing Authorities must use the appropriate organizational assessment results to inform their determinations on individual performance ratings. This information is to be communicated across the organization for use by the rating chain to determine the extent to which an SES member’s or SP employee’s performance impacted organizational results and to ensure the performance rating reflects the impact and progress on Department or Component strategic goals.

Timeline – Payout for SES and SP Performance Bonuses and Pay Increases

DoD Timeline for FY 2018 Performance Appraisal Closeout Activities	
Activity	Dates
Performance cycle ends	September 30, 2018
Components close out their performance cycle and raters determine recommended performance appraisals	October 1 - December 14, 2018
Components allow executives opportunity for HLR	
Components convene Pay Pool Panels and/or PRBs and aggregate rating and award decisions	
Components submit the combined recommendations of the PRB to Deputy Assistant Secretary of Defense for Civilian Personnel Policy for technical review (no longer than 7 days)	NLT December 17, 2018
Component Appointing Authorities make initial determinations on performance appraisals	NLT December 28, 2018
Components submit their rating and pay results to the Office of the Under Secretary of Defense for Personnel and Readiness (USD(P&R)) for assessment and, as appropriate, validation of process compliance	NLT January 2, 2019
USD(P&R) assesses process compliance and makes any final recommendations	NLT January 14, 2019
Appointing Authorities make final determinations on performance appraisals and Components begin processing approved transactions for bonuses and pay adjustments	NLT January 15, 2019