



PERSONNEL AND
READINESS

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

MAY - 4 2026

MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP
DEFENSE AGENCY AND DOW FIELD ACTIVITY DIRECTORS

SUBJECT: Department of War Awards Spending Guidance for Non-Senior Executive Service and Senior Professional Employees for Fiscal Years 2026-2027

- References: (a) Acting Director, U.S. Office of Personnel Management Memorandum, "Performance Management for Federal Employees," June 17, 2025
(b) Director, U.S. Office of Personnel Management Memorandum, "Guidance on Awards for Federal Employees," August 11, 2025
(c) Under Secretary of War for Personnel and Readiness Memorandum, "Implementation Guidance on Civilian Incentives and Awards to Retain and Reward Top Talent," September 30, 2025

The Office of the Secretary of War, Military Departments, Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, Combatant Commands, Defense Agencies, and DoW Field Activities, and all other organizational entities within the DoW (herein referred to as DoW Components) will execute an approved awards budget as a percent of non-Senior Executive Service (SES) and Senior Professional (SP) salary spending each fiscal year (FY) pursuant to section 32.1(b) of Office of Management and Budget Circular No. A-11. DoW Components should allocate an awards budget of at least 2.4 percent in FY 2026 and at least 4 percent in FY 2027 to support the recruitment and retention of high-performing employees.

Building a high-performance culture is essential to both individual and organizational success. Reference (a) provides guidance to: (1) increase rigor in performance management through well-developed performance plans that make clear distinctions among the various performance levels; and (2) hold supervisors accountable for evaluation of employee performance.

Under the mandatory supervisory critical element, "Holding Employees Accountable," supervisors will recognize high performance while addressing poor performance. Because performance management is the foundation upon which an elite organization is built, DoW Components will allocate 5 percent of their respective awards budget to rewarding outstanding performance by supervisory employees under the supervisory critical element, "Holding Employees Accountable," and other performance elements within a supervisory performance plan.

Predicated on rigorous implementation of performance management, reference (b) provides for a high-performance workplace where outstanding employee efforts are celebrated and rewarded. Consistent with reference (b), DoW Components must:

- Ensure awards, both monetary and non-monetary, support a culture where only those who demonstrate exceptional individual performance and/or contribution to DoW receive the largest performance awards and pay adjustments;
- Use authorities to create meaningful bonuses and awards that incentivize outstanding employee performance consistent with applicable law and policy. Pursuant to reference (c), DoW Component heads may delegate authority to approve individual cash awards more than \$10,000 and up to \$25,000. Awards greater than \$25,000 require Presidential approval. Awards are subject to the aggregate limitation on pay as specified in 5 U.S.C. § 5307 and 5 CFR, Part 530, Subpart B.
 - Those receiving Level 3 – Fully Successful ratings of record may receive a performance-based award up to 5 percent of their annual rate of basic pay.
 - Those receiving Level 5 – Outstanding ratings of record, generally, may receive a performance-based award up to 10 percent of their annual rate of basic pay. In cases where an employee exhibits exceptional performance, DoW Component heads may authorize a performance-based award up to 20 percent of the employee’s annual rate of basic pay.

DoW Components are encouraged to:

- Apply a holistic approach in recognition by including time-off awards and Quality Step Increases as meaningful rewards for the highest-performing employees;
- Allocate funding for individual and group awards throughout the year based on time-based results.

Guidance for administration of civilian awards programs is attached. DoW Components will work with their respective human resources offices to ensure compliance with any collective bargaining obligations.

For questions concerning non-SES/SP employee awards programs, please send your inquiry to dodhra.mc-alex.dcpas.mbx.hrops-lerd-perf-mgmt@mail.mil.



Anthony J. Tata

Attachment:
As stated

Guidance on Awards for Department of War Civilian Employees

Department of War (DoW) Components will execute an approved awards budget as a percentage of non-Senior Executive Service (SES) and Senior Professional (SP) salary spending each fiscal year (FY) pursuant to section 32.1 of the Office of Management and Budget Circular No. A-11.

DoW Components are encouraged to contact their local Comptroller or Chief Financial Officer with questions concerning allocation of an awards budget pursuant to the requirements outlined in this Memorandum.

Applicability

Awards spending will apply to all awards programs within DoW with a few exceptions. This guidance applies to, but is not limited to the following:

- Employees covered by provisions of 5 U.S.C. and 5 CFR (other than SES and SP);
- Employees covered by provisions in 10 U.S.C. §§ 1601-1614 (Defense Civilian Intelligence Personnel System other than Defense Intelligence Senior Executive Service, and Defense Intelligence Senior Level Personnel);
- Civilian faculty members at DoW post-secondary education institutions, employed under the authorities in 10 U.S.C. § 1595;
- Foreign national employees of the DoW who are eligible for monetary awards, as long as restrictions do not conflict with host nation employment law or practice;
- Employees covered by the Physicians and Dentists Pay Plan, a hybrid of the title 38 pay system; and
- Awards that would otherwise be granted through the Defense Acquisition Workforce Development Fund.

Alternative Pay Systems

This guidance applies to DoW alternative pay systems such as the Science and Technology Reinvention Laboratories, DoW Civilian Acquisition Workforce Personnel Demonstration Project, provided that it does not conflict with specific provisions in the applicable Federal Register notice or collective bargaining agreement.

Nonappropriated Fund Employees

Components will comply with the performance and award policies contained in Department of Defense Instruction (DoDI) 1400.25, Volume 1404, "DoD Civilian Personnel Management System: Nonappropriated Fund Performance Management Program,"

June 26, 2014, as amended, and DoDI 1400.25, Volume 1405, “DoD Civilian Personnel Management System: Nonappropriated Fund Pay, Awards, and Allowances,” June 26, 2014, as amended.

Political Appointees

Presidential Memorandum, “Freeze on Discretionary Awards, Bonuses, and Similar Payments for Federal Political Appointees,” August 3, 2010, remains in effect.

Recruitment, Relocation, and Retention Incentives

Recruitment, retention, and relocation incentives are not included in awards spending. These incentives are used as workforce shaping tools to recruit and retain highly valuable candidates and employees. DoW policy on recruitment, retention, and relocation incentives can be found in DoDI 1400.25, Volume 575, “DoD Civilian Personnel Management System: Recruitment, Relocation, and Retention Incentives and Supervisory Differentials,” February 2, 2018.

Labor Relations

All applicable collective bargaining obligations must be met prior to implementing the provisions of this guidance, consistent with law and policy. Existing collective bargaining agreements, including past practices, may outline the structure for award recipients and the corresponding amounts for bargaining unit employees, provided the agreement or practice comports with 5 U.S.C. § 7106(a)(2), which grants management the authority to establish a budget. Lastly, management must conclude relevant negotiations with the union prior to implementing a change in conditions of employment.