



PERSONNEL AND
READINESS

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

SEP 30 2026

MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP
COMMANDERS OF THE COMBATANT COMMANDS
DEFENSE AGENCY AND DOW FIELD ACTIVITY DIRECTORS

SUBJECT: Fiscal Year 2026 Closeout Guidance for Senior Executive Service and Senior Professional Performance Appraisal Cycle and Pay

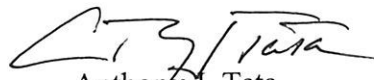
This memorandum and its accompanying attachment establish the Department of War Fiscal Year 2026 performance closeout guidance for the Senior Executive Service (SES) and Senior Professional (SP) workforces.

This year's guidance introduces changes to the SES and SP performance appraisal process that require disciplined calibration and closer linkage among individual contributions, organizational outcomes, and performance ratings. These changes are intended to strengthen merit-based distinctions, improve transparency and consistency across Components, and ensure recognition is concentrated on the highest levels of demonstrated performance. This process will better distinguish levels of performance, ensuring that we meaningfully reward our highest achievers and incentivize the results most critical to the Department's mission.

These requirements also apply to all Components with the Defense Intelligence SES, in addition to Defense Intelligence Senior Level employees, except when specific deviations are authorized by the Under Secretary of War for Intelligence and Security, who serves as the validating official. Nonappropriated Fund executives also must adhere to these guidelines where applicable.

I remain highly confident in our collective ability to maintain the rigorous standards of excellence that define our Department. Thank you for your continued leadership, rigor, and commitment to this vital mission.

Questions regarding this policy may be directed to Mr. Michael Cogar, Deputy Assistant Secretary of War for Civilian Personnel Policy, at michael.a.cogar3.civ@mail.mil.


Anthony J. Tata

Attachment:
As stated

Guidance for Evaluating Senior Executive Service and Senior Professional Personnel for Performance-Based Payouts, Required Standardized Distribution, and Calibration

All rating officials, pay pools, and Performance Review Boards (PRBs) must align Fiscal Year (FY) 2026 performance evaluations and rating directly with the achievement of individual and organizational goals prior to the close of the appraisal period on September 30, 2026; note that non-career Senior Executive Service (SES) members are excluded from receiving performance ratings.

The Under Secretary of War (Comptroller)/Chief Financial Officer of the Department of War will publish a summary assessment of the Department's FY 2026 performance in the upcoming FY 2026 Agency Financial Report (AFR). Rating officials, pay pools, and PRB members may utilize, as appropriate, the summary included in the FY 2026 AFR; documented progress towards advancing the President's Actions (e.g., Executive Orders, Memoranda, and Proclamations); the Secretary of War's three priorities; the Department's contribution to the President's Budget Request; and/or the National Defense Strategy—along with other relevant performance reports—to assess the performance of the Department's executive workforce. Additionally, rating officials, pay pools, and PRBs must evaluate how executives achieved the Secretary of War's audit priority goals. Evaluators will assess these specific goals under the mandatory "Achieving Organizational Results" critical element within the executive's performance plan, as applicable.

Rating officials, pay pools, and PRB members will rigorously, objectively, and consistently apply rating-level definitions to advance President Trump's priorities of eliminating rating inflation and promoting a high-performance culture that meaningfully differentiates excellent, mediocre, and poor performance. Performance-based payouts will be based on results that demonstrate success in meeting specific goals and outcomes and aligned with both Department-wide and Component-specific performance, as applicable. Only truly exceptional performers will receive the highest ratings.

Standardized Distribution and Performance Rating Calibration

Through the structured calibration process, DoW pay pools and PRBs evaluate preliminary ratings and supporting evidence across work units to ensure rating consistency for similar levels of performance. This approach relies on pre-established, transparent calibration factors. To ensure compliance, the PRB will formally serve as the calibration panel, and the career SES and Senior Professional (SP) populations will be calibrated separately. All preliminary rating, relative ranking, and calibration decisions must align with merit systems principles codified in 5 U.S.C. § 2301. Rating and calibration officials must base all decisions strictly on objective performance, prohibiting any influence from personal relationships, political affiliations, protected characteristics, retaliation, or other non-performance factors. The Calibration Factors are as follows:

1. Results achieved in accordance with Agency mission and strategic planning initiatives;
2. Overall quality of performance rendered by the executive; and
3. Performance appraisal guidelines based upon assessments of the Agency's performance.

The Department will follow a standardized distribution of no more than 40.0 percent Levels 4 and 5 for SES members, equivalents, and SPs. This standardized distribution is managed at the DoW Component level. DoW Component ratings must adhere to the approved limits.

Performance Management Officer

The DoW Performance Management Officer (PMO) is the Principal Director within the Office of the Deputy Assistant Secretary of War for Civilian Personnel Policy. The DoW PMO develops policy and oversees DoW guidance related to standardized distribution of ratings and calibration. The DoW PMO exercises oversight and validation of the DoW SES and SP performance appraisal systems. This is a critical quality control step where the PMO reviews all proposed ratings to ensure that DoW Components are within distribution caps prior to appointing authorities finalizing ratings and approving performance-based payouts.

Higher Level Review

An SES or SP may request one higher level review (HLR) in a performance cycle. For the FY 2026 performance cycle, I hereby authorize an exception to Paragraph 3.1. of Department of Defense Instruction 1400.25, Volume 920, “Defense Civilian Personnel Management System: Senior Executive Service Performance Management System and Compensation Policy,” to permit DoW Components to limit the single opportunity for a HLR after the SES or SP receives his/her recommended performance appraisal from the Rating Official.

Deferred Resignation Program

Regarding the performance appraisal expectations for those who were approved for the DoW Deferred Resignation Program (DRP), DoW Components are not required to complete the appraisal process for these executives. Rating officials should indicate on the performance plan that the SES or SP has resigned or retired via the DRP. Only SES or SPs who continue to be in a paid status through September 30, 2026, are eligible for a rating and performance award.

Making Performance-Based Payouts

Pay Pool Funding

Pay pool funding for SES and SP performance-based bonuses is a maximum of 10 percent of the aggregate career SES and SP salaries, respectively, as of September 30, 2026. To adequately incentivize high performance, DoW Components should set aside at least 60 percent of their SES and SP bonus pools to Level 4 and 5 performers. DoW Components must set aside a separate bonus pool for SPs in Schedule Policy/Career in accordance with Section 4 of Executive Order 14410.

Annual Performance-Based Compensation

DoW Components will utilize annual performance-based compensation (the sum total of the performance-based pay adjustment and performance-based bonus) as the basis for demonstrating pay differentiation and will ensure meaningful distinctions are reflected between performance rating levels, as well as within a single performance rating level. An example of pay differentiation within a single performance level is provided at Table 1. Total performance payout adjustments must not cause the total performance payout of a lower-level rating to exceed that of a higher-level rating.

Table 1. Example of Demonstrating Pay Differentiation within Performance Level 3 using Annual Performance-Based Compensation

Score	Annual Performance-Based Compensation Ranges
375 - 399	12.1 – 15%
351 - 374	8.1 – 12%
300 - 350	Up to 8%

Pay Increases and Bonus Ranges

Performance-based payouts may not exceed the maximum annual performance-based compensation amount provided in Table 2. SES and SP pay may be adjusted individually based on assigned performance ratings and in accordance with 5 CFR §§ 534.404 and 534.507.

Meaningful Distinctions

When making determinations for performance-based adjustments, appointing authorities will promote the maximum use of pay policy flexibilities to award the highest amounts to those SES and SP members with the highest achievement and contributions to individual and organizational results. DoW Components will ensure that meaningful distinctions in performance-based payouts are reflected between performance rating levels, as well as within a single performance rating level. Appointing authorities may award performance-based pay adjustments that would bring an SES and SP member's pay above his/her position's designated tier ceiling to those rated a Level 5.

Table 2. FY 2026 DoW Annual Performance-Based Compensation

Rating Level	Annual Performance-Based Compensation May Not Exceed:
5	35.0%
4	25.0%
3	15.0%

To ensure the Department's highest-performing executives receive maximum payouts and recognition, DoW Components should award executives achieving a perfect score (500) a 20 percent performance-based bonus, the maximum amount permitted under statute. I also encourage maximum use of all pay policies and flexibilities to recognize and reward top performers. DoW appointing authorities may utilize performance awards, incentives, contribution awards, time-off awards, honorary recognition (e.g., plaques, certificates, etc.), informal recognition items, or combination thereof, to pay, incentivize, and retain quality SES and SP members.

Individual and Team Contribution Awards

DoW Components are encouraged to spend up to 5 percent of the aggregate salaries of career SES and SP onboard at the end of FY 2026 on individual and team contribution awards (e.g., special act or incentive awards) that will be paid throughout FY 2027. DoW Components should promote maximum use of pay policy, incentives, and flexibilities by encouraging rating officials to recognize meritorious accomplishments of their executives, for individual accomplishments, as well as for those who are part of a team accomplishment, by submitting cash award requests for appointing authority approval.

DoW Components should conduct comprehensive reviews of their awards and bonus policies to remove any barriers to meaningfully reward the most deserving SES and SPs, both individually and as part of a team or group.

SP Pay Policy

Title 5, Code of Federal Regulations, Part 534, Subpart E, provides the rules for setting and adjusting the rates of basic pay for the SP and equivalent workforce. If the rate of basic pay for an SP or equivalent is increased to the top 10 percent of the pay range, the appointing authority must grant approval. Appointing authorities may approve SP performance-based awards up to \$25,000 pursuant to 5 U.S.C. § 4502(f). Awards over \$25,000 must be sent to the Office of Personnel Management for review and recommendation to the President for approval.

Political Appointees

A provision in the Consolidated Appropriations Act, 2026 (Public Law 119–75), continues the pay freeze through end of the last pay period commencing in 2026, for the Vice President and certain senior political appointees.

Validation and Technical Review

In accordance with the Table 3 timeline, DoW Components must submit their initial determinations on performance appraisals, signed by appointing authorities, to the Office of the Deputy Assistant Secretary of Defense for Civilian Personnel Policy for technical review and validation.

Table 3. DoW Timeline for FY 2026 Performance Appraisal Closeout Activities

Activity	Dates
Performance cycle ends.	September 30, 2026
Components close out their performance cycle and raters determine recommended performance appraisals.	October 1–December 4, 2026
Components allow opportunity for a HLR.	
Pay pool/Calibration panels and PRBs convene. Upon completion, Components will aggregate the ratings and performance-based payout decisions.	
Components submit combined recommended ratings and performance-based payout recommendations to the Defense Executive Resources Management Office for technical review.	No later than (NLT) December 11, 2026
Component appointing authorities make final determinations on performance appraisals.	NLT January 5, 2027
Components process approved performance-based payouts. *Payout Processing Note: The Defense Finance Accounting Service requires awards listings NLT January 10, 2027, for them to be reviewed and paid by the pay period ending January 22, 2027. Lists provided after this date, or actions that may require corrections, may result in a delayed effective date and payments made the following pay period.	NLT January 11, 2027*