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

PERSONNEL AND READINESS

SEP 2 3 2021

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

SUBJECT: Fiscal Year 2021 Closeout Guidance for Senior Executive Service and Senior Professional Performance Appraisal Cycle and Pay

This memorandum provides DoD Fiscal Year (FY) 2021 closeout guidance for the Senior Executive Service (SES) and Senior Professional (SP) workforces.

Components with Defense Intelligence SES and Defense Intelligence Senior Level employees follow these requirements unless the Under Secretary of Defense for Intelligence and Security, who serves as the validating official for their closeout results, deems necessary changes. Nonappropriated fund (NAF) executives also follow these requirements.

Evaluating for Performance-Based Payouts

The FY 2021 performance appraisal period closes September 30, 2021. Rating officials and members of pay pools (PP) and performance review boards (PRB) will ensure performance evaluations and ratings, regardless of level, are linked to the successful achievement of both individual and organizational performance goals.

The Director of Administration and Management, in partnership with the Under Secretary of Defense (Comptroller), will distribute the FY 2021 Agency Financial Report (AFR). The AFR encapsulates the Management's Discussion and Analysis, which includes a summary assessment of the Department's performance. Rating officials, PP, and PRB members will utilize the AFR, along with other relevant performance reports, to assess the performance of the Department's executive workforce.

Performance-based payouts will be based on results that demonstrate success in meeting specific goals and outcomes, aligned to both DoD-wide and Component-specific performance, as applicable. Additionally, rating officials, PP, and PRB members will rigorously, objectively, and consistently apply rating level definitions and make meaningful distinctions, as appropriate. Forced distributions and quotas are not permissible.

When making rating determinations and performance-based payout recommendations and decisions, the achievement of the high expectations that we have established for our SES, SP, and equivalent members in the Department, which is a significant accomplishment, ultimately leads to a Level 3 (Fully Successful/Achieved Expectations) rating. Documented accomplishments that reflect a significant distinction between the challenging standard that was set and the results achieved lead to a Level 4 (Exceeds Fully Successful/Exceeds Expected

Results) rating. The Level 5 (Outstanding/Exceptional Results) rating and corresponding performance pay adjustments and bonuses occur only for those who truly demonstrate exceptional performance, foster a climate that sustains excellence, and optimizes results in their organization, agency, department, or Government-wide. All recommendations must adhere to Federal merit system principles and remain free from any prohibited personnel practices.

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, 2021. There is no limit on funding for SES and SP performance-based pay adjustments; however, Components must adhere to the ranges in Table 1 when applying pay adjustments.

Annual Performance-Based Compensation

Components will use 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 rating levels. As appropriate, Components will also ensure meaningful distinctions are made within a single performance level. Total performance payout adjustments should not cause the total performance payout of a lower level rating to exceed that of a higher level rating. To meet the requirements of meaningful distinction, Components must at minimum make a 0.1 percent difference between rating levels.

Appointing authorities must comprehensively review performance distributions for consistency across multiple PPs while keeping in mind that quotas and forced distributions in ratings are not allowed.

Pay Increases and Bonus Ranges

Performance-based payouts will be made within the ranges established in Table 1. If a presidential adjustment to executive pay is granted for Calendar Year (CY) 2022, 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 award the highest amounts to those executives with the highest achievement and contributions to individual and organizational results.

Appointing authorities may award performance-based pay adjustments that would bring an executive's pay above his/her position's designated tier ceiling and award performance-based

bonuses in the amount of 15-20 percent to only executives who truly demonstrate exceptional performance and exceed established targets for individual and organizational goals.

Appointing authorities will only award the maximum performance-based bonus (20 percent) to SES and SP who receive a perfect score in recognition of their extraordinary impact on the achievement of the organization's mission and sustained, exceptional achievements in meeting individual and organizational results.

Additionally, executives rated "Fully Successful" will receive no more than the amount of the percentage of the annual adjustment authorized by the Office of Personnel Management.

Table 1. FY 2021 DoD Performance-Based Pay Increase and Bonus Ranges

Rating Level	Performance-Based Bonus Ranges (10%)		Performance-Based Pay Adjustments	Annual Performance-Based Compensation May Not Exceed:
	SES	SP		
5	0 or 5.0 – 20.0%	0 – 20.0%[1]	1.0 – 5.0%	25.0%
4	0 or 5.0 – 14.0%	0 – 14.0%	1.0 – 4.0%	18.0%
3	0 or 5.0 – 8.0%	0 – 8.0%	0.0 – Percent of Annual Adjustment	11.0%

Rating Distribution Justification Form

Components must complete the appropriate "Ratings Distribution Justification Form" when the modal rating for their SES, SP, or equivalent workforce is Level 5, or a bimodal rating of Levels 4 and 5. Forms must be signed by the appointing authority and returned with the validation package. This form is not applicable to NAF executives.

Individual Contribution Awards

Components may spend up to one percent of the aggregate salaries of career SES and SP at the end of FY 2021 on individual contribution awards (e.g., special act or incentive awards) that will be paid throughout FY 2022.

SP Pay Policy

Part 534, subpart E, of title 5, CFR, 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 and equivalents is increased to the top 10 percent of the pay range, it must be approved by the appointing authority. The top 10 percent for FY 2021 pay is $192,630 to $199,300.

[1] 5 U.S.C. § 4502(f) limits SP performance-based awards to $25,000.

Political Appointees

Political appointees continue to be covered by the pay freeze on discretionary awards, bonuses, and similar payments. Appraisals should be completed for applicable political appointees to ensure eligibility for pay increases should they be authorized for CY 2022.

Validation and Technical Review

In accordance with the below timeline, 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 2. DoD Timeline for FY 2021 Performance Appraisal Closeout Activities

Activity	Dates
Performance cycle ends.	September 30, 2021
Components close out their performance cycle and raters determine recommended performance appraisals.	October 1 - December 10, 2021
Components allow opportunity for a higher level review.	
PP panels and/or 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 13, 2021
Component appointing authorities make final determinations on performance appraisals.	NLT December 27, 2021
Components process approved performance-based payouts. ***Payout Processing Note: The Defense Finance Accounting Service requires awards listings NLT January 7, 2022, in order for them to be reviewed and paid by the pay period ending January 15, 2022. Lists provided after this date, or actions which may require corrections, may result a delayed effective date and payments made the following pay period.**	NLT January 7, 2022*

I am confident that the Department will continue to meet the high standards we have set for ourselves. I am proud of our continued commitment to successfully execute our performance management system, ensuring that performance is aligned with individual and organizational results, as well as in making meaningful distinctions in performance, while avoiding forced distributions or quotas. I appreciate your continued support and rigor.

Please direct any questions regarding this correspondence to Ms. Kimberly C. Markee, Defense Executive Resource Management Office, at kimberly.c.markee.civ@mail.mil or (571) 372-2285.

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