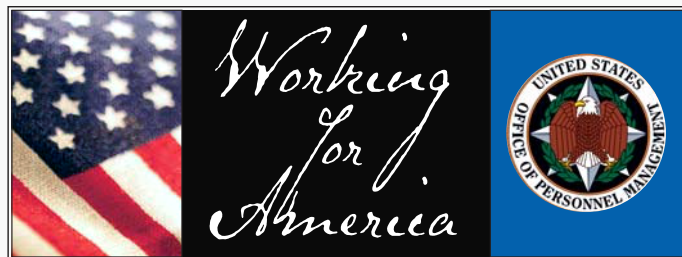


A close-up, diagonal view of the American flag, showing the stars and stripes in detail.

*UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT*

**REPORT ON  
SENIOR EXECUTIVE  
PAY FOR PERFORMANCE  
FOR  
FISCAL YEAR 2005**

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



July 2006



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

The Director

July 11, 2006

**MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES**

FROM: Linda M. Springer,  
Director

SUBJECT: Report on Senior Executive Service Pay for Performance for  
Fiscal Year 2005

This report reflects the second year of measuring the achievements of Federal executives in the Senior Executive Service under modernized performance management systems. Agencies have invested great effort in these new systems and are seeing results from a compensation system that is more performance sensitive. The data indicate that Federal agencies are taking seriously the requirement to develop rigorous appraisal systems and to make meaningful distinctions in performance ratings and pay. In this regard, reporting agencies shifted to appraisal systems with at least one level above fully successful and away from pass/fail systems. In addition, agencies approved differing amounts and numbers of awards, reflecting their diversity of mission, funding and accomplishment.

We expect the 2006 rating cycle to continue improvement in holding senior executives accountable for achieving results, and rating and rewarding them accordingly. Should you have questions about this report, please contact the Center for Leadership and Executive Resources Policy at 202-606-8046.

Attachments

cc: President's Management Council  
Chief Human Capital Officers  
Human Resources Directors

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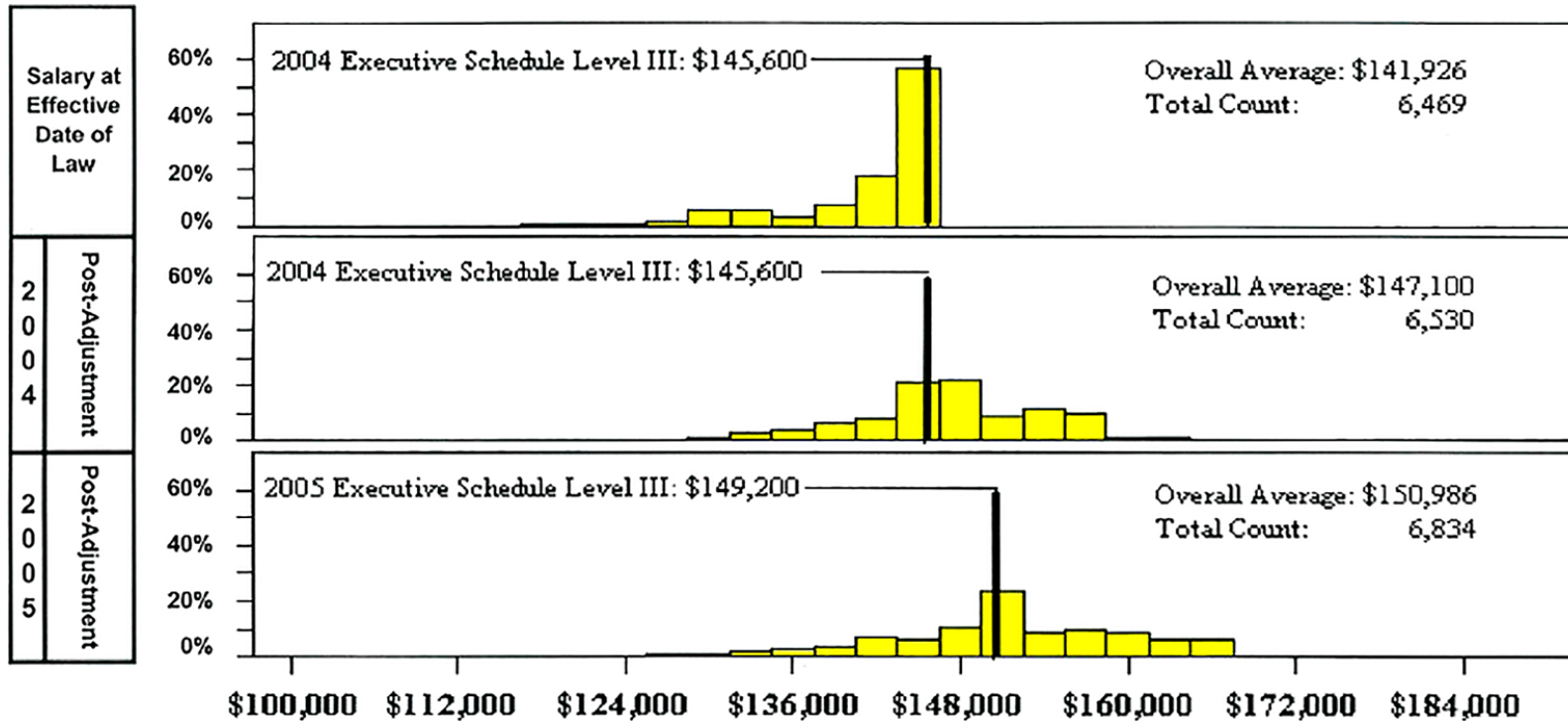
## **EXECUTIVE SUMMARY**

### **Senior Executive Service (SES) Pay for Performance Report Fiscal Year (FY) 2005**

- This report reflects data on 6,834 career and non-career members of the Senior Executive Service. Of 6,410 rated, 5,906 are career members of the SES.
- Agencies continue to make steady progress in the second year of measuring executive achievement under modernized performance management systems. Chart 1 shows progress in the differentiation of pay among SES members since 2004 when agencies with certified SES appraisal systems were permitted to pay SES above Executive Schedule Level III.
- The first two tables show a decrease of 16 – 17 percent in those rated at the highest level, continuing a trend toward increased distinctions in ratings. Table 1 covers only career senior executives, while Table 2 includes non-career and limited term senior executives.
- Agencies are exercising more rigor in implementing pay for performance. Table 3 shows that all reporting agencies now use appraisal systems with at least one level above fully successful. It also demonstrates that SES compensation is performance sensitive since, on average, higher-rated executives received higher performance awards and salary adjustments.
- Table 4 shows that in FY 2005 salaries increased by 3.8 percent compared to 3.7 percent in FY 2004. Adjustment percents vary by agency due to differing strategies, funding levels, and rating patterns.
- The shift to pay for performance involves only modest increases in award amounts. Table 5 shows the average performance award increased from \$13,734 in FY 2004 to \$13,814 in FY 2005. Awards vary by agency based on factors such as compensation strategy, funding, and agency performance levels.

Chart 1

**SES Pay Differentiation for Career, Non-Career and Limited Term SES Employees (Certified Agencies) <sup>1, 2</sup>**  
**FY 2004 - FY 2005**



1. All salaries above Executive Schedule Level III are made possible by certification.
2. 2004 data include all agencies regardless of certification status.

TABLE 1									
Career SES Performance FY 2002 – FY 2005									
AGENCY	FY 2002		FY 2003		FY 2004		FY 2005		
	Career SES Rated	Percent at Highest Level	Career SES Rated	Percent at Highest Level	Career SES Rated	Percent at Highest Level	Career SES Rated	Percent at Highest Level	Percent Change FY 2004-FY 2005
AGRICULTURE	296	34.5%	295	37.9%	280	39.6%	283	39.9%	0.3%
AID	19	42.1%	21	38.1%	17	52.9%	19	52.6%	-0.3%
COMMERCE	215	80.5%	250	80.4%	263	49.0%	247	44.9%	-4.1%
DEFENSE <sup>1</sup>	1,002	96.5%	1,038	96.0%	1,049	99.5%	1,066	32.3%	<b>-67.2%</b>
EDUCATION <sup>1</sup>	63	100.0%	54	98.1%	60	98.3%	66	53.0%	<b>-45.3%</b>
ENERGY	343	18.4%	336	38.3%	347	41.8%	356	39.6%	-2.2%
EPA	242	68.6%	255	64.3%	264	59.8%	265	30.6%	-29.2%
GSA	76	52.5%	75	54.6%	75	25.3%	78	33.3%	8.0%
HHS	342	99.1%	331	99.7%	307	51.8%	320	55.6%	3.8%
HOMELAND SECURITY	--	--	--	--	204	83.3%	218	54.1%	-29.2%
HUD	64	100.0%	69	100.0%	69	40.6%	67	55.2%	14.6%
INTERIOR	185	99.5%	190	100.0%	219	21.5%	220	18.2%	-3.3%
JUSTICE	258	87.6%	263	84.7%	523	60.4%	540	62.0%	1.6%
LABOR	124	48.4%	129	32.5%	141	34.8%	145	38.6%	3.8%
NASA	358	75.7%	384	75.5%	401	76.1%	399	52.6%	-23.5%
NRC	140	98.6%	137	100.0%	150	9.3%	144	9.0%	-0.3%
OMB	53	24.5%	57	31.5%	55	34.5%	53	22.6%	-11.9%
OPM	22	45.5%	29	31.0%	42	50.0%	43	41.9%	-8.1%
SBA	34	50.0%	31	45.1%	30	70.0%	31	51.6%	-18.4%
SSA	116	100.0%	112	41.0%	133	54.9%	127	58.3%	3.4%
STATE	111	99.1%	109	98.1%	125	93.6%	126	59.5	34.1%
TRANSPORTATION	175	100.0%	161	100.0%	180	31.7%	162	22.8%	-8.9%
TREASURY	533	59.1%	369	52.0%	386	40.9%	385	43.6%	2.7%
VA	270	57.0%	261	67.4%	262	64.5%	261	61.7%	-2.8%
ALL OTHERS	557	75.5%	503	86.4%	266	55.6%	283	53.7%	-1.9%
GOVERNMENTWIDE	<b>5,626</b>	<b>74.6%</b>	<b>5,483</b>	<b>74.5%</b>	<b>5,848</b>	<b>59.4%</b>	<b>5,906</b>	<b>43.4%</b>	<b>-16.0%</b>

1. Percent change in bold italics denotes those agencies whose appraisal systems changed from a 3 summary level system to a 5 summary level system.

Source: Agency electronic data submission forms

<b>TABLE 2</b>							
<b>FY 2004 and FY 2005 Ratings for Career, Non-Career and Limited Term SES Employees</b>							
<b>AGENCY</b>	<b>FY 2004</b>			<b>FY 2005</b>			
	<b>SES Rated</b>	<b>Rated at Highest Level</b>	<b>Percent at Highest Level</b>	<b>SES Rated</b>	<b>Rated at Highest Level</b>	<b>Percent at Highest Level</b>	<b>Percent Change FY 2004-FY 2005</b>
<b>AGRICULTURE</b>	316	138	43.6%	321	141	43.9%	0.3%
<b>AID</b>	17	9	52.9%	19	10	52.6%	-0.3%
<b>COMMERCE</b>	302	147	48.6%	283	127	44.9%	-3.7%
<b>DEFENSE</b>	1,120	1,110	99.1%	1,113	351	31.5%	-67.6%
<b>EDUCATION</b>	75	74	98.6%	76	37	48.7%	-49.9%
<b>ENERGY</b>	390	173	44.4%	367	142	38.7%	-5.7%
<b>EPA</b>	281	172	61.2%	287	98	34.1%	-27.1%
<b>GSA</b>	96	27	28.1%	98	32	32.7%	4.5%
<b>HHS</b>	357	184	51.5%	365	211	57.8%	6.3%
<b>HOMELAND SECURITY</b>	263	224	85.2%	267	155	58.1%	-27.1 %
<b>HUD</b>	85	38	44.7%	81	50	61.7%	17.0%
<b>INTERIOR</b>	249	54	21.7%	248	45	18.1%	-3.5%
<b>JUSTICE</b>	570	355	62.3%	582	375	64.4%	2.2%
<b>LABOR</b>	173	77	44.5%	168	72	42.9%	-1.7%
<b>NASA</b>	410	312	76.1%	406	216	53.2%	-22.9%
<b>NRC</b>	150	14	9.3%	145	13	9.0%	-0.4%
<b>OMB</b>	66	22	33.3%	53	12	22.6%	-10.7%
<b>OPM</b>	55	26	47.3%	52	19	36.5%	-10.7%
<b>SBA</b>	44	31	70.4%	42	22	52.4%	-18.0%
<b>SSA</b>	142	80	56.4%	137	83	60.6%	4.2%
<b>STATE</b>	156	134	85.9%	130	75	57.7%	-28.2%
<b>TRANSPORTATION</b>	201	67	33.4%	185	45	24.3%	-9.1%
<b>TREASURY</b>	413	182	44.0%	408	189	46.3%	2.3%
<b>VA</b>	272	175	64.3%	271	169	62.4%	-2.0%
<b>ALL OTHERS</b>	287	176	61.2%	306	161	52.6%	-8.6%
<b>GOVERNMENTWIDE</b>	<b>6,490</b>	<b>4,000</b>	<b>61.6%</b>	<b>6,410</b>	<b>2,850</b>	<b>44.5%</b>	<b>-17.2%</b>

Source: Agency electronic data submission forms



**TABLE 3****Aggregate Career SES Pay Distribution  
FY 2005**

AGENCY	SES Rated	Percent Rated at Level	Average Salary Before Adjustment	Average Performance Award	Salary Average Adjustment	Average Performance Award as a Percent of Salary Before Adjustment	Average Salary Adjustment as a Percent of Salary Before Adjustment	Average Salary Adjustment + Average Performance Award as a Percent of Salary Before Adjustment	Average Performance Award as a Percent of Average Salary + Average Salary Adjustment + Average Performance Award
<b>5 Summary Levels</b>									
<b>Rating Levels</b>	<b>5,176</b>								
Outstanding or Equivalent (5)	2,231	43.1%	\$149,319	\$14,249	\$6,057	9.5%	4.1%	13.6%	8.4%
Exceeds Expectations (4)	2,245	43.4%	\$145,605	\$7,985	\$4,659	5.5%	3.2%	8.7%	5.0%
Fully Successful (3)	687	13.3%	\$143,631	\$2,570	\$2,830	1.8%	2.0%	3.8%	1.7%
Minimally Successful (2)	11	0.2%	\$142,907	\$0	\$0	0.0%	0.0%	0.0%	0.0%
Unacceptable (1)	2	0.0%	\$142,500	\$0	\$0	0.0%	0.0%	0.0%	0.0%
<b>4 Summary Levels</b>									
<b>Rating Levels</b>	<b>729</b>								
Outstanding or Equivalent (5)	331	45.4%	\$150,866	\$11,628	\$7,367	7.7%	4.9%	12.6%	6.8%
Fully Successful (3)	394	54.0%	\$146,738	\$4,008	\$5,174	2.6%	3.5%	6.3%	2.6%
Minimally Successful (2)	4	0.5%	\$145,957	\$0	\$0	0.0%	0.0%	0.0%	0.0%
Unacceptable (1)	0	0.0%	\$0	\$0	\$0	0.0%	0.0%	0.0%	0.0%

Source: Agency electronic data submission forms



TABLE 4								
Salaries for Career, Non-Career and Limited Term SES Employees FY 2004 - FY 2005								
AGENCY	FY 2004				FY 2005			
	Average Rate of Basic Pay Before Salary Adjustment	Average Rate of Basic Pay After Salary Adjustment	Average Salary Adjustment	Average Salary Adjustment as Percent of Basic Pay Before Adjustment	Average Rate of Basic Pay Before Salary Adjustment	Average Rate of Basic Pay After Salary Adjustment	Average Salary Adjustment	Average Salary Adjustment as Percent of Basic Pay Before Adjustment
AGRICULTURE	\$142,405	\$151,969	\$9,564	6.7%	\$149,178	\$157,060	\$7,926	5.3%
AID <sup>1</sup>	\$141,577	\$144,902	\$3,325	2.3%	\$149,096	\$151,825	\$2,826	1.9%
COMMERCE	\$141,494	\$146,063	\$4,569	3.2%	\$144,926	\$149,141	\$5,561	3.8%
DEFENSE <sup>2</sup>	\$142,565	\$143,624	\$1,059	0.7%	\$144,047	\$147,751	\$4,086	2.8%
EDUCATION	\$141,448	\$144,181	\$2,733	1.9%	\$143,772	\$148,863	\$6,367	4.4%
ENERGY	\$142,974	\$149,060	\$6,086	4.3%	\$147,659	\$153,113	\$6,322	4.3%
EPA	\$142,577	\$149,935	\$7,358	5.2%	\$149,455	\$153,874	\$5,222	3.5%
GSA	\$141,078	\$147,584	\$6,506	4.6%	\$146,896	\$150,897	\$4,952	3.4%
HHS	\$140,507	\$146,101	\$5,594	4.0%	\$147,455	\$153,619	\$6,640	4.5%
HOMELAND SECURITY <sup>3</sup>	--	--	--	--	\$143,680	\$149,667	\$7,108	4.9%
HUD	\$140,507	\$145,818	\$5,311	3.8%	\$143,490	\$147,506	\$7,624	5.3%
INTERIOR	\$139,917	\$146,739	\$6,822	4.9%	\$145,956	\$151,654	\$6,233	4.3%
JUSTICE	\$142,679	\$147,835	\$5,156	3.6%	\$146,777	\$152,684	\$6,148	4.2%
LABOR	\$140,587	\$147,745	\$7,158	5.1%	\$146,132	\$153,339	\$7,253	5.0%
NASA	\$140,881	\$145,678	\$4,797	3.4%	\$145,760	\$148,895	\$4,839	3.3%
NRC	\$143,591	\$149,304	\$5,713	4.0%	\$149,330	\$153,161	\$4,055	2.7%
OMB	\$140,344	\$142,699	\$2,355	1.7%	\$144,598	\$149,402	\$4,804	3.3%
OPM	\$141,507	\$148,298	\$6,791	4.8%	\$145,566	\$150,069	\$5,224	3.6%
SBA	\$141,909	\$152,395	\$10,486	7.4%	\$151,236	\$156,863	\$7,100	4.7%
SSA	\$140,822	\$147,101	\$6,279	4.5%	\$147,532	\$152,176	\$4,846	3.3%
STATE <sup>4</sup>	\$142,556	\$146,774	\$4,218	3.0%	\$146,458	\$152,290	\$5,742	3.9%
TRANSPORTATION	\$142,034	\$147,987	\$5,953	4.2%	\$147,078	\$149,946	\$4,675	3.2%
TREASURY	\$140,471	\$146,158	\$5,687	4.0%	\$144,888	\$150,308	\$6,129	4.2%
VA	\$142,942	\$150,829	\$7,887	5.5%	\$149,297	\$154,436	\$6,120	4.1%
ALL OTHERS	\$143,512	\$149,827	\$6,315	4.4%	\$150,721	\$155,045	\$4,324	2.9%
GOVERNMENTWIDE	\$141,929	\$147,131	\$5,202	3.7%	\$146,383	\$151,266	\$5,628	3.8%

1. Additional performance adjustment decisions were pending at the time of this report; data shown reflect MPR (maintain position in range) adjustments only.

2. Agency appraisal system was not certified by OPM for CY2004 or CY2005.

3. 2004 data for the Department of Homeland Security were not available for inclusion.

4. 2005 non-career adjustment data for the Department of State were not available when this report was prepared.

Source: Agency electronic data submission forms

**TABLE 5****Career SES Awards  
FY 2002 - FY 2005**

AGENCY	FY 2002		FY 2003		FY 2004		FY 2005		
	Average Award	Percent Received Awards	Average Award	Percent Received Awards	Average Award	Percent Received Awards	Average Award	Percent Received Awards	Percent Change FY 2004-FY 2005
AGRICULTURE	\$11,153	70.6%	\$12,491	80.6%	\$15,861	81.4%	\$15,945	83.7%	2.3%
AID <sup>1</sup>	\$7,442	42.1%	\$7,257	33.3%	\$8,889	52.9%	\$12,444	10.5%	-42.4%
COMMERCE	\$10,616	82.8%	\$10,570	71.5%	\$12,299	77.9%	\$11,749	81.2%	3.3%
DEFENSE <sup>2</sup>	\$15,732	20.5%	\$16,418	56.1%	\$16,958	43.4%	\$14,788	85.3%	41.9%
EDUCATION	\$10,302	60.3%	\$9,658	64.1%	\$10,325	67.8%	\$10,652	76.4%	8.6%
ENERGY	\$9,793	41.4%	\$10,004	54.9%	\$8,863	64.0%	\$9,064	51.9%	-12.1%
EPA	\$15,518	38.6%	\$10,889	65.9%	\$11,797	50.4%	\$10,509	62.2%	11.8%
GSA	\$12,003	94.7%	\$12,003	93.2%	\$12,705	97.3%	\$12,269	97.5%	0.2%
HHS	\$10,307	37.1%	\$12,059	25.8%	\$12,536	70.2%	\$12,852	82.2%	12.0%
HOMELAND SECURITY	--	--	--	--	\$16,424	46.6%	\$14,935	49.4%	2.8%
HUD	\$8,515	51.6%	\$8,947	68.1%	\$8,092	60.9%	\$9,761	56.8%	-4.1%
INTERIOR	\$10,243	32.6%	\$9,811	31.6%	\$13,017	30.1%	\$11,658	39.8%	9.7%
JUSTICE	\$9,991	42.2%	\$11,892	45.6%	\$11,858	56.5%	\$14,749	53.6%	-2.9%
LABOR	\$10,918	93.5%	\$11,594	90.6%	\$11,999	89.4%	\$12,498	95.9%	6.5%
NASA	\$12,084	40.7%	\$13,259	51.9%	\$17,483	42.6%	\$15,857	48.4%	5.7%
NRC	\$14,699	78.6%	\$14,288	75.9%	\$16,946	62.0%	\$16,261	88.2%	26.2%
OMB	\$12,500	41.5%	\$11,957	40.3%	\$10,100	48.3%	\$11,579	35.8%	-12.4%
OPM	\$13,266	90.9%	\$14,288	58.6%	\$15,044	69.0%	\$14,100	80.0%	11.0%
SBA	\$15,000	82.4%	\$15,228	83.9%	\$9,518	100.0%	\$9,721	69.4%	-30.6%
SSA	\$12,604	39.7%	\$13,400	48.2%	\$14,419	63.2%	\$14,572	72.4%	9.2%
STATE	\$11,026	35.1%	\$12,668	38.5%	\$11,037	32.8%	\$10,976	32.3%	-0.5%
TRANSPORTATION	\$10,541	45.7%	\$13,381	56.9%	\$10,790	51.4%	\$11,189	52.0%	0.6%
TREASURY	\$15,114	54.8%	\$14,813	50.1%	\$15,607	64.4%	\$15,173	65.0%	0.6%
VA	\$8,120	74.6%	\$14,152	75.9%	\$16,287	89.3%	\$16,713	75.4%	-14.0%
ALL OTHERS	\$12,444	70.6%	\$12,800	60.9%	\$12,360	56.4%	\$13,146	37.6%	-18.8%
GOVERNMENTWIDE	<b>\$12,444</b>	<b>49.2%</b>	<b>\$12,883</b>	<b>57.4%</b>	<b>\$13,734</b>	<b>58.2%</b>	<b>\$13,814</b>	<b>66.5%</b>	<b>8.3%</b>

1. Performance award decisions were final for only one agency component at the time of this report.

2. The agency appraisal system was not certified by OPM for CY2004 or CY2005.