

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



**REPORT ON SENIOR EXECUTIVE
PAY AND PERFORMANCE
APPRAISAL SYSTEM FOR
FISCAL YEAR 2008**

September 2009

**Report on Senior Executive Service
Pay and Performance Appraisal System for
Fiscal Year 2008**

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Introduction

The Senior Executive Service (SES) pay system is currently the only uniform, Governmentwide pay and performance appraisal system operating across all Executive Branch agencies that have SES members. Since 2004, agencies are able to pay their SES members above Executive level III, up to level II, and up to the higher aggregate pay limit, if their performance appraisal systems are certified by the U.S. Office of Personnel Management (OPM), with Office of Management and Budget (OMB) concurrence. Appendix I of this report provides the background and stringent criteria used to evaluate and certify agency SES systems. Appendix II is a list of agencies with certified SES performance appraisal systems, with the certification effective and expiration dates.

As provided in our previous SES reports, OPM's Fiscal Year (FY) 2008 report includes information about executive ratings, base salaries, pay adjustments, and performance awards. New this year are data giving a more complete picture of the design, implementation, and results across the Government. In particular, the additional data include:

- The application of a metric called the “correlation coefficient,” which is calculated for each agency's set of rating and pay data. The correlation indicates the strength of the relationship between an agency's ratings for executives (with at least 60 percent of each executive's rating being based on achieving measurable results) and executive performance pay (i.e., pay adjustments and performance awards) (see Table 6, Correlation of SES Ratings and Performance Pay);
- A comparison of two related indicators—1) the percent of executives rated at the highest rating level; and 2) the agency's performance as represented by organizational goals met or exceeded, and improved performance against goals (see Table 7, Career SES Ratings, Organizational Performance and Correlation of SES Ratings and Pay Based on Ratings).
- Executive perceptions of agency leadership, performance culture, talent and job satisfaction as determined by the 2006 and 2008 responses to OPM's Federal Human Capital Survey (FHCS) (see Appendix III, Positive Responses of Senior Executives for 2006 and 2008 Federal Human Capital Survey Items).

Notes of interest related to this report include:

- The Inspector General (IG) Reform Act of 2008 established the Offices of the IG (OIGs) as separate agencies with regard to all provisions related to the SES. As a result, beginning with the FY 2008 data, OIGs reported their SES data separately. OPM collected data for 157 OIG SES members Governmentwide, with the data showing the following results:
 - the percent of OIG SES members rated at the highest level was 57.8 percent;
 - the average base salary before adjustment was \$159,525;
 - the average pay adjustment was 3.2 percent of salary; and
 - the average performance award was \$14,576.OPM did not calculate correlations for OIG SES ratings and pay based on ratings because most OIGs had less than 10 SES members and the correlation is not a valid metric for data sets with less than 10 items. (See Table 6 for a more in-depth description of the correlation coefficient.)

- The Senior Professional Performance Act of 2008 establishes a higher pay range maximum for employees in senior level (SL) and scientific or professional (ST) positions. As with the SES system, and once OPM publishes final regulations, agencies will be able to pay their SL/ST employees above the rate for Executive level III, up to level II, and up to the higher aggregate pay limit, if their performance appraisal systems are certified by OPM, with OMB concurrence. As part of the certification process and reporting requirements, agencies will report their SL/ST ratings, pay and awards to OPM annually. Governmentwide data for SL/ST employee ratings, pay, and awards granted will be available in the future.

Summary of Tables and Appendices

The following is a summary of FY 2008 executive ratings and pay:

- The tables in this report reflect rating and pay data for 7,467 career, non-career, and limited-term members of the Senior Executive Service, excluding Office of Inspector General (OIG) SES members. As of March 2009, career members comprise 90.3 percent (6,745) of the SES population.
- Table 1 covers career senior executives, while Table 2 covers career, non-career and limited-term members. Table 1 shows that 48.2 percent of career executives are rated at the highest performance level, an increase of 1.2 percent from the previous appraisal period. Table 2 shows that 49.9 percent of all SES members were rated at the highest performance level, an increase of 1.7 percent from the 2007 rating period. See Table 7 for comparing this increase against organizational performance in 2008.
- Table 3 demonstrates that, on average, higher-performing SES members receive higher payments based on a rating. Such pay includes all payments justified by a summary performance rating, which includes pay adjustments and performance awards.
- The data provided in Table 4 show the average pay adjustment for all executives was 3.7 percent of SES members' salary.
- Table 5 displays the averages for performance awards. In 2008, 1.5 percent more career SES members Governmentwide received a performance award than the previous appraisal period. The average performance award in 2008 was \$14,831.
- Table 6 shows the Pearson correlation coefficient metric, which is an indicator of the strength of the relationship between executive ratings and their pay adjustments and performance awards. All agencies show a positive relationship between executive ratings, which are primarily based on measurable results, and pay based on ratings. Executive ratings drive pay adjustments and performance awards. See the explanation about the correlation coefficient on Table 6 for additional information.
- Table 7 uses rating data from Table 1, the correlation data from Table 6, and presents it with agency performance data as determined by OMB. During the system certification process, OPM and OMB compare agency rating distributions with organizational performance to see if organizational performance generally supports the rating distribution. This table provides evidence that use of the highest rating level appears appropriate. [Note: the Nuclear Regulatory Commission (NRC) and OMB are not included on this table because not all data was available for each column.]
- Appendix III includes executive responses to the FY 2006 and FY 2008 Federal Human Capital Survey (FHCS). In 2008, 3,931 SES members completed the survey (this is about a 53 percent response rate). The appendix categorizes the survey questions into indices for key indicators of the strategic management of human capital—Leadership and Knowledge Management; Results-Oriented Performance Culture; Talent Management;

and Job Satisfaction. Of particular interest to this report are the percent of positive responses to the Results-Oriented Performance Culture questions.

Additional notes to the charts and tables include:

- In previous reports, the National Science Foundation (NSF) was included in the “All Others” category for Tables 1 through 5. This year, we are reporting on NSF separately and have adjusted the “All Others” category for previous years appropriately.
- A handful of agencies submitted revised FY 2007 data after the FY 2007 report was published. This report contains the agency FY 2007 revisions.

TABLE 1

**Career SES Performance
FY 2005-FY 2008**

AGENCY	FY 2005		FY 2006		FY 2007		FY 2008		Percent Change FY 2007- FY 2008
	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	
AGRICULTURE	283	39.9%	307	39.4%	307	40.4%	280	43.9%	3.5%
AID	19	52.6%	19	52.6%	19	57.9%	16	62.5%	4.6%
COMMERCE	247	44.9%	247	42.9%	249	53.4%	254	53.2%	-0.2%
DEFENSE	1,066	32.3%	1,068	31.4%	1,084	31.0%	1136	27.7%	-3.3%
EDUCATION	66	53.0%	68	42.7%	64	53.1%	68	45.6%	-7.5%
ENERGY	356	39.6%	360	34.2%	368	37.2%	383	40.5%	3.3%
EPA	265	30.6%	266	34.2%	266	35.0%	253	41.9%	6.9%
GSA	78	33.3%	69	23.2%	68	48.5%	76	43.4%	-5.1%
HHS	320	55.6%	340	59.1%	355	63.7%	354	72.6%	8.9%
DHS	218	54.1%	239	53.6%	300	52.3%	361	49.0%	-3.3%
HUD	67	55.2%	72	43.1%	76	57.9%	72	56.9%	-1.0%
INTERIOR	220	18.2%	211	22.3%	213	22.5%	217	31.0%	8.5%
JUSTICE	540	62.0%	563	62.9%	601	66.9%	634	67.0%	0.1%
LABOR	145	38.6%	144	38.2%	144	38.2%	151	47.0%	8.8%
NASA	399	52.6%	382	55.5%	415	59.0%	430	59.5%	0.5%
NSF	78	69.2%	75	62.7%	77	66.2%	71	73.2%	7.0%
NRC	144	9.0%	149	9.4%	144	29.2%	143	31.5%	2.3%
OMB	53	22.6%	53	7.5%	47	10.6%	55	10.9%	0.3%
OPM	43	41.9%	36	27.8%	43	23.3%	40	32.5%	9.2%
SBA	31	51.6%	28	28.6%	31	41.9%	35	42.9%	1.0%
SSA	127	58.3%	141	64.5%	127	63.8%	126	69.0%	5.2%
STATE	126	59.5%	111	69.4%	113	69.0%	119	57.1%	-11.9%
TRANSPORTATION	162	22.8%	175	30.3%	176	40.9%	179	40.8%	-0.1%
TREASURY	385	43.6%	371	44.7%	374	43.8%	386	49.2%	5.4%
VA	261	61.7%	270	57.0%	277	58.1%	278	55.8%	-2.3%
ALL OTHERS	207	48.3%	366	49.3%	370	49.2%	332	60.8%	11.6%
GOVERNMENTWIDE	5,906	43.4%	6,130	43.4%	6,308	47.0%	6,449	48.2%	1.2%

TABLE 2

**Ratings for Career, Non-Career and Limited-Term SES Members
FY 2005-FY 2008**

AGENCY	FY 2005		FY 2006		FY 2007		FY 2008		Percent Change FY 2007- FY 2008
	SES Rated	Percent at Highest Level	SES Rated	Percent at Highest Level	SES Rated	Percent at Highest Level	SES Rated	Percent at Highest Level	
AGRICULTURE	321	43.9%	350	44.9%	353	46.5%	323	51.4%	4.9%
AID	19	52.6%	19	52.6%	19	57.9%	17	64.7%	6.8%
COMMERCE	283	44.9%	282	43.3%	290	54.1%	295	53.9%	-0.2%
DEFENSE	1,113	31.5%	1,173	30.8%	1,199	32.1%	1,237	27.9%	-4.2%
EDUCATION	76	48.7%	81	39.5%	76	51.3%	78	43.6%	-7.7%
ENERGY	367	38.7%	398	34.7%	405	37.5%	414	41.7%	4.2%
EPA	287	34.1%	289	37.7%	288	39.2%	276	45.7%	6.5%
GSA	98	32.7%	86	22.1%	85	47.1%	93	44.1%	-3.0%
HHS	365	57.8%	392	61.2%	405	66.1%	401	73.1%	7.0%
DHS	267	58.1%	294	55.4%	368	55.4%	427	52.0%	-3.4%
HUD	81	61.7%	90	53.3%	91	62.6%	87	62.1%	-0.5%
INTERIOR	248	18.1%	239	21.8%	244	21.7%	244	33.2%	11.5%
JUSTICE	582	64.4%	612	65.2%	647	69.1%	677	68.7%	-0.4%
LABOR	168	42.9%	170	45.9%	168	43.4%	178	54.5%	11.1%
NASA	406	53.2%	397	55.9%	427	59.0%	439	60.1%	1.1%
NSF	84	69.1%	83	61.5%	86	68.6%	79	73.4%	4.8%
NRC	145	9.0%	149	9.4%	144	29.2%	144	31.9%	2.7%
OMB	53	22.6%	66	7.6%	57	8.7%	55	10.9%	2.2%
OPM	52	36.5%	42	31.0%	49	20.4%	45	33.3%	12.9%
SBA	42	52.4%	38	28.9%	42	45.2%	44	52.3%	7.1%
SSA	137	60.6%	149	64.4%	134	63.4%	133	68.4%	5.0%
STATE	130	57.7%	147	70.7%	147	70.7%	152	56.6%	-14.1%
TRANS	185	24.3%	196	30.6%	205	43.9%	209	46.2%	2.3%
TREASURY	408	46.3%	394	46.2%	400	44.5%	409	50.9%	6.4%
VA	271	62.4%	278	57.9%	286	59.4%	286	56.3%	-3.1%
ALL OTHERS	222	46.0%	393	48.6%	401	50.4%	356	61.0%	10.6%
GOVERNMENTWIDE	6,410	44.5%	6,807	44.7%	7,016	48.2%	7,095	49.9%	1.7%

TABLE 3

**Aggregate Career SES Pay Distribution
FY 2008**

(Rating Patterns Pursuant to 5 CFR 430.208(d))

AGENCY	SES Rated	Percent Rated at Level	Average Salary Before Adjustment	Average Performance Award	Average Salary 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
H Pattern									
Rating Levels	5,713								
(5) Outstanding or Equivalent	2,696	47.2%	\$161,322	\$15,564	\$6,642	9.7%	4.1%	13.8%	8.5%
Exceeds Expectations (4)	2,471	43.3%	\$156,343	\$9,051	\$5,829	5.8%	3.7%	9.5%	5.3%
Fully Successful (3)	532	9.3%	\$152,346	\$3,492	\$3,891	2.3%	2.6%	4.9%	2.2%
Minimally Successful (2)	14	0.2%	\$156,456	\$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%
F Pattern									
Rating Levels	739								
(5) Outstanding or Equivalent	414	56.0%	\$163,180	\$18,078	\$6,812	11.1%	4.2%	15.2%	9.6%
Fully Successful (3)	319	43.2%	\$157,721	\$9,001	\$5,612	5.7%	3.6%	9.3%	5.2%
Minimally Successful (2)	5	0.7%	\$155,196	\$0	\$0	0.0%	0.0%	0.0%	0.0%
Unacceptable (1)	1	0.1%	\$160,845	\$0	\$0	0.0%	0.0%	0.0%	0.0%

TABLE 4

**Salaries for Career, Non-Career and Limited-Term SES Members
FY 2007-FY 2008**

AGENCY	FY 2007				FY 2008			
	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	\$157,476	\$161,990	\$4,517	2.9%	\$160,723	\$167,024	\$6,301	3.9%
AID	\$150,574	\$156,471	\$5,530	3.7%	\$156,162	\$162,277	\$6,115	3.9%
COMMERCE	\$151,282	\$156,347	\$4,923	3.3%	\$155,353	\$160,139	\$4,786	3.1%
DEFENSE	\$151,013	\$156,208	\$5,190	3.4%	\$156,093	\$161,727	\$5,634	3.6%
EDUCATION	\$152,991	\$160,881	\$7,489	4.9%	\$160,182	\$167,747	\$7,565	4.7%
ENERGY	\$154,576	\$160,072	\$5,496	3.6%	\$158,789	\$164,688	\$5,898	3.7%
EPA	\$157,927	\$163,446	\$4,971	3.1%	\$162,825	\$169,044	\$6,220	3.8%
GSA	\$151,962	\$156,009	\$4,047	2.7%	\$155,138	\$159,639	\$4,501	2.9%
HHS	\$157,955	\$163,854	\$5,908	3.7%	\$160,145	\$166,217	\$6,072	3.8%
DHS	\$150,794	\$157,227	\$6,407	4.2%	\$155,209	\$161,704	\$6,495	4.2%
HUD	\$152,842	\$161,408	\$8,566	5.6%	\$160,360	\$167,620	\$7,260	4.5%
INTERIOR	\$153,796	\$160,044	\$5,818	3.8%	\$157,820	\$164,580	\$6,760	4.3%
JUSTICE	\$154,912	\$160,868	\$5,767	3.7%	\$159,368	\$165,580	\$6,212	3.9%
LABOR	\$156,817	\$164,078	\$7,261	4.6%	\$161,678	\$165,437	\$3,759	2.3%
NASA	\$151,740	\$155,675	\$4,962	3.3%	\$155,897	\$161,295	\$5,398	3.5%
NSF	\$160,354	\$165,539	\$5,097	3.2%	\$165,153	\$170,106	\$4,953	3.0%
NRC	\$152,753	\$157,965	\$5,212	3.4%	\$156,479	\$161,791	\$5,312	3.4%
OMB	\$152,225	\$159,569	\$7,509	4.9%	\$158,402	\$165,273	\$6,871	4.3%
OPM	\$153,195	\$159,210	\$6,015	3.9%	\$157,518	\$164,549	\$7,031	4.5%
SBA	\$157,876	\$164,074	\$6,205	3.9%	\$161,192	\$167,460	\$6,268	3.9%
SSA	\$155,040	\$158,914	\$3,874	2.5%	\$157,734	\$162,318	\$4,584	2.9%
STATE	\$154,349	\$160,056	\$5,707	3.7%	\$160,223	\$166,823	\$6,600	4.1%
TRANSPORTATION	\$152,631	\$156,853	\$4,223	2.8%	\$154,634	\$159,331	\$4,697	3.0%
TREASURY	\$153,047	\$158,471	\$5,424	3.5%	\$157,064	\$163,165	\$6,100	3.9%
VA	\$154,531	\$160,179	\$5,270	3.4%	\$158,011	\$163,608	\$5,597	3.5%
ALL OTHERS	\$153,916	\$159,481	\$5,620	3.7%	\$157,702	\$163,674	\$5,972	3.8%
GOVERNMENTWIDE	\$153,970	\$159,522	\$5,475	3.6%	\$157,937	\$163,764	\$5,827	3.7%

TABLE 5

Career SES Performance Awards

FY 2005 - FY 2008

AGENCY	FY 2005		FY 2006		FY 2007		FY 2008		Change in Percent Receiving Awards FY 2007-FY 2008
	Average Award	Percent of SES Receiving Awards	Average Award	Percent of SES Receiving Awards	Average Award	Percent of SES Receiving Awards	Average Award	Percent of SES Receiving Awards	
AGRICULTURE	\$15,945	83.7%	\$13,905	88.9%	\$13,745	87.3%	\$15,093	90.4%	3.1%
AID	\$12,444	10.5%	\$10,859	52.6%	\$11,300	23.8%	\$11,500	29.4%	5.6%
COMMERCE	\$11,749	81.2%	\$12,588	82.6%	\$12,267	84.5%	\$13,197	84.8%	0.3%
DEFENSE	\$14,788	85.3%	\$11,988	91.0%	\$13,939	88.4%	\$14,537	93.0%	4.6%
EDUCATION	\$10,652	76.4%	\$12,691	74.0%	\$15,846	80.6%	\$17,911	73.5%	-7.1%
ENERGY	\$9,064	51.9%	\$9,417	64.7%	\$14,116	79.3%	\$15,617	89.3%	10.0%
EPA	\$10,509	62.2%	\$10,795	67.7%	\$11,477	68.0%	\$11,992	73.5%	5.5%
GSA	\$12,269	97.5%	\$12,806	97.1%	\$14,101	82.7%	\$13,850	93.7%	11.0%
HHS	\$12,852	82.2%	\$13,436	86.2%	\$13,629	88.6%	\$15,000	86.0%	-2.6%
HOMELAND SECURITY	\$14,935	49.4%	\$14,937	70.3%	\$13,450	74.1%	\$14,873	79.5%	5.4%
HUD	\$9,761	56.8%	\$11,008	93.1%	\$13,036	93.7%	\$14,472	98.6%	4.9%
INTERIOR	\$11,658	39.8%	\$12,628	55.9%	\$13,119	65.3%	\$12,792	73.1%	7.8%
JUSTICE	\$14,749	53.6%	\$15,172	56.1%	\$16,648	53.5%	\$15,640	58.6%	5.1%
LABOR	\$12,498	95.9%	\$13,959	91.7%	\$14,258	96.5%	\$14,829	92.1%	-4.5%
NASA	\$15,857	48.4%	\$17,139	56.5%	\$16,611	55.6%	\$17,271	51.7%	-3.9%
NSF	\$16,933	67.1%	\$18,759	67.5%	\$20,419	68.4%	\$19,853	79.0%	10.6%
NRC	\$16,261	88.2%	\$16,716	83.9%	\$17,917	86.9%	\$17,772	80.9%	-6.0%
OMB	\$11,579	35.8%	\$11,909	41.5%	\$11,375	48.0%	\$11,423	47.3%	-0.7%
OPM	\$14,100	80.0%	\$15,442	97.2%	\$14,765	95.4%	\$16,106	97.6%	2.2%
SBA	\$9,721	69.4%	\$9,236	89.3%	\$9,477	83.9%	\$9,734	80.0%	-3.9%
SSA	\$14,572	72.4%	\$14,487	75.2%	\$15,175	57.3%	\$15,522	56.6%	-0.7%
STATE	\$10,976	32.3%	\$11,025	53.2%	\$11,034	46.8%	\$11,000	46.5%	-0.3%
TRANSPORTATION	\$11,189	52.0%	\$8,793	78.3%	\$9,628	76.0%	\$9,855	78.6%	2.6%
TREASURY	\$15,173	65.0%	\$15,724	70.4%	\$16,074	70.0%	\$16,764	70.2%	0.2%
VA	\$16,713	75.4%	\$16,626	82.2%	\$17,736	74.0%	\$17,257	73.2%	-0.8%
ALL OTHERS	\$11,735	43.2%	\$11,765	59.8%	\$11,910	66.9%	\$12,919	61.0%	-5.9%
GOVERNMENTWIDE	\$13,814	66.5%	\$13,290	74.6%	\$14,221	74.5%	\$14,831	76.0%	1.5%

Table 6	
Correlation of SES Ratings and Pay Based on Ratings FY 2008	
AGENCY	Pearson Correlation Coefficient*
Agriculture	0.535
AID	0.651
Commerce	0.799
Defense	0.743
Education	0.782
Energy	0.781
EPA	0.711
GSA	0.686
HHS	0.702
DHS	0.628
HUD	0.486
Interior	0.688
Justice	0.539
Labor	0.695
NASA	0.607
NSF	0.687
NRC	0.637
OMB	0.697
OPM	0.527
SBA	0.483
SSA	0.613
State	0.847
Transportation	0.672
Treasury	0.627
VA	0.668

* The **Pearson correlation coefficient (r)** is a measure of strength of relationship. OPM uses the Pearson r metric to analyze the strength of the relationship between executives' pay adjustments and performance awards and their ratings.

- A high positive relationship between ratings and pay based on those ratings will approach (+1). This positive relationship indicates the executives' summary ratings are the primary bases for determining their pay adjustments and performance awards, with high ratings resulting in higher total pay.
- If the relationship is random, the Pearson r will approach zero, indicating there is no relationship between executive ratings and pay adjustments and performance awards.
- If the coefficient is negative, it indicates an inverse relationship (that is, if the high ratings lead to low pay adjustments and performance awards, the metric will approach negative one (-1)).

In calculating the correlation, OPM used the data submitted by agencies during the annual data call. OPM included only the data for career executives and did not include awards that were not based on a final summary rating (such as Rank awards or Special Act awards). OPM selected .5 as the desirable threshold for the correlation coefficient because statistically this represents at least 75 percent of pay adjustments and performance awards are directly associated with executive ratings. OPM recognizes there are other legitimate influences on pay determinations and therefore it is unrealistic to expect agencies to achieve a perfect positive correlation (+1).

TABLE 7

**Career SES Ratings, Correlation of SES Ratings and Pay Based on Ratings, and Organizational Performance
FY 2008**

AGENCY	FY 2008		Percent Change FY 2007-FY 2008	Correlation of 2008 SES Ratings and Performance Pay	OMB 2008 Report*		
	Career SES Rated	Percent at Highest Level			Number of Program Assessments	Percent of 2008 Targets Met or Exceeded	Performance Results Improved from 2007 to 2008
AGRICULTURE	280	43.9%	3.5%	0.535	85	57%	55%
AID	16	62.5%	4.6%	0.651	14	47%	53%
COMMERCE	254	53.1%	-0.3%	0.799	33	70%	62%
DEFENSE	1137	27.8%	-4.2%	0.743	54	68%	46%
EDUCATION	68	45.6%	-7.5%	0.782	93	60%	55%
ENERGY	382	40.3%	3.1%	0.781	56	71%	70%
EPA	253	41.9%	6.9%	0.711	53	49%	67%
GSA	76	43.4%	-5.1%	0.686	16	69%	53%
HHS	354	72.6%	9.0%	0.702	115	76%	75%
DHS	361	49.0%	-3.3%	0.628	61	57%	55%
HUD	72	56.9%	-1.0%	0.486	33	70%	60%
INTERIOR	217	30.9%	8.4%	0.688	70	57%	57%
JUSTICE	635	67.1%	0.2%	0.539	35	69%	64%
LABOR	151	47.0%	8.1%	0.695	35	63%	64%
NASA	430	59.5%	0.5%	0.607	13	83%	75%
NSF	71	73.2%	7.0%	0.687	11	88%	58%
OPM	40	32.5%	9.2%	0.527	9	60%	43%
SBA	35	42.9%	1.0%	0.483	10	48%	43%
SSA	127	68.5%	4.7%	0.613	3	50%	59%
STATE	119	57.1%	-11.9%	0.847	51	55%	59%
TRANSPORTATION	179	40.8%	-0.1%	0.672	36	66%	59%
TREASURY	386	49.2%	5.4%	0.627	37	66%	55%
VA	278	55.8%	-2.3%	0.668	10	63%	67%

*Data from OMB's 2008 Governmentwide Performance Results Summary

Appendix 1

Background

In 2004, the Federal Government implemented a new pay and performance appraisal system for its senior executives. Congress also provided for the certification of their appraisal system for its Senior Executive Service (SES) members. This certification was established in law and is regulated jointly by the U.S. Office of Personnel Management (OPM) and the Office of Management and Budget (OMB). For agencies to be able to pay their executives above the rate for Executive level III, up to level II, and up to the higher aggregate pay limit, agencies first must have their performance appraisal systems certified by OPM, with concurrence by OMB. In order to achieve certification, agency systems must meet the following criteria:

- **Accountability.** SES appraisal systems require, and member performance plans contain, a critical element that holds executives accountable for the performance management of their subordinates and alignment of subordinate performance plans to organizational goals.
- **Alignment.** SES appraisal systems require that SES member performance plans clearly link with and support organizational goals established in strategic plans, annual performance plans, or other organizational planning or budget documents.
- **Measurable Results.** SES appraisal systems require, and member performance plans hold members accountable for, achieving measurable results, crediting measurable results as at least 60 percent of the summary rating.
- **Balance.** SES appraisal systems require, and member performance plans provide for, balance, so that in addition to measuring expected results, the performance plans include appropriate measures or indicators of the uses of employee and customer/stakeholder feedback.
- **Consultation.** SES appraisal systems require, and member performance plans indicate, executives are involved in the development of their performance plans.
- **Organizational Assessment and Guidelines.** Appropriate organizational performance assessments are made, results are communicated to members, rating officials and Performance Review Boards (PRB), and guidelines are provided by the head of the agency or designee on incorporating organizational performance into the appraisal, pay and awards process.
- **Oversight.** The head of the agency or designee has oversight of the results of appraisals, pay adjustments, awards; ensures the system operates effectively and efficiently; and ensures appraisals, pay adjustments, and awards are based on performance.
- **Training.** The agency has trained its executives on the design and implementation, and communicated the results, of its pay and performance appraisal system. This includes informing executives of the ratings distributions and average pay adjustments and awards granted.
- **Performance Differentiation.** The appraisal system includes a summary level that reflects Outstanding (or equivalent) performance to appraise and rate performance; performance requirements that describe and allow for differentiating levels of performance; provides the rating distribution that indicates meaningful performance differentiations are made, and the rating distribution appropriately reflects organizational performance.

- **Pay Distinctions.** The agency grants pay adjustments and awards based on performance; demonstrates it grants higher pay adjustments and awards to top performing executives over other executives; and, pay and awards decisions meet regulatory requirements.

Currently, the regulations allow for two types of certification. Provisional certification, which covers 12 months, is granted to systems that meet design and implementation requirements but cannot yet fully demonstrate results, or that may still have some minor weakness in system implementation. Full certification, which covers 24 months, is granted to systems that completely meet all design and implementation requirements and can demonstrate two years of acceptable results through the ratings, pay and awards decisions made by the agency.

At the end of calendar year 2004, 34 SES appraisal systems met certification criteria. These certified systems covered 76 percent of SES members Governmentwide. Of those systems, only two met full certification criteria (6 percent). By the end of 2008, 47 SES appraisal systems met certification criteria. These certified systems covered 99 percent of SES members Governmentwide. Of those systems, 31 met full certification criteria (66 percent), which is an increase from 44 percent of certified systems at the end of 2007.

Background of Statutory and Regulatory Language

Section 1322 of the Chief Human Capital Officers Act of 2002, added a new paragraph (d) to 5 U.S.C. 5307 establishing conditions that, if met, would permit an agency to apply a higher aggregate limitation on pay, equivalent to the rate payable to the Vice President, for certain SES members who are paid under 5 U.S.C. 5383 and employees in senior level and scientific or professional positions (SL/ST) paid under 5 U.S.C. 5376. However, to apply this higher aggregate pay limitation, the statute requires an agency first demonstrate it has designed and applied performance appraisal systems for these employees that make meaningful distinctions based on relative performance, as certified by OPM, with OMB concurrence.

As a separate but related matter, section 1125 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136, November 24, 2003)

- (1) amends 5 U.S.C. 5382 and 5383 by replacing a six-level pay system for SES members with a single, open range "payband" with only the minimum and maximum rates of pay set by law, and
- (2) requires certification under 5 U.S.C. 5307 to allow an increase in the maximum rate of basic pay, from level III to level II of the Executive Schedule, for SES members.

OPM has issued implementing regulations for both of these statutes. Regulations addressing the certification of agency appraisal systems, issued jointly with OMB, are found at subpart D of part 430 of title 5, Code of Federal Regulations. Regulations addressing the SES pay system are found at subpart D of part 534 of title 5, Code of Federal Regulations.

Appendix II

**List of Certified Senior Executive
Performance Appraisal Systems**

As of September 14, 2009

Agency	Effective Date	Expiration Date
Advisory Council for Historic Preservation	10/31/2008	9/30/2009
Broadcasting Board of Governors	1/1/2009	12/31/2010
Department of Agriculture	8/15/2008	8/15/2009
Department of Commerce	1/1/2009	12/31/2010
Department of Defense	1/1/2009	12/31/2010
Department of Education	1/1/2009	12/31/2010
Department of Energy	10/3/2008	10/3/2009
Department of Health and Human Services	3/31/2008	6/30/2010
Department of Homeland Security	11/19/2008	9/30/2010
Department of Housing and Urban Development	1/1/2009	9/30/2009
Department of Housing and Urban Development Office of Inspector General	9/2/2008	9/2/2009
Department of the Interior	7/14/2008	7/14/2010
Department of Justice	9/17/2008	9/17/2009
Department of Labor	1/1/2008	6/30/2010
Department of State	8/29/2008	8/29/2009
Department of State Office of Inspector General	8/30/2009	9/30/2011
Department of Transportation	1/1/2009	12/31/2010
Department of the Treasury	1/1/2009	12/31/2010
Department of Veterans Affairs	7/21/2008	7/21/2010
Environmental Protection Agency	10/1/2009*	9/30/2011
Environmental Protection Agency Office of Inspector General	10/1/2009*	9/30/2011
Equal Employment Opportunity Commission	11/20/2008	9/30/2009

Agency	Effective Date	Expiration Date
Federal Communications Commission	1/1/2009	12/31/2010
Federal Energy Regulatory Commission	1/1/2009	12/31/2010
Federal Trade Commission	8/14/2008	8/14/2010
General Services Administration	11/26/2008	9/30/2010
Merit System Protection Board	9/9/2008	9/9/2010
National Aeronautics and Space Administration	1/1/2009	12/31/2010
National Aeronautics and Space Administration Office of Inspector General	1/1/2009	12/31/2010
National Capital Planning Commission	7/23/2008	7/23/2009
National Endowment of the Arts	7/28/2008	7/28/2010
National Labor Relations Board	12/16/2008	9/30/2009
National Science Foundation	9/9/2009*	9/9/2011
National Science Foundation Office of Inspector General	9/9/2009*	9/9/2011
National Transportation Safety Board	7/31/2009	9/30/2011
Nuclear Regulatory Commission	9/9/2008	9/9/2010
Office of Government Ethics	1/1/2009	12/31/2010
Office of Management and Budget	8/20/2008	8/20/2009
Office of National Drug Control Policy	10/3/2008	10/3/2010
Patent and Trademark Office/Department of Commerce	1/1/2009	12/31/2010
Railroad Retirement Board	1/1/2009	12/31/2010
Small Business Administration Office of Inspector General	1/1/2009	12/31/2010
Small Business Administration	9/17/2008	9/17/2010
Social Security Administration	1/1/2009	12/31/2010
Surface Transportation Board	9/24/2008	9/24/2010
U.S. Agency for International Development	10/15/2008	9/30/2009
U.S. Chemical Safety Board	9/8/2008	9/8/2010
U.S. International Trade Commission	12/18/2008	9/30/2009
U.S. Office of Personnel Management	8/21/2008	8/21/2010
U.S. Trade Representatives	6/20/2008	6/30/2010

*This date represents the effective date of the most recent certification. The system is still covered by its previous certification, with no gap in certification status.

Appendix III

**Positive Responses of Senior Executives for
2006 and 2008 Federal Human Capital Survey Items**

Governmentwide, Sorted by Index

Item #	Leadership & Knowledge Management Index	Percent Positive 2008	Percent Positive 2006
7	I have trust and confidence in my supervisor.	80%	80%
9	Overall, how good a job do you feel is being done by your immediate supervisor/team leader?	81%	81%
17	My workload is reasonable.	58%	56%
36	Managers/supervisors/team leaders work well with employees of different backgrounds.	88%	87%
37	I have a high level of respect for my organization's senior leaders.	74%	73%
38	In my organization, leaders generate high levels of motivation and commitment in the workforce.	66%	64%
40	Managers communicate the goals and priorities of the organization.	82%	80%
41	Managers review and evaluate the organization's progress toward meeting its goals and objectives.	80%	79%
42	Employees are protected from health and safety hazards on the job.	90%	89%
43	My organization has prepared employees for potential security threats.	86%	82%
56	How satisfied are you with the information you receive from management on what's going on in your organization?	74%	72%
58	How satisfied are you with the policies and practices of your senior leaders?	68%	67%
	Index total	77%	76%

Item #	Results-Oriented Performance Culture Index	Percent Positive 2008	Percent Positive 2006
1	The people I work with cooperate to get the job done.	94%	93%
12	My supervisor supports my need to balance work and family issues.	82%	82%
19	I know how my work relates to the agency's goals and priorities.	95%	94%
21	Physical conditions (for example, noise level, temperature, lighting, cleanliness in the workplace) allow employees to perform their jobs well.	80%	80%
22	Promotions in my work unit are based on merit.	79%	79%
23	In my work unit, steps are taken to deal with a poor performer who cannot or will not improve.	62%	58%
24	Employees have a feeling of personal empowerment with respect to work processes.	73%	70%
26	Creativity and innovation are rewarded.	75%	75%
27	Pay raises depend on how well employees perform their job.	53%	48%
29	In my work unit, differences in performance are recognized in a meaningful way.	65%	63%
30	My performance appraisal is a fair reflection of my performance.	74%	74%
31	Discussions with my supervisor/team leader about my performance are worthwhile.	63%	62%
57	How satisfied are you with the recognition you receive for doing a good job?	71%	68%
	Index total	74%	73%

Item #	Talent Management Index	Percent Positive 2008	Percent Positive 2006
2	I am given a real opportunity to improve my skills in my organization.	80%	81%
11	The workforce has the job-relevant knowledge and skills necessary to accomplish organizational goals.	84%	82%
14	My work unit is able to recruit people with the right skills.	68%	66%
18	My talents are used well in the workplace.	80%	79%
49	Supervisors/team leaders in my work unit support employee development.	87%	87%
51	My training needs are assessed.	52%	50%
60	How satisfied are you with the training you receive for your present job?	66%	65%
	Index total	74%	73%

Item #	Job Satisfaction Index	Percent Positive 2008	Percent Positive 2006
5	My work gives me a feeling of personal accomplishment.	90%	88%
6	I like the kind of work I do.	94%	91%
20	The work I do is important.	97%	96%
55	How satisfied are you with your involvement in decisions that affect your work?	78%	77%
59	How satisfied are you with your opportunity to get a better job in your organization?	65%	63%
61	Considering everything, how satisfied are you with your job?	85%	83%
62	Considering everything, how satisfied are you with your pay?	69%	73%
	Index total	83%	82%

Appendix IV

Guide to Agency Acronyms or Titles Used in this Report

AGENCY	Name of Agency
Agriculture	Department of Agriculture
AID	U.S. Agency for International Development
Commerce	Department of Commerce
Defense	Department of Defense
Education	Department of Education
Energy	Department of Energy
EPA	Environmental Protection Agency
GSA	General Services Administration
HHS	Department of Health and Human Services
DHS	Department of Homeland Security
HUD	Department of Housing and Urban Development
Interior	Department of the Interior
Justice	Department of Justice
Labor	Department of Labor
NASA	National Aeronautics and Space Administration
NSF	National Science Foundation
NRC	Nuclear Regulatory Commission
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
SBA	Small Business Administration
SSA	Social Security Administration
State	Department of State
Transportation	Department of Transportation
Treasury	Department of the Treasury
VA	Department of Veterans Affairs



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