



# Department of Defense

## INSTRUCTION

NUMBER 1402.03, Volume 5

October 22, 2015

Incorporating Change 2, April 19, 2022

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DA&M

**SUBJECT:** Senior Executive Service (SES), Senior Level (SL), and Scientific and Professional (ST) Personnel Categories in the DoD Fourth Estate: Performance Management and Presidential Rank Awards

References: See Enclosure 1

### 1. PURPOSE

a. Instruction. This instruction reissues DoD Directive (DoDD) 1402.3 (Reference (a)) as an instruction in accordance with the authority in DoDD 5105.53 and the January 11, 2021 Deputy Secretary of Defense (DepSecDef) Memorandum (References (b), and (c)). It is composed of multiple volumes, each containing its own purpose. The purpose of the overall instruction is to establish policy, assign responsibilities, delegate authorities, and provide DoD Fourth Estate entities with supplemental guidance to the policy, laws, and regulations relevant to the administration of the SES, SL, and ST categories in accordance with DoDD 1403.1 (Reference (d)) and pursuant to Title 5, United States Code (Reference (e)), and Title 5, Code of Federal Regulations (Reference (f)).

b. Volume. This volume establishes policy, assigns responsibilities, and prescribes procedures for SES, SL, and ST performance management and Presidential Rank Awards in the DoD Fourth Estate.

### 2. APPLICABILITY. This volume:

a. Applies to the OSD, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the DoD that are not in the Military Departments or the Combatant Commands (referred to collectively in this instruction as the “DoD Fourth Estate”).

b. Does not apply to:

(1) Those persons in Defense Intelligence Senior Executive Service (DISES) and Defense Intelligence Senior Level (DISL) positions, established in accordance with section 1601

of Title 10, United States Code (Reference (g)) with the exception of Presidential Rank Awards guidance in Enclosure 5.

(2) The Office of the Inspector General of the Department of Defense.

(3) Expert and consultant appointments pursuant to section 3109 of Reference (e) or highly qualified experts pursuant to section 9903 of Reference (e).

3. POLICY. It is DoD policy that the DoD SES and Senior Professional Pay and Performance Management Systems will:

a. Promote a performance culture in which the performance and contributions of SES members and SL and ST professionals are accurately and fully recognized and rewarded.

b. Be transparent, trusted, credible, and applied in a consistent, equitable, non-discriminatory and nonpolitical manner.

c. Ensure SES, SL, and ST performance plans support and facilitate performance excellence through strategic alignment and link individual performance to organizational results.

d. Hold SES members and SL and ST professionals accountable for rigorous performance management of their subordinate employees and for aligning their subordinate employees' performance plans to organizational goals.

e. Ensure performance results are the basis for:

(1) Making proper and meaningful distinctions in performance.

(2) Determining pay, awards, development, retention, removal, and other personnel decisions for SES members and SL and ST professionals.

4. RESPONSIBILITIES. See Enclosure 2.

5. PROCEDURES. See Enclosures 3 and 4.

6. RELEASABILITY. **Cleared for public release.** This volume is available on the DoD Issuances Website at <https://www.esd.whs.mil/DD/>.

7. SUMMARY OF CHANGE 2. This change is administrative and, in accordance with the March 21, 2022 Washington Headquarters Services Memorandum (Reference (h)):

a. Reassigns the Director of Administration, Office of the Deputy Chief Management Officer of the Department of Defense responsibilities and duties to the Director of Administration and Management (DA&M) in accordance with Section 901 of Public Law 116-283 (Reference (i)), which eliminated the position of the Deputy Chief Management Officer of the Department of Defense effective January 1, 2021, the January 11, 2021 Deputy Secretary of Defense Memorandum (Reference (j)), and Reference (c), which implemented Reference (i) and reestablished the DA&M.

b. Updates organizational titles and references for accuracy.

8. EFFECTIVE DATE. This volume is effective October 22, 2015.

A handwritten signature in black ink, appearing to read "Peter Levine", is written over a circular stamp or seal that is mostly obscured by the scribbles of the signature.

Peter Levine  
Deputy Chief Management Officer of the  
Department of Defense

Enclosures

1. References
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ENCLOSURE 1

REFERENCES

- (a) DoD Directive 1402.3, “Administration of the Senior Executive Service Program in the Office of the Secretary of Defense and the Defense Agencies,” August 16, 1984 (cancelled by Volume 1 of this instruction)
- (b) DoD Directive 5105.53, “Director of Administration and Management (DA&M),” February 26, 2008
- (c) Deputy Secretary of Defense Memorandum, “Re-establishment of the Assistant to the Secretary of Defense for Intelligence Oversight and the Director of Administration and Management,” January 11, 2021
- (d) DoD Directive 1403.1, “The Senior Executive Service and Equivalent-Level Positions and Personnel,” October 18, 1982
- (e) Title 5, United States Code
- (f) Title 5, Code of Federal Regulations
- (g) Section 1601 of Title 10, United States Code
- (h) Washington Headquarters Services Memorandum, “Approval of Administrative Changes to Office of the Director of Administration and Management (ODA&M) DoD Issuances, Phase 2,” March 21, 2022
- (i) Public Law 116-283, “William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021,” January 1, 2021
- (j) Deputy Secretary of Defense Memorandum, “Disestablishment of the Chief Management Officer of the DoD and Realignment of Functions and Responsibilities,” January 11, 2021

ENCLOSURE 2

RESPONSIBILITIES

1. DA&M. The DA&M:

a. Issues DoD Fourth Estate guidance and procedures regarding performance management and awards consistent with current laws and regulations, and Office of Personnel Management (OPM) and DoD guidance.

b. Approves changes to the composition of the Presidential Rank Awards Committee (RAC) and the Performance Review Board (PRB).

2. UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS (USD(P&R)). The USD(P&R):

a. Develops and issues DoD SES and Senior Professional Pay and Performance Management Systems guidance for DepSecDef approval that is transparent, trusted, creditable, and applied in an equitable, nondiscriminatory, and nonpolitical manner.

b. Issues guidelines for system implementation, ensuring that the appraisal systems make meaningful distinctions based on relative performance, and that SES members and SL and ST professionals are held accountable for rigorous performance management of subordinate employees.

c. Submits Presidential Rank Award nominations to the DepSecDef for approval.

3. DoD FOURTH ESTATE ENTITY HEADS. The DoD Fourth Estate Entity Heads implement and administer the DoD SES and Senior Professional Pay and Performance Management Systems consistent with current laws and regulations, OPM and DA&M guidance, and this volume.

ENCLOSURE 3

OFFICIAL ROLES

1. AUTHORIZING OFFICIAL. The authorizing official:

a. Ensures that the requirements of the DoD SES and Senior Professional Pay and Performance Management Systems are implemented and applied in a consistent, transparent, trusted, creditable, equitable, nondiscriminatory, and nonpolitical manner.

b. Holds SES members and SL and ST professionals, as appropriate, accountable for rigorous performance management, including making meaningful distinctions in employee performance.

c. Establishes guidance for scoring and weighting critical and performance elements.

d. Annually assesses organizational performance against strategic goals and performance measures. Communicates these results to SES members, SL and ST professionals, rating officials, and PRB members. These results must be reflected in executive and senior-level performance appraisals.

e. Ensures that basic pay, pay adjustments, performance bonuses, and other awards based on the results of the appraisal process accurately reflect and recognize individual performance and contribution to agency or organization performance.

f. Ensures that the results of the DoD SES and Senior Professional Pay and Performance Management Systems are communicated in the aggregate to SES members and SL and ST professionals while maintaining individual confidentiality to the extent possible to help ensure understanding of the basis for annual summary ratings and accompanying performance payouts.

g. Establishes the composition of the PRB and selects a chairperson. That individual is dual hatted as the chairperson for both the PRB and the Presidential RAC.

2. RATING OFFICIAL. Each executive must have an assigned rating official, who is generally their immediate supervisor. The rating official:

a. Ensures performance plans meet established performance requirements.

b. Refines and updates the performance plan.

c. Signs the performance plan indicating approval of the elements and requirements contained in the plan.



d. Uses the DoD electronic performance management system, currently the Executive Performance and Appraisal Tool (EPAT), to develop performance plans, progress reviews, interim ratings, and annual appraisals.

e. Provides ongoing performance feedback to each employee, to include at least one progress review, an initial summary rating, and the annual summary rating. Informs employees of the deadline to request higher level review (HLR) if they disagree with the initial summary rating.

3. HLR OFFICIAL. The higher level reviewing official:

a. Is designated by the pay pool manager (PPM) as an individual who is neither the PPM nor the authorizing official.

b. Was not involved in the initial rating process for the individual requesting the additional review. If an organization's policy requires all proposed initial ratings be reviewed by the next level supervisor, then the next level supervisor is considered to be involved in the initial rating process.

c. Must be at a higher organizational level than the rating official. Organizations should appoint someone outside their organization to perform the review if it would be more appropriately conducted by an external SES member, SL or ST professional, or general or flag officer. Principal Staff Assistants (PSAs) are expected to serve as HLR officials for other organizations. The Director of Administration will identify the ad hoc pool of HLR officials to assist with meeting HLR requests that cannot otherwise be met within an organization.

d. Provides an independent review of the SES member's or SL or ST professional's performance appraisal in writing.

4. PPM. Generally, the PPM will be a PSA. Consistent with established performance management program governance, the PPM ensures fairness, oversight, and accountability of the pay pool process by applying DoD Fourth Estate pay pool business rules. The PPM:

a. Works with the PRB to resolve any differing performance rating and payout recommendations.

b. Provides a cover memorandum to the authorizing official that articulates the approach the PPM applied regarding the pay pool process, performance rating and payout recommendations, and rationale for any deviation from established business rules. This includes exceptions to proration, the 12-month rule, tier funding limits, and distribution of excess pay pool funds.

c. Submits, in writing, the pay pool philosophy (describing the rationale behind payouts) to the PRB and provides an explanation of variances (if any).

d. Submits performance rating and payout recommendations to the authorizing official, through the Washington Headquarters Services, Human Resources Directorate, OSD Senior Executive Management Office.

5. PRB. The PRB will be composed of three or more members outside the reviewing organization. The PRB:

a. Determines whether the performance accomplishments of SES members and SL and ST professionals, as documented on the performance appraisal form, support the rating and payout recommendations based on the information provided on the appropriate appraisal form. Additional pages are permitted when less than a fully successful rating is recommended or when a higher-level review has been requested.

b. Ensures ratings are reflective of organizational performance and makes meaningful distinctions in ratings and performance payouts.

c. Makes recommendations to bring ratings in alignment when necessary.

d. Works with the PPM to resolve any differing recommendations.

6. DoD FOURTH ESTATE PRESIDENTIAL RAC. The RAC reviews SES, SL, and ST rank award nominations and recommends DoD Fourth Estate nominees to the DepSecDef. Membership consists of:

a. The Chairperson (dual-hatted as PRB Chairperson).

b. Members usually selected from among the prior year's DoD Fourth Estate rank award recipients.

ENCLOSURE 4

PERFORMANCE MANAGEMENT

1. PERFORMANCE MANAGEMENT SYSTEM. The DoD SES and Senior Professional Pay and Performance Management Systems applies to all career, noncareer, limited term, and limited emergency SES members and SL and ST professionals covered by subchapter II of chapter 43 of Reference (e).

2. APPRAISAL PERIOD. SES members and SL and ST professionals are required to be appraised at least annually on their performance. An annual summary rating must be assigned for the relevant period of performance of each year (October 1 through September 30). A minimum period of 90 days must be completed on an approved performance plan before a performance rating can be documented. The appraisal period may be adjusted at any time after the minimum appraisal period is completed if there is an adequate basis on which to appraise and rate the SES member or SL or ST professional. If the rating official changes for an SES member or SL or ST professional within the last 90 days of the end of the rating cycle, the outgoing rating official must complete the initial summary rating for all supervised SES members and SL or ST professional who have been on a performance plan for a minimum of 90 days. The incoming rating official may provide additional input to the recommended initial summary rating at the end of the performance appraisal period. If provided, the additional input by the incoming rating official must be documented in a Microsoft Word document, no more than three pages in length and attached to the appraisal form.

a. Interim Rating Period

(1) Interim Rating Requirements for Reassignment or Transfer of Rating Official or SES Member and SL and ST Professional

(a) An interim rating will be provided to an executive when either the executive or the rating official changes jobs within DoD or transfers to another agency outside of DoD.

(b) The interim rating must be completed prior to departure.

(c) The interim rating and any subsequent appraisals will be transferred to the gaining rating official.

(2) Exception to Issuing Interim Ratings. Exceptions to issuing interim ratings are granted to retiring or separating SES members and SL and ST professionals leaving the Federal Government. Both the rating official and the SES member and SL and ST professional must mutually agree not to complete an interim rating.

b. Long-Term Training or Detail Interim Rating Period

(1) SES members and SL and ST professionals on long-term training or detail assignments of 90 days or more must be provided with an initial summary rating by the rating official of record.

(2) The rating official of record and long-term training or detail supervisor must jointly determine the performance plan requirements.

(3) The long-term training or detail supervisor provides a narrative of the accomplishments regarding the SES member's and SL and ST professional's performance to the rating official of record at the end of the rating cycle or when the assignment ends, if sooner.

(4) The rating official of record has the final authority to determine and document the appropriate performance requirements and initial summary rating.

c. Moratorium

(1) DoD appraisal actions are not processed within 120 days after the beginning of a new Presidential administration (i.e., the administration of a President other than the one in office immediately before the beginning of the current administration). For example, DoD appraisal actions will not be taken until May 20 under this scenario.

(2) This moratorium applies to all phases of the formal appraisal process including the initial summary rating recommendation, review by a higher level official, review and recommendation by the PPM and PRB, and the annual authorizing official summary rating.

(3) The length of the performance appraisal period is not extended by the moratorium, which merely delays the appraisal and rating actions.

d. Moratorium Exceptions. The moratorium does not preclude the issuance of an interim rating when a SES member or SL or ST professional changes positions or when the rating official leaves. A progress review is not subject to the moratorium. Additionally, a reduction in pay based on a less than fully successful annual summary rating assigned prior to the beginning of a new Presidential administration is not subject to the moratorium.

3. PERFORMANCE PLAN

a. Supervisors must establish performance plans for SES members and SL and ST professionals in consultation with the SES members and SL and ST professionals, and communicate the plans to them on or before the beginning of the rating period. It is expected that the final plan will be mutually acceptable. However, when agreement cannot be reached, the decision of the rating official is final.

b. The rating official signs the performance plan indicating approval of the elements and performance requirements contained in the plan. The SES member or SL or ST professional

signs the plan acknowledging receipt of the performance plan, not necessarily indicating agreement.

c. The DoD electronic system, currently EPAT, is used to document performance plans, progress reviews, interim ratings, and annual appraisals, and assist with administration of the pay pool process. Critical and performance elements for SES, SL, and ST performance plans include:

(1) Critical Elements for SES Performance Plans. Each SES performance plan must include the following elements and performance requirements:

(a) Leading Change

1. Develops and implements an organizational vision that integrates key organizational and program goals, priorities, values, and other factors.
2. Assesses and adjusts to changing situations, implementing innovative solutions to make organizational improvements, ranging from incremental improvements to major shift in direction or approach, as appropriate.
3. Balances change and continuity; continually strives to improve service and program performance; creates a work environment that encourages creative thinking, collaboration, and transparency; and maintains program focus even under adversity.

(b) Leading People

1. Designs and implements strategies that maximize employee potential, connect the organization horizontally and vertically, and fosters high ethical standards in meeting the organization's vision, mission, and goals.
2. Provides an inclusive workplace that fosters the development of others to their full potential; allows for full participation by all employees; facilitates collaboration, cooperation, and teamwork, and supports constructive resolution of conflicts.
3. Ensures employee performance plans are aligned with the organization's mission and goals, employees receive constructive feedback, and employees are realistically appraised against clearly defined and communicated performance standards.
4. Holds employees accountable for appropriate levels of performance and conduct.
5. Seeks and considers employee input.
6. Recruits, retains, and develops the talent needed to achieve a high quality, diverse workforce that reflects the Nation with the skills needed to accomplish organizational

performance objectives while supporting workforce diversity, workforce inclusion, and equal employment policies and programs.

(c) Business Acumen

1. Assesses, analyzes, acquires, and administers human, financial, material, and information resources in a manner that instills public trust, accomplishes the organization's mission, and utilizes technology to enhance processes and decision making.

2. Executes the operating budget; prepares budget requests with justifications; and manages resources.

(d) Building Coalitions

1. Solicits and considers feedback from internal and external stakeholders or customers.

2. Coordinates with appropriate parties to maximize input from the widest range of appropriate stakeholders to facilitate an open exchange of opinion from diverse groups and strengthen internal and external support.

3. Explains, advocates, and expresses facts and ideas in a convincing manner and negotiates with individuals and groups internally and externally, as appropriate.

4. Develops a professional network with other organizations and identifies the internal and external politics that affect the work of the organization.

(e) Results Driven. Includes specific performance results expected from the executive, during the appraisal period, focusing on measurable outcomes from the strategic plan or other measureable outputs and outcomes that are clearly aligned to organizational goals and objectives.

(2) Performance Elements for SL and ST Performance Plans. Each SL and ST performance plan may include the following performance elements:

(a) Leadership and Supervision (Mandatory for SL or ST with Supervisory Responsibilities)

1. Demonstrates effective and ethical individual and organization leadership to assess situations realistically; identifies and recommends or implements needed changes.

2. Creates and communicates a vision for work, translating broad organizational goals into objectives, plans and priorities; drives results and creates high performing organizations.

3. Actively furthers the mission of the organization and ensures organizational performance is aligned to the strategic plan.

4. Works to improve the diversity of the organization.

5. Ensures all employees' rights are respected and takes responsibility for the effective management of support for developmental programs, and develops them through motivation, mentoring, and coaching.

6. Balances individual and organizational results with the perspectives of distinct groups, including customers and employees.

7. Ensures subordinate employees know and understand the organizational strategic goals and how their positions contribute to meeting organizational goals. Ensures performance requirements or performance objectives of subordinate employees are aligned with organizational goals and employees are held accountable for results.

8. Provides timely and constructive performance feedback.

9. Ensures a safe work environment.

(b) Contribution to Mission Accomplishment (Mandatory)

1. Executes the position's assigned duties in a manner that contributes to the successful outcome of strategic goals and objectives.

2. Ensures the accomplishments of the organization or program managed can be directly tied to mission need.

3. Specifies the results or commitments to be achieved during the rating period.

(c) Resource Management

1. Demonstrates effective use and management of personal and organizational resources such as time, personnel, equipment, and funds.

2. Meets schedules and deadlines, and accomplishes work in order of priority; generates and accepts new ideas and methods for increasing work efficiency; effectively utilizes and properly controls available resources; supports organization's resource development and conservation goals.

3. Manages organization or program within the parameters established for the Department's Internal Control Program.

(d) Communication

1. Demonstrates effective listening, writing, and oral communication skills.

2. Provides or exchanges oral or written ideas and information that are timely, accurate, and easily understood.

3. Represents the organization in a manner appropriate for the level of communication.

4. Understands and operates under the communication release requirements of the organization.

(e) Cooperation and Teamwork

1. Demonstrates traits of flexibility, adaptability and decisiveness and the ability to exhibit and foster cooperation in team efforts and organizational settings.

2. Uses the appropriate cooperation and teamwork skills for the situation.

(f) Customer Care (Mandatory)

1. Demonstrates effective interactions with internal and external customers.

2. Demonstrates care for customers through respectful, courteous, reliable, and conscientious actions.

3. Seeks out, develops, and maintains solid working relationships with customers to identify their needs, quantifies those needs, and develops practical solutions.

4. Keeps customers informed.

5. Within the scope of job responsibility, seeks out and develops new programs and reimbursable customer work.

(g) Technical Competence and Problem Solving (Mandatory)

1. Demonstrates the knowledge and skills required to execute the position's assigned duties and responsibilities.

2. Ensures the technical accuracy of the work produced or provided by organization managed.

3. Independently identifies issues and recognizes all sides in the resolution process.



4. PERFORMANCE APPRAISAL PROCESS. The performance appraisal process is used to evaluate the performance of SES members and SL and ST professionals throughout the various phases (initial summary rating, pay pool, and PRB) of the performance cycle.

a. Initial Summary Rating

(1) At the end of the rating cycle, the SES member or SL or ST professional may document their accomplishments by completing a narrative self-assessment and submitting their input to the rating official.

(2) The rating official uses the self-assessment to assist in developing the initial summary rating, which includes the rating official's narrative, score for each critical element or performance element documented in the performance plan, and the overall rating. The rating official communicates the initial summary rating to the SES member or SL or ST professional and provides information about the process and deadline for requesting the HLR.

(3) The initial summary rating will be used by the pay pool and PRB to determine whether the rating is appropriate or in alignment with performance standards.

(4) Narrative assessments should be clear, concise, and document specific accomplishments related to the documented performance elements and requirements. Narrative assessments should be outcome-based with appropriate metrics or measures linked to organizational goals and outcomes.

(5) Rating officials that are responsible for reviewing multiple SES members and SL and ST professionals are expected to ensure meaningful distinctions in performance are demonstrated and hold SES members and SL and ST professionals accountable for results. Individual performance must be linked to organizational performance. Distribution of performance scores and rating levels must not be forced or artificially constrained by a rating official.

(6) The performance plan must meet statutory, regulatory, and DoD policy requirements prior to submission to the PRB. All appropriate signatures and documentation must be annotated.

(7) Rating officials will submit all reviewed plans and any other pertinent documentation to the PPM or pay pool administrator.

b. HLR

(1) Requests for HLRs must be submitted in writing to the PPM within 7 workdays after receipt of the initial summary rating, or alternatively, the pay pool recommendation (if authorized by the USD(P&R)). This is the only opportunity for an HLR throughout the performance cycle.

(2) The HLR official may request any additional information they deem necessary to make an informed recommendation. The HLR recommendation must be submitted in writing, prior to the convening of the PRB.

(3) The DA&M will ensure copies of the reviewer's findings and recommendations are provided to the SES member or SL or ST professional, rating official, PPM, PRB, and authorizing official.

(4) The SES member or SL or ST professional, rating official, and PPM must not respond in writing to the reviewer's recommendation.

c. Pay Pool. If the PPM recommends a different score and/or rating than the SES member's or SL or ST professional's initial summary rating, the PPM must notify the rating official of the PPM's recommendation. The notification must occur within 3 business days from decision of the PPM's recommendation. The PPM must allow the rating official an opportunity to defend or substantiate the initial summary rating.

(1) Pay pools usually convene during the second week of October. PPMs are expected to meet with the PRB moderators prior to pay pool meetings to discuss the approach each PPM is taking and offer any assistance required. The PPM leads the discussion of each assigned performance appraisal and related recommendations and conducts further inquiry and review as necessary.

(2) Pay pool panel members review pertinent materials, including the SES members' and SL and ST professionals' self-assessments, initial summary ratings, recommendations of the HLR official, if any, and any other supplemental information for all ratings and recommendations within the purview of the panel.

(3) Pay pool panels are expected to ensure meaningful distinctions have been made in performance scores and ratings and provide recommendations on performance payouts. Forced distribution of, or artificial constraints on, ratings or scores is not permitted.

(4) Individual performance must be linked to organizational performance. Pay pool panels hold SES members and SL and ST professionals accountable for results.

(5) Pay pool panel members should thoroughly review the performance appraisals of SES members and SL and ST professionals assigned to their pay pool. Their review should be fair and impartial. If panel members determine that a rating official's narrative assessment does not fully support the recommended performance rating, the PPM returns the assessment to the rating official for additional documentation and justification.

(6) Pay pool panel members are responsible for ensuring DoD Fourth Estate pay pool business rules, which are issued annually, are consistently applied across all PSA organizations under the pay pool regardless the number of sub-pay pools under the PPM.

d. PRB. Each PRB will consist of three members appointed by the authorizing official in a manner that ensures consistency, stability, and objectivity in SES performance appraisal. More than one half of the PRB members must be career appointees when reviewing career appointees' appraisals and PRB members may not be involved in deliberation involving their own appraisals or appraisals for the members of their own organization.

(1) The PRB is responsible for review of the member's self-assessment, initial summary rating, the SES member's or SL or ST professional's HLR request if applicable, and any HLR recommendation. The PRB performs actions to effectively address problems and offer recommendations to the authorizing official. PRB recommendations ensure consistency and attempt to reduce anomalies that occur within a pay pool as well as across the DoD Fourth Estate.

(2) If the PRB disagrees with a PPM's recommendation, the PPM (or rating official) will be given the opportunity to defend the original recommendation and try to reach consensus with the PRB recommendation prior to the package being forwarded to the authorizing official. The PPMs and PRB resolve proactively as many differences as possible, and send only those cases that would merit the authorizing official's final resolution between PPM and PRB.

(3) PPMs will notify rating officials of any recommendations by the PRB that differ from the initial summary rating within 3 business days. Rating officials have 3 business days to notify SES members and SL and ST professionals of the PRB's recommendation to ensure transparency in the process.

e. Final Approval by the Authorizing Official. The OSD Senior Executive Management Office submits all self-assessments, performance rating and payout recommendations (including HLR recommendations), and HLR requests to the authorizing official. The authorizing official makes a determination on the final rating, score, and performance payout for SES members and SL and ST professionals in the DoD Fourth Estate. The authorizing official's decision is final. The SES member or SL or ST professionals are not entitled to an HLR after the authorizing official has made a final decision.

5. PERFORMANCE PAYOUTS. Pay pools will operate under a consistent payout distribution methodology regardless of appointment type (i.e., career, noncareer, or limited term).

a. Meaningful Distinctions. PPMs must ensure that meaningful distinctions are made in performance payouts to reinforce that those who made the most significant contributions to the organization are recognized with awards. Forced distribution of, or artificial constraints on, ratings or scores, or resulting payouts, is not permitted.

b. Pay Pool Payout Business Rules. PPMs should develop business rules that clearly define how bonus payments are determined. The rules should clearly define the consistent linkage between score and payout across the pay pool. PPMs ensure a consistent and fair application of their pay pool business rules, minimize variances, and provide an explanation of variances, if any.

c. Payout Distribution. Full award payout is not generally allocated only to performance bonuses, but to a combination of performance bonus and basic pay increases. However, retirements, resignations, transfers, reassignments, or agencies operating under a mandated pay freeze are excluded from this provision. Performance payouts in excess of \$25,000 for SL and ST professionals must be reviewed by OPM and submitted to the President for final approval.

d. Basic Pay Increases. Pay increases are approached deliberately and judiciously. Such determinations will continue to consider the nature and quality of the individual's experience, qualifications, and accomplishments as they relate to the requirements of the position, as well as the individual's current responsibilities and performance requirements. Consistent with DoD tiering and pay setting philosophy, Executive Schedule, Level II (EX-II) pay is reserved for those positions characterized by significant complexity, major impact on mission outcomes, or influence on joint, national security matters.

e. Pay for SL and ST Professionals. SL and ST professionals are paid at a rate not to exceed Executive Schedule, Level III, unless a higher rate of pay up to EX-II is approved in accordance with section 534.504 of Reference (f). Only the most complex and significant scope SL and ST positions should be considered for the EX-II pay level.

f. Prorated Payouts

(1) The total performance payout will be prorated for SES members and SL and ST professionals who are covered by this performance management system for less than the full performance year, based on the number of months the member has been covered by DoD policy.

(2) SES members or SL or ST professionals moving within DoD during the performance appraisal period for the entire rating are not subject to proration. Prorated payouts can impact bonus eligibility for career SES members and SL and ST professionals.

(3) Career SES bonuses must meet a minimum 5 percent payout eligibility based on the member's current salary. Noncareer and limited term SES are not eligible to receive a bonus. SL and ST professionals are eligible to receive a portion of their payout as a bonus with no minimum limit. Career SES and SL and ST bonuses are limited to 20 percent of the member's current salary.

g. Payout Consistency. PPMs are required to preclude anomalies where the score and recommended payout are out of alignment except where rules such as proration impact the outcome. If anomalies exist, PPMs should address them in a memorandum to the authorizing official when the PPM's recommendation is forwarded to the PRB.

h. Exceptions. PPMs and PRBs must submit specific justification with the initial summary rating recommendation to the authorizing official when requesting exceptions to tier limits, 12-month rule, proration, or pay pool funding limits. Requests will be highlighted in the approval package to the authorizing official. The PPM or PRB must document exceptions to the business

rules and provide a copy through the Director of Administration to the authorizing official for approval.

(1) Exceptions to Tier Funding Limits. The tier structure is built upon the foundational principle that SES positions vary in terms of impact to mission, level of complexity, span of control, inherent authority, scope and breadth of responsibility, and influence in joint, national security matters. This structure allows the DoD to more effectively recognize that high level performance in some positions has more impact than comparable performance in others. PPMs should make every effort to make meaningful distinctions in ratings and payout distribution, avoiding the need to request exceptions to tier funding limits.

(2) Exceptions for Small Pay Pools. For small (e.g., less than ten SES members or less than ten SL and ST professionals) pay pools, the PPM or PRB may compare the score, rating, and payout to similarly situated SES members and SL and ST professionals (similar scores and ratings) in other tiers or pools. Their analysis may identify a disproportionate payout caused primarily by the small size of the pay pool. If the PPM or PRB finds that the SES members or SL or ST professionals in the small pay pool received a disproportionately lower payout, they may request approval from the authorizing official for exception to the tier funding limits or pay pool funding limits.

i. Payout Methodology. Each SES member and SL and ST professional must receive a copy of the formula used to determine the performance payout process in order to understand the methodology behind calculating payouts. One option to meet this requirement is to attach a copy of the SES, SL, and ST payout examples to the appraisal form, once signed by the authorizing official.

ENCLOSURE 5

AWARDS

1. GENERAL. Awards are given to recognize appointees who demonstrate sustained exceptional accomplishment in the performance of duties and mission accomplishment.
  
2. INCENTIVE AWARDS. Appointees in Presidentially appointed, Senate-confirmed (PAS) Executive Schedule positions may not receive incentive awards, including Presidential Rank Awards. However, PAS appointees who are career SES members and elected to retain their SES eligibility, remain eligible for incentive awards and rank awards. Information and guidance regarding incentive awards for SES members and SL and ST professionals is found in Reference (f).
  
3. PRESIDENTIAL RANK AWARDS. Each year the President recognizes a small group of career SES and senior career professionals (SL and ST) with the Presidential Rank Award. Recipients of this prestigious award are strong leaders and professionals who achieve results and consistently demonstrate strength, integrity, industry and a relentless commitment to excellence in public service. Performance bonuses reflect performance over a single appraisal period, while rank awards are based upon service over an extended period. A single outstanding performance rating does not justify a rank nomination, but it may justify a bonus. Conversely, an unbroken record of outstanding ratings over a period of years suggests that an individual may be a candidate for a rank award whether or not the individual has received a bonus each year.
  - a. Rank Awards. Distinguished and Meritorious Rank awards are subject to the applicable aggregate limitation on pay for each calendar year.
    - (1) Distinguished Rank Award. An award given for sustained extraordinary accomplishment to no more than one percent of the career SES members government-wide. The award includes a lump-sum payment of an amount equal to 35 percent of the member's annual basic pay, a distinctive gold lapel pin, and a framed certificate signed by the President.
    - (2) Meritorious Rank Award. An award given for sustained accomplishment to no more than 5 percent of the career SES members government-wide. The award includes a lump-sum payment of an amount equal to 20 percent of the member's annual basic pay, a distinctive silver lapel pin, and a framed certificate signed by the President.
  - b. Eligibility. Eligible nominees for either award must:
    - (1) Hold a career appointment in the SES, SL, or ST position.

(2) Be an employee of the nominating agency; or a transitioning employee (retiring, separating, or moving to a position outside of the SES) whose nomination has not been rescinded by the losing organization.

(3) Possess 3 years of qualifying Federal service for career SES and 3 years of qualifying career service for SL and ST professionals (service does not need to be continuous).

c. Qualifying Service. Qualifying service for:

(1) SES Distinguished and Meritorious Rank awards includes service under appointments in the SES, Senior Foreign Service, Federal Bureau of Investigation or Drug Enforcement Administration SES, DISES, and other SES equivalent systems. Service not qualifying includes service under noncareer, limited, indefinite, and SL or ST appointments.

(2) Senior career (SL and ST) Distinguished and Meritorious Rank awards includes career service above the General Schedule-15 level. Qualifying services does not include service under appointments that are time limited, or to positions that are excepted from the competitive service because of their confidential or policy-making character.

d. Departure or Death of an SES Member or SL or ST Professional. A nominee who meets the eligibility requirements by the nomination deadline, but leaves the SES, DISES, or the SL, ST, or DISL position before being selected as a recipient, is eligible to receive the award. Similarly, a nominee who dies after the nomination has been received by OPM is eligible to receive the award posthumously.

e. Ineligibility. An employee cannot receive the same rank award within 4 fiscal years following receipt of that award. Nominees for Distinguished Rank will have generally received the Meritorious Rank in a prior year. Nevertheless, an individual may receive a Distinguished Rank award without having previously received a Meritorious Rank award when career accomplishments are of such significance that the higher recognition is clearly warranted. However, there is no time limit on receiving a Distinguished Rank award after receiving a Meritorious Rank award or vice versa.

4. NOMINATION AND SELECTION PROCESS. Nominees undergo a rigorous selection process that encompasses evaluation, review, nomination, and approval by agency heads, boards, OPM, and the President. Nomination packages are required to demonstrate executive leadership, strength, integrity, industry, exemplary personal conduct, achievements, and unusual accomplishment. OPM will not forward the finalist list to the President until the agency certifies that the finalists are not involved in any situation that would cause the agency head to withdraw the nomination or would cause embarrassment after the awards are announced.

a. Annual Call for Nominations. OPM issues an annual call for rank award nominations, which is followed by a call for nominations by the DepSecDef, through the USD(P&R) and the DA&M, for DoD Fourth Estate nominations. Nominations must contain the DoD Fourth Estate

Entity Head endorsement to include the current criteria, deadline, and nomination forms for submitting nominations.

b. Convene DoD Fourth Estate RAC. The RAC is convened following the call for nominations. The committee usually consists of previous rank award winners with responsibility for screening current nominees for the DA&M. The Inspector General of the Department of Defense and DoD Office of Diversity Management and Equal Opportunity reviews occur prior to submitting to the DepSecDef for agency endorsement and OPM submission.

c. Convene Distinguished and Meritorious Rank Awards Review Boards. After receiving certified nomination packages from the DepSecDef and other Federal agency heads, OPM convenes the review boards. The boards consist of private citizens typically from outside the government who are charged with reviewing and ranking agency nominations. Each board has three members who individually evaluate and rate the accomplishments described in the justification statement.

5. NOMINATION WITHDRAWALS. Nominations may be withdrawn at any time during the process up until the time the President approves the Director, OPM, recommendations.

6. AWARDS CEREMONY. The President makes the final selections from among the nominees recommended by the Director, OPM. The DepSecDef usually hosts internal recognition ceremonies the following spring. However, agencies must wait for OPM authorization to make external announcements of award recipients.



GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

DA&M	Director of Administration and Management
DepSecDef	Deputy Secretary of Defense
DISES	Defense Intelligence Senior Executive Service
DISL	Defense Intelligence Senior Level
DoDD	DoD directive
EPAT	Executive Performance and Appraisal Tool
EX-II	Executive Schedule, Level II
HLR	higher level review
OPM	Office of Personnel Management
PAS	Presidentially Appointed, Senate-confirmed
PPM	pay pool manager
PRB	performance review board
PSA	Principal Staff Assistant
RAC	rank awards committee
SES	Senior Executive Service
SL	senior level
ST	scientific and professional
USD(P&R)	Under Secretary of Defense for Personnel and Readiness

PART II. DEFINITIONS

These terms and their definitions are for the purposes of this volume of this volume.

12-month rule. A rule authorizing one adjustment of the rate of SES, SL, and ST basic pay once during a 12-month period.

annual summary rating. The final rating approved by the authorizing official at the end of the performance appraisal period. This includes the summary performance rating, total performance score, and approved performance payout.

appointing authority. A legal standard that provides heads of organizations with authority, delegated or otherwise, to make appointments and set pay.

authorizing official. The individual authorized to make appointments to SES positions and set pay.

business rules. A set of policies and procedures established to ensure consistent application of overarching guidance.

career appointment. Selection by agency merit staffing process and approval of SES qualifications by an OPM qualifications review board. SES appointments may be to a general or career reserved position and the rights of the individual are the same in either appointment. SES, SL and ST appointments require 3 years of continuous credible service to attain a career appointment.

detail. A temporary assignment to a different position for a specified period.

DoD Fourth Estate. The OSD, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Defense Agencies, the DoD Field Activities, and other organizational entities of the DoD that are not in the Military Departments or the Combatant Commands, collectively.

executive. U.S. citizen and appropriated fund employee assigned to positions in the SES.

Executive Schedule. The system of salaries given to the highest-ranked appointed positions in the Executive branch of the U.S. Government, divided into five pay levels.

HLR. A request for review of the initial summary rating based on the executive's disagreement with the proposed rating.

initial summary rating. The summary rating of the SES members and SL/ST professional's performance to include performance rating, score, and documentation of accomplishments made by the supervising official and after evaluating the employee's performance against the established performance standards and performance requirements.

interim rating. A written assessment when a rating official leaves his/her position before the end of the performance appraisal period after the SES members and SL and ST professionals have been under performance standards for a minimum of 90 days. Raters will provide comments regarding performance to the individuals who succeed them as rating officials for their consideration when completing the initial summary rating.

limited term appointment. Nonrenewable appointment for up to 3 years to an SES general position that will expire because of the nature of the work (special project).

moratorium. A period (120 days after the inauguration of a new President) during which executive performance appraisals cannot be processed.

noncareer appointment. Appointment authority allocated on individual case basis by OPM. Appointments may be made only to SES general positions and cannot exceed 25 percent of the agency's SES position allocation.

pay pool. A combination of organizational elements (e.g., divisions, branches, functional communities), and tier structures, that is defined for purposes of determining performance payouts under the DoD SES and Senior Professional Pay and Performance Management Systems.

pay pool panel. Management officials who represent designated organizations in the pay pool deliberation process.

performance payout. The total monetary value of a basic pay increase and performance bonus.

PPM. The individual (usually the PSA) charged with the overall responsibility for the effective operation of the pay pool and for the distribution of funds in a manner consistent with DoD, component, and organizational policies.

PRB. A panel of individuals established to provide peer review and oversight to ensure balance, equity, and fairness in the evaluation and scoring process under the performance appraisal.

PRB moderator. The PRB panel member responsible for leading a PRB panel.

RAC. A committee comprised of rank award winners from the previous year who are charged with screening nomination packages and providing recommendations to the DA&M for review and coordination to the DepSecDef.

rate of basic pay. The rate of pay fixed by law or administrative action for the position held by an employee, before deductions and exclusive of additional pay of any kind.

rating official. The official in an employee's chain of supervision, generally the supervisor, responsible for conducting performance planning, managing performance throughout the evaluation period, and preparing the end-of-year initial summary rating on an employee.