



PERSONNEL AND
READINESS

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

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MEMORANDUM FOR CHIEF MANAGEMENT OFFICER OF THE DEPARTMENT OF
DEFENSE

SECRETARIES OF THE MILITARY DEPARTMENTS
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DIRECTOR OF COST ASSESSMENT AND PROGRAM
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INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR OF OPERATIONAL TEST AND EVALUATION
CHIEF INFORMATION OFFICER OF THE DEPARTMENT OF
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ASSISTANT SECRETARY OF DEFENSE FOR LEGISLATIVE
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ASSISTANT TO THE SECRETARY OF DEFENSE FOR PUBLIC
AFFAIRS
DIRECTOR OF NET ASSESSMENT
DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF DOD FIELD ACTIVITIES

SUBJECT: Fiscal Year 2019 Closeout Guidance for Senior Executive Service and Senior
Professional Performance Appraisal Cycle and Pay

This memorandum provides DoD Fiscal Year (FY) 2019 closeout guidance for Senior Executive Service (SES) and Senior Professional (SP) employees. This guidance also applies to nonappropriated fund (NAF) executives unless otherwise noted.

Evaluating for Performance-Based Payouts

As a reminder, the FY 2019 performance appraisal period will close on September 30, 2019. Employees must have been under a performance plan for 90 days to be rated.

The Chief Management Officer (CMO) will distribute the assessment of the DoD's organizational performance. Performance evaluations and ratings, regardless of level, should be linked to the successful achievement of both individual and organizational performance goals.

In an effort to streamline the Department's reporting issuances, the CMO has encapsulated the previously issued DoD Organization Assessment (OA) Report within the FY 2019 Agency Financial Report (AFR). The performance information previously found in the

standalone OA will now be found in the FY 2019 AFR under the Management's Discussion and Analysis (MD&A) section. The purpose of the AFR is to provide an overview of the Department's financial information, as well as preliminary summary-level performance results. The MD&A Performance Overview sub-section of the AFR will highlight the key performance goals and results; also described in the FY 2019 Annual Performance Plan.

Rating officials, pay pool panels, and members of performance review boards (PRBs) should use the AFR, along with other relevant performance reports, to assess the performance of the Department's SES, SP, and equivalent workforce. It is my expectation that PRBs will make pay-for-performance decisions and award determinations based upon results achieved that demonstrate success in meeting DoD-wide and Component-specific goals and improvement in both DoD-wide and Component-specific performance, as applicable.

Making Performance-Based Payouts

Pay Pool Funding

Pay pool funding for SES and SP performance-based bonuses is a maximum of 7.5 percent of the aggregate career SES and SP salaries, respectively, as of September 30, 2019. Additionally, pay pool funding for SES and SP performance-based pay increases is a maximum of 3 percent of the aggregate salaries of career SES and SP employees, and those non-career and limited-term SES' authorized to receive a pay increase, as of September 30, 2019.

When providing performance-based payouts for the FY 2019 performance cycle, appointing authorities are authorized to move monies from the performance-based pay increase budget to the bonus pay pool. However, none of the amount budgeted for performance bonuses may be used for performance-based pay increases. Pay pool funding for performance-based bonuses must not exceed 10 percent of the aggregate salaries of basic pay as of September 30, 2019 (e.g., SES or SP, respectively).

Annual Performance-Based Compensation

Components should use "Annual Performance-Based Compensation," which is the sum total of the performance-based pay adjustment and performance-based bonus, to demonstrate pay differentiation and ensure meaningful distinctions are reflected between rating levels. Total performance payout adjustments under paragraph 4.6 of DoD Instruction 1400.25, Volume 920, may not cause the total performance payout for a lower level rating to exceed that of a higher level rating.

Pay Increases and Bonus Ranges

Performance-based payouts for FY 2019 should be made within the ranges established in the table below. If a Presidential Adjustment to Executive Pay is granted for Calendar Year (CY) 2020, SES and SP pay is adjusted individually, based on assigned performance ratings and in accordance with sections 534.404 and 534.507 of title 5, Code of Federal Regulations (CFR).

This guidance does not allow performance-based pay increases to exceed designated tier ceilings or statutory pay caps. Additionally, appointing authorities must comprehensively review Component performance distributions for consistency across multiple pay pools, while keeping in mind that quotas and forced distributions in ratings are not allowed.

Components with Defense Intelligence SES and Defense Intelligence Senior Level employees follow the requirements specified in this guidance, with any appropriate changes deemed necessary by the Under Secretary of Defense for Intelligence, who serves as the appointing authority for their closeout results.

NAF executives follow the requirements outlined in this guidance, but are not limited by the ranges provided below.

Table 1. FY 2019 Pay Increases and Bonus Ranges

Rating Level	Performance-Based Bonus Ranges (7.5%)		Performance-Based Pay Adjustments (3%)	Annual Performance-Based Compensation May Not Exceed:
5	SES: 0 or 5.0 – 15.0%	SP: 0 – 15.0%	1.0 – 6.0%	21.0%
4	SES: 0 or 5.0 – 11.0%	SP: 0 – 11.0%	1.0 – 4.5%	15.5%
3	SES: 0 or 5.0 – 8.0%	SP: 0 – 8.0%	1.0 – 3.0%	11.0%

Rating Distribution Justification Form

Components must complete the appropriate “Ratings Distribution Justification Form” in cases where the modal rating for either their SES or SP workforce is level 5, or a bimodal rating of levels 4 and 5. These forms must be signed by the appointing authority, and returned with the validation package.

Individual Contribution Awards

Components may spend up to 1 percent of the aggregate salaries of career SES and SP at the end of FY 2019 on individual contribution awards (e.g., special act awards) that will be paid throughout FY 2020.

SP Pay Policy

Part 534, subpart E of title 5, CFR, provides the rules for setting and adjusting the rates of basic pay for the SP workforce. If the rate of basic pay for an SP is increased to the top 10 percent of the pay range, it must be approved by the appointing authority. The top 10 percent for FY 2019 pay is from \$185,861 to \$192,300.

Political Appointees

All political appointees continue to be covered by the pay freeze on discretionary awards, bonuses, and similar payments. Appraisals should be completed for applicable political appointees to ensure eligibility for pay increases should they be authorized for CY 2020.

Validation and Technical Review

In accordance with the below timeline, Components must submit their initial determinations on performance appraisals, signed by Appointing Authorities, to the Office of the Deputy Assistant Secretary of Defense for Civilian Personnel Policy (DASD(CPP)).

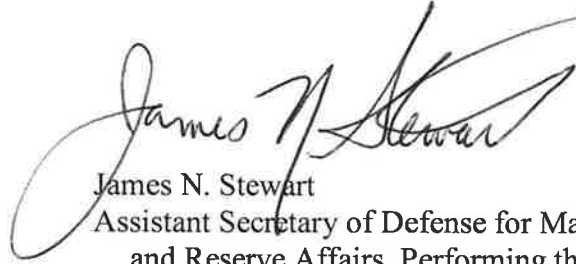
Table 2. DoD Timeline for FY 2019 Performance Appraisal Closeout Activities

Activity	Dates
Performance cycle ends.	September 30, 2019
Components close out their performance cycle and raters determine recommended performance appraisals.	October 1 - December 13, 2019
Components allow opportunity for Higher Level Review.	
Components convene Pay Pool panels and/or PRBs. Upon completion, Components will aggregate the ratings and performance-based payout decisions.	no later than (NLT) December 16, 2019
Components submit their combined recommended ratings and performance-based payout decisions to the Defense Executive Resources Management Office for technical review. Components will receive any recommendations.	
Component appointing authorities make initial determinations on performance appraisals.	NLT December 27, 2019
DASD(CPP) assesses process compliance and makes any final recommendations.	NLT January 3, 2020
Appointing authorities make final determinations on performance appraisals and Components begin processing approved transactions for performance-based payouts. *Payout Processing Note: The Defense Finance Accounting Service requires awards listings NLT January 15, 2020, in order for them to be reviewed and paid by the pay period ending January 18, 2020 (Pay Period 2). Lists provided after this date, or actions which may require corrections, may result a delayed effective date and payments made the following pay period (e.g. Pay Period 3).	NLT January 15, 2020*

I am confident that the Department will continue to meet the high standards we have set for ourselves. I am proud of our continued commitment to successfully execute our performance management system, ensuring that performance is aligned with individual and organizational

results, as well as in making meaningful distinctions in performance, while avoiding forced distributions or quotas. I appreciate your continued support and rigor.

Questions regarding this correspondence may be directed to Ms. Kelly Cruz, Director, Defense Executive Resource Management Office, who may be reached at (571) 372-2286, or kelly.m.cruz.civ@mail.mil.

A handwritten signature in black ink, appearing to read "James N. Stewart". The signature is fluid and cursive, with a large initial "J" and "S".

James N. Stewart
Assistant Secretary of Defense for Manpower
and Reserve Affairs, Performing the Duties
of the Under Secretary of Defense for
Personnel and Readiness