

Performance Management Guidance and Successful Practices

Purpose

This guidance is provided to help agencies implement performance management requirements specified by law and other authorities. Specifically, the guidance and successful practices below will support agencies in developing, applying and implementing performance appraisal systems that maximize employee performance and enable the effective implementation of procedural requirements in each of the following five performance management processes:

1. Planning work, and setting expectations and goals;
2. Monitoring progress and performance continually;
3. Developing an employee's ability to perform in their current position;
4. Rating periodically to summarize performance; and
5. Rewarding performance.

Plan, Monitor and Develop

Communication and Training. The effective implementation of performance management requires both supervisors and employees to have a clear understanding of the program requirements and how they support successfully completing the agency's goals, objectives, and mission. Agencies should conduct briefings early in the performance cycle to remind employees of the procedures, stakeholders and responsibilities included in the agency's performance management program. These briefings should remind supervisors of their role in the process to ensure performance management is used as an opportunity to focus on what needs to be accomplished to fulfill the agency's mission, as well as their responsibility to help employees develop and be successful. At the same time, these briefings are an opportunity to remind employees of the importance of their commitment to agency success and their responsibility in taking ownership of their career, personal development and success.

Consultation and Performance Plans. Use performance plans, developed through clear and open discussions between the supervisor and employee, to let employees know what they need to accomplish during the appraisal period and the standards that will be used to evaluate their performance. The proper development of performance plans at the beginning of the appraisal period is critical to an employee's understanding of what is expected of him or her, and is crucial to ensure those expectations are aligned with achieving agency goals and accomplishing the agency mission. The effective development and communication of a good performance plan requires the establishment and continual maintenance of a high-quality relationship and interactions between supervisor and employee. To ensure effective performance management, supervisors and employees should prioritize positive engagement, trust-building, and good communication when developing performance plans and throughout the appraisal period.

Assessment, Engagement, Support, and Development. Throughout the appraisal period, supervisors and employees should communicate regularly regarding performance management. In addition to progress review(s) required by law or policy, supervisors should hold frequent, informal feedback sessions to review and discuss performance. During these feedback sessions, supervisors should provide regular, timely data and feedback on employees' performance on assignments and progress toward achieving performance expectations, and also regularly clarify the importance and alignment between employees' work and the organization's goals and objectives. This will help ensure employees understand how they are performing, have an opportunity to change and improve their

performance if appropriate, and are not surprised by their end-of-appraisal period annual summary performance rating.

At the same time, supervisors and employees should periodically review the standards and measures that will be used to assess performance, discuss updates or problems that need to be addressed, resources or other support needed by the employee, and appropriate opportunities for continued learning and development. Employees should take ownership and proactively engage their supervisors in these discussions to anticipate, identify, and obtain supervisory support on work issues that will help them successfully perform their work.

Rating Official Prioritization of, and Accountability for, Successfully Managing Performance.

Agencies should prioritize and hold rating officials accountable for effective performance management of subordinates. This can be done by including performance expectations in supervisory performance plans and weighting them appropriately to emphasize the importance and impact of the successful performance management of subordinates. Beyond the inclusion of this responsibility in supervisory performance plans, agencies must ensure that their leadership provides support for, and recognizes, supervisors who take an active and positive role in effectively operationalizing the performance management of their subordinates. Supervisors must receive adequate training and preparation to handle all the aspects of performance management successfully, including both the procedural requirements and the people skills required when dealing with others. To effectively hold supervisors accountable for the performance management of their subordinates, agencies need to ensure that supervisors receive the same positive engagement, trust-building, and good communication they are expected to engage in with their employees.

Reminders specific to General Schedule (GS), Senior-Level (SL) and Scientific and Professional (ST), or prevailing rate employees include the following:

- Supervisors should provide such employees with a performance plan (elements and standards upon which their performance will be assessed) at the beginning of each appraisal period (normally within 30 days of the beginning of the appraisal period or as required by the agency appraisal program). Supervisors should encourage employees to be involved in the development and implementation of their performance plans.

Reminders specific to Senior Executive Service (SES) include the following:

- Performance plans containing measurable results and quality indicators must be issued on or before the beginning of the appraisal period for all agency SES members (including noncareer SES) as required by statute and regulation. SES members must be consulted in the development of their performance plans.
- The U.S. Office of Management and Budget (OMB) has directed agencies to ensure each SES member's performance plan contains an agency-specific performance requirement in the "Leading People" critical element that holds them responsible for improving employee engagement within their organization, and for creating inclusive work environments.
- Performance standards must clearly make distinctions among what is required to achieve performance at the various performance levels. For example, the standard that describes what is required to meet the highest performance level (i.e., Outstanding) must distinguish these accomplishments clearly in comparison to the standard set for the next level (e.g., Exceeds Fully Successful level), and so on for each rating level. In addition, the Fully Successful level must be written to represent what is normally expected of an executive to contribute meaningfully to meeting the mission and organizational goals successfully. The Fully

Successful level should never be characterized as a low level of performance. These distinctions among standards for various performance levels during the establishment of the performance plan ensure that the SES member and his or her rating official are aware of the standards upon which performance ratings will be based.

Reminders specific to SES and SL/ST Performance Appraisal System Certification:

- Performance requirements/objectives in the results-oriented critical element must: (1) show clear, transparent alignment with organizational goals/objectives; (2) contain at least one main result and the applicable quality indicator(s) for that result at the Fully Successful level, and other measures of quantity, timeliness and cost-effectiveness as applicable; and (3) differentially identify the result(s) and applicable measure(s) (e.g., underline the result and **bold** the measure, or highlight the result in **yellow** and the measure in **blue**). OPM will not accept plans for certification where the agency has not separately identified results and measures in the results-oriented element. This requirement has been implemented to empower agencies and their SES/SL/ST employees – who best know their missions and priorities – to make prominent their outcome-focused measurable results.

Rate and Reward

Evaluation and Communication. At the conclusion of the appraisal cycle, supervisors must prepare a rating of record for each employee who has completed the minimum appraisal period. These ratings of record generally represent the final formal communication between supervisor and employee, and mark the end of a specific appraisal cycle. Supervisors must ensure these written ratings (including the use of electronic formats) are assigned, approved and provided to employees in a timely manner, consistent with agency policy and timelines. Ratings of record are a summation of progress updates, including informal performance discussions, and any previous performance ratings received throughout the year, and the employee should know what to expect because the supervisor and employee should have been engaged in performance discussions throughout the appraisal period. When communicating the rating of record to the employee, supervisors need to focus on the positive engagement, trust-building, and good communication efforts established with the employee throughout the appraisal cycle. When delivering the rating of record, supervisors must consider and communicate all the factors that contribute to employee performance, including employee conduct as it affects job performance, to ensure the employee understands how the rating was derived. Because the rating of record is a representation of the culmination of the employee's contributions and achievement of the expectations communicated in the performance plan and throughout the appraisal period, and a summary of all the performance discussions between the supervisor and the employee, this is an opportunity for both the supervisor and employee to focus on open communication of how to support employee success going forward and a solid preparation for the beginning of the next appraisal period and the performance planning that will require.

Meaningful Distinctions and Appropriate Differentiation. Supervisors are expected to make meaningful distinctions in employee performance based on the accurate assessment of that performance in comparison to the various levels of performance established and described in the performance expectations of the performance plan. These distinctions serve as the basis for appropriately differentiating compensation, whether delivered as pay adjustments or awards, that is based on those ratings. Supervisors should exercise their authority appropriately when making these compensation decisions, especially when determining additional recognition, particularly in these times of fiscal constraints. When granting rating-based performance awards or pay adjustments,

supervisors must make meaningful differentiation when distributing compensation based on the ratings assigned and in accordance with agency policy.

Guidance on Awards Spending. Performance award pools for SES/SL/ST and non-SES/SL/ST employees must be within the limits established by the most recent U.S. Office of Personnel Management (OPM) and OMB Awards Guidance on Spending Limitations applicable to the fiscal year. Should OPM and OMB decide not to issue such guidance, funding must be within the limits set by law and regulation.

Rating-based performance awards for SES must be between 5 and 20 percent of the executive's salary. Rating-based performance awards for other employees must be no more than 10 percent of the employee's salary except when the agency head approves an amount up to 20 percent. Awards granted under the authority of 5 U.S.C. chapter 45 must receive OPM approval when the amount per individual is greater than \$10,000 – up to \$25,000. Presidential approval is required for granting an award greater than \$25,000.

Awards Reporting. Agencies must document and report awards to OPM in accordance with reporting requirements found in the *Guide to Human Resources Reporting* and the *Guide to Processing Personnel Actions* available on OPM's webpage, www.opm.gov. Agencies must report ratings, pay and awards data for SES/SL/ST to OPM through the annual data call, generally due the first Friday in March. OPM uses the information provided by the agencies to compile annual reports and to support recommendations for certification of agency appraisal systems, as well as to respond to data requests from stakeholders, such as the White House and Congress.

Reminders specific to SES and SL/ST employees include the following:

- SES and SL/ST employees are under performance-based pay and award systems. Both pay adjustments and awards must be based on appropriate ratings that reflect meaningful distinctions in the level of performance.
- For purposes of certifying agency appraisal systems as making meaningful distinctions in performance, agencies must explain how organizational performance justifies the senior employee ratings distribution.
- **Quotas for levels of performance are prohibited.** The ability to demonstrate meaningful distinctions in ratings depends on the clarity with which rating levels – particularly at Fully Successful and above – are defined by the agency when establishing performance standards.
- All SES ratings and pay/awards recommendations must be reviewed by a Performance Review Board (PRB). Ratings and pay/awards recommendations for SL/ST employees in agencies where there are more than 10 SL/ST employees must be reviewed by a centralized panel prior to approval by the agency head. Agencies may satisfy this requirement by including their SL/ST employees with SES members reviewed by a PRB.
- Ratings must be assigned in a timely manner (*i.e.*, within 3 months of the end of the appraisal cycle) for all senior employees (SES, SL/ST). SES performance-based pay adjustments and awards should have effective dates not later than 5 months after the end of the appraisal period. Agencies must make SL/ST pay adjustments on the first day of the first pay period when the General Schedule is adjusted and should pay performance awards as soon as practicable after the end of the appraisal period.
- SES performance awards range from 5 to 20 percent of the SES member's base salary, and payment is a lump sum. **Only career appointees are eligible for performance awards.** Agencies generally use the authority found at 5 U.S.C. 4505a and 5 CFR 451.101(e) as the

basis for SL/ST rating-based awards. These awards are limited to 10 percent of the employee's basic rate of pay, unless an award up to 20 percent is authorized by the agency head. Rating-based awards for SL/ST employees also are subject to the \$10,000 per individual limit applicable to all awards paid under 5 U.S.C. chapter 45.

- The current Pay Freeze for Certain Senior Political Officials includes, but is not limited to, noncareer appointees in the SES paid at or above the rate for EX-IV and limited term appointees or limited emergency appointees in the SES serving under a political appointment paid at or above the rate for EX-IV. The pay rate for EX-IV for the current year determines whether an individual is covered by the provisions of the pay freeze. Individuals covered by the pay freeze must have their pay set using rates in effect as of December 31, 2013.
- All discretionary cash awards are prohibited for all political appointees under the current freeze on discretionary spending communicated in the August 2010 Presidential memorandum.
- Agencies may not use contribution-based awards (Special Act Awards) to supplement the awards pool established for rating-based performance awards. There are separate funding limits in place for rating-based awards and contribution-based awards.
- Agencies must take appropriate action, as required by 5 U.S.C. 4314(b), when an SES member's annual summary rating is less than Fully Successful.

Reminders specific to SES and SL/ST Performance Appraisal System Certification:

- Annual ratings, pay, and awards data must show senior employees who receive the highest annual summary ratings receive the highest compensation in each of the following compensation categories: pay adjustments; performance awards; **and** levels of pay.
- Agencies must inform all SES and SL/ST employees of the general organizational outcome of the appraisal process, including overall distribution of ratings, and average performance awards and performance adjustments for each rating level. Special provisions may need to be made for small groups to protect confidentiality of the information.