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MEMORANDUM FOR: HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

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Subject: Guidance on Awards for SES and SL/ST employees for Fiscal Year 2017

As required by Executive Order (EO) 13714, – “Strengthening the Senior Executive Service (SES)” (<https://www.whitehouse.gov/the-press-office/2015/12/15/executive-order-strengthening-senior-executive-service>), issued on December 15, 2015, the U.S. Office of Personnel Management (OPM) and the U.S. Office of Management and Budget (OMB) are providing additional guidance related to performance awards for members of the SES and Senior Level (SL) and Senior Professional and Scientific (ST) employees. In EO 13714, the President stated that starting in Fiscal Year (FY) 2017 agencies should limit their aggregate spending on agency performance awards for SES and SL/ST employees to 7.5 percent. Prior to 2010, there was no spending limit on SL/ST performance awards and the statutory limit of 10 percent applied to SES performance awards. The President also stated that agencies should grant awards in a manner that provides meaningfully greater rewards to top performers. Pursuant to EO 13714’s direction to provide additional guidance as to the distribution of such awards, OPM now further advises that agencies should allocate awards made under the new recommended limit to be able to reward and retain more top performers by:

- providing substantial monetary awards for the very best SES and SL/ST performers; and,
- allowing more variance of award amounts among rating levels, which is a common attribute of pay-for-performance systems.

Agencies are encouraged to support good performance management throughout the year by providing ongoing feedback and promptly and appropriately recognizing excellent achievements. Agencies should use all authorized categories of awards, as appropriate, to recognize the accomplishments of their executives throughout the year, including time-off and individual contribution awards (e.g., special act, suggestion, invention, etc.). Agencies are reminded, however, that individual contribution awards must be granted in adherence with 5 CFR Part 451 and not as a substitute or an enhancement of annual performance-based awards granted pursuant to 5 CFR 534.405. In addition, agencies can use such awards to recognize executives’

significant contributions toward mission even if they are not rated at the highest rating levels, which is also a common attribute of pay for performance.

Budgetary Limitations for Individual Monetary Awards

For FY 2017, these recommended budgetary limits apply to agency spending for individual monetary awards only, which include rating-based performance awards and individual contribution (e.g., special act) awards. The funding limits for the different award categories for SES and SL/ST are to be managed separately.

Agencies are advised to limit total awards spending on the following categories of awards:

- **SES individual rating-based performance awards:** Agencies may spend up to 7.5 percent of the aggregate salaries of their career executives at the end of the previous fiscal year on individual rating-based performance awards for career members of the SES.
- **SL/ST individual rating-based performance awards:** Agencies may spend up to 7.5 percent of the aggregate salaries of their SL/ST employees in career, career-conditional, or equivalent positions in the excepted service at the end of the previous fiscal year on individual rating-based performance awards for those SL/ST employees.
- **SES individual contribution awards:** Agencies may spend up to 1.0 percent of the aggregate salaries of their career executives at the end of the previous fiscal year on individual contribution awards (e.g., special act awards) that are paid throughout the fiscal year for career members of the SES.
- **SL/ST individual contribution awards:** Agencies may spend up to 1.0 percent of the aggregate salaries of their SL/ST employees in career, career-conditional, or equivalent positions in the excepted service at the end of the previous fiscal year on individual contribution awards (e.g., special act awards) that are paid throughout the fiscal year for those SL/ST employees.

Previous awards spending guidance focused on the following two groups of awards and set spending limitations on each: (1) SES/SL/ST rating-based performance awards and (2) individual contribution awards for SES/SL/ST combined with both ratings-based performance awards and individual contribution awards for non-SES/SL/ST. To promote clarity and increased precision in applying and tracking awards spending, this guidance is now further separating the respective award categories and spending limitations to address SES and SL/ST personnel separate from non-SES/SL/ST personnel (e.g., General Schedule employees).

Guidance on funding for non-SES/SL/ST awards will be addressed in a separate memorandum.

Additional Guidance on Meaningful Use of Individual Monetary Awards for Top SES and SL/ST Performers

Recognizing that the impact of the application of an agency's revised program may not be determined until the performance ratings are received and finalized, agencies should start discussing the philosophy of how the agency expects to apply the new 7.5 percent limit, solicit input and ideas, and generally communicate what changes can be expected.

To ensure the continued integrity of the awards programs, agencies should allocate awards in a manner that provides meaningfully greater rewards to top performers. Agencies should ensure only SES and SL/ST employees who have demonstrated the highest levels of individual performance and/or contribution to the agency's performance receive the highest annual summary ratings and the largest corresponding performance awards, pay adjustments, and rates of pay. Agencies are encouraged to use these awards to recognize those senior leaders who take on the most challenging assignments, use exemplary innovative and collaborative methods, take on challenging rotational assignments, and/or have the greatest impact on agency priorities and mission imperatives in a given performance period. Agencies should ensure differentiation is evident individually in the performance awards, pay adjustments, and rates of pay; and OPM and OMB will review and verify this through the appraisal system certification process.

OPM and OMB will continue to monitor awards data that agencies provide to OPM under the agencies' regular reporting procedures for compliance with these limitations. Agencies may be asked to provide additional data regarding award categories and amounts, and OPM would use this data to conduct further analysis at a more granular level. OPM will provide more information to agencies regarding specific data requests as needed.

Coverage

These recommended budgetary limits apply to all departments and agencies for all members of the SES and SL/ST employees, except political appointees covered by the freeze on discretionary spending. The President's August 3, 2010, memorandum freezing discretionary awards, bonuses, and similar payments for political appointees continues to be in effect. Agencies should continue to apply this freeze in accordance with OPM's guidance at <https://www.chcoc.gov/content/guidance-freeze-discretionary-awards-bonuses-and-similar-payments-federal-employees-serving>.

Effective Date

The budgetary limits specified in this memorandum apply to awards paid during FY 2017, with effective dates from October 1, 2016 through September 30, 2017.

Additional Information

Agency Chief Human Capital Officers and/or Human Resources Directors should contact Stephen T. Shih, Deputy Associate Director for Senior Executive Services and Performance Management, in OPM's Employee Services, at (202) 606-8046 or performance-management@opm.gov, for any questions regarding this policy. Employees should contact their agency human resources offices for assistance.

cc: Chief Human Capital Officers
Human Resources Directors
Council of the Inspectors General on Integrity and Efficiency
Inspectors General
Small Agency Council