



## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

Thursday, February 4, 2010

### **MEMORANDUM FOR: Heads Of Executive Departments And Agencies**

**FROM:** John Berry, Director

**Subject:** Guidance for Certification of Performance Appraisal Systems for Senior Employees

The U.S. Office of Personnel Management (OPM) has prepared the attached guidance for agencies seeking performance appraisal system certification by OPM, with concurrence from the Office of Management and Budget (OMB). The guidance addresses both members of the Senior Executive Service (SES), and employees in senior-level (SL) and scientific or professional (ST) positions. Agencies with a certified SES and/or SL/ST appraisal system may pay those members covered under the certified system(s) a salary up to the rate for level II of the Executive Schedule and apply a higher aggregate pay limitation to these senior employees.

The attached guidance is designed to assist you in obtaining system certification. We are pleased with the significant strides agencies already have made in the quality of senior employee performance management systems, and are confident the upcoming year will bring still further improvements. Today, agencies with certified appraisal systems are expected to align senior employee performance with organizational goals, hold senior employees accountable for setting clear expectations for employees and managing with evidence to improve results, and align the appraisal process with agency and program efforts to improve results.

Please be aware that legislative changes since our last guidance have further heightened the importance of the certification process. As outlined in the attached guidance, a new pay system has been established for SL/ST employees. In addition, Offices of Inspectors General (OIGs) are now expected to establish their own SES appraisal systems.

OPM is committed to providing agencies assistance to help ensure their systems meet certification requirements. My staff is available to provide additional information and to answer questions you might have regarding this guidance. For such assistance, your staff may contact Mr. Paul Thompson, Executive Resources and Employee Development at 202-606-1429, or [paul.thompson@opm.gov](mailto:paul.thompson@opm.gov). For questions about the system certification process, contact Ms. Karen Lebing, Executive Resources and Employee Development at 202-606-1633 or [karen.lebing@opm.gov](mailto:karen.lebing@opm.gov).

Attachment

cc: Chief Human Capital Officers  
Performance Improvement Officers  
Inspectors General  
Human Resources Directors  
Executive Resources Contacts

## **Guidance for Certification of Performance Appraisal Systems for Senior Employees**

### **New Developments**

We are pleased to announce important enhancements to the certification process. As a complement to the Senior Executive Service Performance Appraisal Assessment Tool (SES PAAT), OPM has designed a senior-level (SL) and scientific or professional (ST) PAAT for use in requesting certification of SL/ST performance appraisal systems. Additionally, OPM is no longer restricting use of the PAATs to agencies with full certification. All agencies are able to request either initial or continued certification using the appropriate PAAT. These enhancements should promote increased efficiencies in the certification process. Agencies requesting continued certification should submit the applicable PAAT to OPM 6 months prior to the expiration of their system's current certification. OPM will then review the PAAT submission, request OMB concurrence, and grant (if warranted) certification before the existing certification expires, thus avoiding a gap in certification. Agencies that are not certified may begin making their requests for certification of senior employee appraisal systems as soon as the required information for submission is available.

The Senior Professional Performance Act of 2008 includes a provision that affects certification of performance appraisal systems for senior employees. Section 3 of the Act changes the maximum term for performance appraisal certification under 5 U.S.C. 5307(d) from 2 years to not to exceed 24 months from the date of certification unless extended by OPM for up to 6 additional months. The Act also establishes a new pay system for SL/ST employees. OPM will issue regulations to provide new rules for setting and adjusting SL and ST rates of basic pay in the near future.

The Inspector General Reform Act of 2008 includes a provision that affects Office of Inspector General (OIG) SES appraisal system approval and certification. Section 14 of the Act requires that each OIG be considered as separate agency for provisions relating to the SES. As a result, OIGs are expected to establish their own SES appraisal systems and obtain OPM approval and certification of those systems separately from the agency SES system. We are happy to report that 10 OIGs have established their own SES appraisal systems. If an agencywide system certification currently includes OIG SES employees, they will continue to be covered by that certification until it expires.

### **Results-Oriented Focus**

The nature and quality of both agency and senior employee goals will be considered when reviewing requests for certification. Specifically, OPM and OMB expect Chief Human Capital Officers and Performance Improvement Officers to work together to ensure each senior employee performance plan includes goals that are strongly linked to the agency's mission, as conveyed through its strategic and annual performance plans (including agency high priority performance goals, as relevant.) Certification may be withheld if senior employee goals are not sufficiently results- or outcome-oriented.

## **Performance Distinctions and Performance Pay**

A key criterion affecting certification is the requirement for making meaningful distinctions in performance ratings, pay adjustments, rates of pay, and awards. Final decisions made pertaining to ratings, pay, and awards will be crucial for determining whether your agency receives certification of its system. Only agencies showing meaningful distinctions in performance and pay, as well as meeting the other stated criteria, will receive certification.

Please be sure that the requirement to make meaningful distinctions is communicated clearly to your agency's senior employees, rating and reviewing officials, Performance Review Boards (PRB), Performance Improvement Office, and other affected review boards. Senior employee pay rates, pay adjustments, and performance awards are expected to reflect distinctions related to performance. OPM and OMB expect to see a relationship between senior employees' ratings and their performance pay, and agencies must ensure that senior employee ratings are based primarily on assigned organizational goals achieved. A high level of organizational performance will be evident from the attainment of or substantial progress toward a few ambitious outcome-linked performance targets and steady progress on other key performance indicators. At the same time, it is also understood that if agencies adopt genuinely ambitious targets, they are unlikely to meet all of them and performance may even, on occasion, decline. When determining ratings and awards for individual senior employees, agencies would need to take these factors into consideration.

Additionally, the reviewing official should also be made aware that OPM and OMB expect agencies to make meaningful distinctions in awards for senior employees who are paid at the applicable maximum rate (imposed by an agency established tier system or the provision in 5 U.S.C. 5382 or 5376). Meaningful performance awards can be an effective means to reward high-performing senior employees whose salary is at or near the maximum rate.

## **Reporting**

All agencies (regardless of whether they seek certification) are required to operate merit based systems for their senior employee cadre and submit to OPM data on SES and SL/ST employees' summary performance ratings, pay rates, pay adjustments, and awards. To reduce duplication of effort, you need only submit your annual report once, in response to the FY 2009 agency data call. Your response to that data call will also be used for certification, provided the submission is timely, complete, and accurate. As a reminder, OIGs will be reporting their SES ratings, pay, and awards data to OPM separately beginning with the 2009 data call.