



UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, DC 20415-0001

OFFICE OF THE DIRECTOR

OCT 19 2004

MEMORANDUM FOR HEADS OF DEPARTMENTS AND  
INDEPENDENT AGENCIES

FROM: KAY COLES JAMES  
DIRECTOR

A handwritten signature in blue ink, appearing to read "Kay Coles James", written over the printed name and title.

Subject: Senior Executive Excellence and Accountability

As you know, in January 2004 the Office of Personnel Management (OPM) implemented a new performance-based pay system for members of the Senior Executive Service (SES). This new system allows higher base pay rates for the highest performing SES members, both career and non-career, and in so doing, can significantly strengthen the linkage between agency results, SES performance ratings, and executive salaries and bonuses. Performance-based evaluation and compensation distinctions are critical components of the strategic management of human capital and a cornerstone of the President's Management Agenda. Accordingly, I again ask each of you to pay particular attention to such distinctions as you finalize SES performance appraisal and pay decisions this year.

Agencies have made steady improvement in making such distinctions since I first issued guidance on this subject in 2001, and I commend you for your efforts. We are in the process of analyzing your FY 2003 SES performance rating and bonus data, and while I am confident that we will see even more progress, it is clear that more can and must be done. Please keep that in mind as you close out the FY 2004 appraisal cycle and begin the FY 2005 rating period. Once again, each of you has the opportunity to ensure that your agency's SES performance management system establishes a "line of sight" linkage between executive performance evaluations and organizational results, and in the process, demonstrate to the American public that we are serious about sustaining a culture of high performance in their Federal Government.

That linkage is one of several critical requirements of the new SES performance-based pay system, and agencies that meet those requirements, as certified by OPM with the concurrence of the Office of Management and Budget, may pay their highest performing SES members up to level II of the Executive Schedule. SES members and senior professionals (who must be covered by a separate certified performance management system) are also eligible for aggregate annual compensation up to the pay of the Vice President. Many agencies have already submitted their SES and senior professional performance appraisal systems for certification, and several have already met that high standard. However, certification is only the first step. You and your senior leadership

team must be willing to make the hard decisions that hold executives accountable and reward those that demonstrate excellence.

Thank you for your attention to this important challenge. I know that you have the requisite resolve to meet it, and my staff and I will do everything we can to assist you. For questions regarding SES performance management and compensation policy, please contact Mr. Hughes Turner, my Deputy Associate Director for Leadership and Executive Resources Policy at (202) 606-1811. If you have questions concerning the certification of your SES or senior professional performance appraisal systems, you may contact your agency's Deputy Associate Director for Human Capital Management at (202) 606-1575, and staff level inquiries be directed to your OPM Human Capital Officer.

cc: President's Management Council  
Chief Human Capital Officers  
Human Resources Directors