



JUN 15 2004

MEMORANDUM TO OPERATING AND STAFF DIVISION HEADS

FROM: Ed Sontag *ES*
Assistant Secretary for Administration and Management

SUBJECT: SES Performance Management Plan

This is to update you on where we stand in the development of a new SES pay for performance system. First, thanks to all of you for sending comments on the draft HHS plan. We are incorporating many of those comments into the final document and will then forward the plan to OPM for certification.

As you will recall, we must have a certified plan from OPM and OMB in order to make payouts above the current Executive Level III pay cap for the performance cycle ending September 30, 2004. One of the requirements for such payouts is the addition of an outstanding or equivalent level to our performance plan. The minimum appraisal period in our plan is 90 days; therefore, **by July 1, 2004, each career and noncareer executive must sign and date the attached Senior Executive Service Performance Plan addendum that includes an "Exceptional" summary rating level.** The original plan and the addendum will be used to document ratings at the end of the performance cycle. If the executive does not sign the performance rating addendum form by July 1, 2004, his/her rating must be delayed until the 90-day minimum appraisal period has been met.

You should also take time now to ensure that each executive's performance agreement describes specific end results that the executive and the organization are accountable for achieving during the performance period. Each executive's objectives must be linked to the Department's 10 outcome goals and 10 management objectives and to the OPDIV's strategic goals. In essence, the agreements should be based on a cascade approach, beginning with your performance contract. Your performance goals must be incorporated into the performance goals of your direct reports. This cascade must continue down to include every senior executive, career and noncareer. The outcomes/results should be stated clearly enough so that the rating official and executive know what is expected and that the goals can be measured and are challenging but attainable. All goals must reflect executive level responsibilities.

The Department will use an executive level board again this year to review bonus recommendations at the end of the rating period. As a part of that process, the

board will review performance plans to ensure the existence of appropriate linkages between performance outcomes and pay decisions. During this past rating cycle, the review board found performance plans where the duties and expectations were not specific or measurable and tasks and responsibilities did not reflect executive level activities.

At HHS, one SES performance management system will be certified for the entire Department; therefore, it is critical that all Operating and Staff Divisions meet certification requirements on an ongoing basis. Departmental certification can be revoked by OPM/OMB at any time which would result in lower payouts for our executives. Beginning in FY05, the Department will review a sampling of OPDIV/STAFFDIV performance plans to ensure conformance with OPM/OMB certification requirements.

We are doing all we can do to ensure a smooth transition to the new SES performance and pay system but you should know that the OPM/OMB guidelines have not been finalized and changes to our plan may be necessary. Thanks again for your help and I'll keep you posted on progress.

Attachment