



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Executive Performance Management System

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1. INTRODUCTION

1.1 PURPOSE: In accordance with the Authority in Section 1.3 and References in (a) through (j) in Section 1.4, this document establishes and implements the Executive Performance Management System, herein referred to as the “System”; prescribes policies and procedures; delegates authority; and assigns responsibility for executive performance management in the Department of Health and Human Services. The purpose of this policy is to provide all executives with a performance appraisal system that meets all requirements in law and regulation. This document constitutes the policies for planning, monitoring, appraising and recognizing the performance for HHS executives.

This System description supersedes all previous editions of the Senior Executive and Organizational Performance Management System.

1.2 POLICY: It is HHS policy to hold its Senior Executive Service (SES) members and Title 42 executives accountable for individual and organizational performance in achieving HHS’ strategic goals and objectives. The Executive Performance Management System shall:

- a. Promote a performance culture in which organizational and individual performance and contributions are fully recognized and rewarded fairly and consistently
- b. Encourage excellence in senior executive performance.
- c. Be transparent, trusted, credible and applied in a consistent, equal and fair manner in accordance with Section 1.4, References (a) through (j).
- d. Link individual performance with HHS, HHS OPDIV and STAFFDIV, Presidential, Secretarial and other results-oriented strategic goals and initiatives.
- e. Require use of performance results as a basis for making personnel decisions including annual performance ratings and recognition, pay setting, development, retention and removal.
- f. Ensure SES/T-42 executives are consulted on the development of performance plans.
- g. Hold executives accountable for rigorous performance management of all subordinate employees and for aligning subordinate employee’s plans to organizational goals.
- h. Make meaningful distinctions based on relative performance by ensuring executives who demonstrate the highest level of performance and make the greatest contributions to organizational performance receive the highest rates of pay and awards.
- i. Monitor and appraise performance of executives using measures that balance organizational results with the perspectives of customers and employees.
- j. Require an annual assessment of organizational performance.
- k. Require training for rating officials, executives, Performance Review Boards and others involved in the performance management process.
- l. Require an annual assessment of organizational performance assessment against strategic goals and performance measures and that the results are reflected in executive performance appraisal and performance pay decisions.

1.3 AUTHORITY

Title 5 United States Code, Section 4312, requires that each Agency establish one or more performance appraisal systems that hold senior executives accountable for their individual and organizational performance in order to improve the overall performance of Government.

1.4 REFERENCES

- a. 5 C.F.R. Part 359, Removal from SES; Guaranteed Placement in Other Personnel Systems
- b. 5 C.F.R. Part 430, Subpart A, Performance Management
- c. 5 C.F.R. Part 430, Subpart C, Managing SES Performance
- d. 5 C.F.R. Part 430, Subpart D, Performance Appraisal Certification for Pay Purposes
- e. 5 C.F.R. Part 451, Awards
- f. 5 C.F.R. Part 534, Subpart D, Pay and Performance Awards under SES
- g. 5 U.S.C. 4311-4315, Performance Appraisal in the Senior Executive Service (SES)
- h. 5 U.S.C. 5382, Pay for the SES
- i. 42 U.S.C. 209(f), Appointment of Personnel, Special Consultants
- j. HHS Personnel Instruction 42-1, Use of Title 42 Authority to Appoint Special Consultants

1.5 COVERAGE

This policy applies to all HHS SES members as defined in 5 U.S.C. Section 3132, including: career, limited term, limited emergency, non-career appointees, and Presidential Appointees who without a break in service have elected to retain SES benefits, herein referred to as SES, and Title 42 Special Consultants, herein referred to as T-42 executives, who are SES equivalents and directly or indirectly supervise SES subordinates or SES equivalent subordinates, as designated by the Operating Division (OPDIV) or Staff Division (STAFFDIV) Head are covered by this System. The policies and guidelines outlined herein apply to T-42 executives for performance appraisal purposes only.

OPDIV and STAFFDIV Heads who are not SES/T-42 executives are not required by regulation or statute to be covered by a performance appraisal system or receive a performance rating; however, they will establish performance plans in accordance with the HHS Executive Performance Management System for cascading performance requirements throughout their organizations.

SES members in the HHS' Office of Inspector General are excluded from coverage under this System.

1.6 MAJOR RESPONSIBILITIES

Following are the major responsibilities of key officials for administering and managing the HHS Executive Performance Management System:

HHS Secretary: As the appointing authority for executives, provides oversight of the System. Serves as the final authority on annual summary ratings and associated recognition. Sets overall priorities for the Department that are the basis for the performance requirements that cascade from OPDIV and STAFFDIV Heads to all executives and subordinate HHS employees. The authority and responsibility vested in the Secretary may be further delegated to the Deputy Secretary or the Assistant Secretary for Administration.

HHS Deputy Secretary: May serve as the Secretary's designated appointing official, and as such, shares full responsibility for the oversight of the System and all related pay and performance management issues. Validates organizational performance assessments.

Assistant Secretary for Administration: By delegation from the Secretary, exercises human resources authorities for all personnel administration, performance management, and labor management relations activities within HHS. Also, by delegation from the Secretary, serves as the OPDIV Head for the Office of the Secretary STAFFDIVS, and as such, carries out all functional responsibilities associated with HR management.

May serve as the Secretary's designated appointing authority, and as such, shares full responsibility for the oversight and accountability for the System. As the Secretary's designee, carries out specific responsibilities outlined in 5 CFR Part 430 and Part 534, Subpart D, for managing the System, which includes, but are not limited to:

Ensuring performance expectations are developed with the input and involvement of the SES/T-42 executives covered under the System and performance expectations are communicated to them at the beginning and at appropriate times thereafter of the appraisal cycle.

Ensuring performance plans for SES/T-42 executives are aligned with and directly link to the Agency's mission, HHS Strategic Plan, GPRA strategic goals, Agency performance plans, and budget priorities; include appropriate measures or indicators of employee and customer perspectives; and are reflective of expected Agency and/or organizational outcomes and outputs or program/policy objectives and stated in terms of observable, measurable, and/or demonstrable performance.

Ensuring SES/T-42 executives are held accountable for the rigorous performance management of subordinate employees and for aligning their subordinate employees' performance plans to organizational goals reflected in the HHS Strategic Plan.

Ensuring appropriate action is taken when the final annual rating of an SES executive is less than Level 3 (Achieved Expected Results).

Ensuring the assessments of organizational performance are directly linked to the Agency's performance in achieving annual performance targets in the HHS Strategic Plan, the Congressional Budget Justifications, and Agency annual performance plans; and organizational performance assessment information and rating guidance is communicated at the end of the appraisal cycle to rating officials and PRB members before individual senior employee performance ratings are recommended.

Ensuring final performance decisions for SES executive pay adjustments, performance bonuses, and levels of pay are based on the results of the appraisal process, accurately reflect individual and organizational performance, and make meaningful distinctions based on relative performance.

Evaluating the effectiveness of the System and implementing improvements.

Deputy Assistant Secretary for Human Resources:

Develops, implements, and evaluates policy, processes and guidance on the System, including performance plan development, monitoring and communication, appraisal procedures, and performance recognition.

Provides guidance and training to executives and their rating officials on the System, planning and appraising performance and linking individual and organizational performance.

Provides required performance rating and recognition documentation to OPM to support the System certification process.

Partners with the OPDIV/STAFFDIVs in aligning HHS strategic goals to individual performance plans.

Communicates the end-of-year aggregate performance results to SES executives.

OPDIV and STAFFDIV Heads:

Implement the System within the OPDIV/STAFFDIV consistent with HHS policy, guidance and timelines.

Cascade mission-related performance requirements to SES/T-42 executives, based on the HHS Strategic Plan, Secretarial Priority Projects, and OPDIV/STAFFDIV goals and objectives. Establish and oversee OPDIV Performance Review Board(s), including determining membership, publishing PRB membership in the *Federal Register*, and reviewing and transmitting the recommendations to the Secretary.

Assess their organizational performance, solicit validation of the assessment from their rating official or supervisor, and communicate the results to the rating officials and PRB members.

Ensure rating officials hold executives accountable for rigorous performance management of subordinates and for aligning subordinate employees' performance plans to organizational goals including taking appropriate action if necessary when the final annual rating is less than Level 3 (Achieved Expected Results).

Budget to support executive pay adjustments and performance bonuses.

Ensure effective implementation and reinforce the HHS performance management policy within their OPDIV/STAFFDIV.

Establish OPDIV performance review mechanisms that can be used to assist in the evaluation of organizational and individual accomplishments.

Use the results of annual organizational performance assessments to make executive performance appraisal and performance pay decisions.

Communicate the results of the Secretary's, or designated appointing authority's, rating and recognition decisions to their rating officials, SES members, and are encouraged to recognize their top performers publicly.

In accordance with HHS Instruction 42-1, approves final performance ratings for T-42 executives.

Adhere to established timelines for completing performance management responsibilities.

Performance Review Board (PRB):

Makes a written recommendation to the appointing authority for each executive's annual summary rating, bonus and pay adjustment, based on a review of the initial summary rating recommendation, the executive's response, and the higher-level reviewing official's recommendations, if applicable, and the organizational performance information.

Recommends appropriate action for executives whose performance is less than Level 3, Achieved Expected Results.

Ensures meaningful distinctions in performance ratings, pay adjustments and performance bonuses based on individual and organizational performance during the rating cycle.

Higher-Level Reviewer:

Reviews the SES member's initial summary rating, the executive's response, if any, to make a written recommendation to the PRB on the appropriate initial summary rating.

Rating Official/Immediate Supervisor:

Develops individual performance plans in consultation with subordinate SES/T-42 executives.

Establishes performance requirements that are directly linked to the Department's objectives and goals outlined in the HHS strategic plan.

Ensures performance requirements include demonstrable, measurable, results-oriented deliverables/outcomes.

Conducts and documents progress reviews.

Uses organizational performance results and evaluation guidelines to assign the initial summary rating.

Provides performance improvement assistance to subordinates.

Prepares a narrative assessment of performance, assigns a rating for each critical element and the initial summary rating.

Communicates the initial summary rating to the executive and informs the executive of the right to request a higher-level review and respond in writing to the performance appraisal.

Proposes appropriate action for executives whose performance is less than Level 3, Achieved Expected Results.

Establishes and maintains the executive's official performance file in accordance 5 CFR Parts 430 and 293.404(b)(1). Forwards the executive's performance file and all performance-related records to the Office of Human Resources upon the executive's separation from the position, including transfers to other HHS organizations.

Adheres to established timelines for completing performance management responsibilities.

SES Member/T-42 Executive:

Develops performance plan in collaboration with the rating official.

Works to achieve established performance requirements.

Participates in progress reviews and keeps the supervisor informed of progress toward assigned performance requirements.

Prepares summary of accomplishments of performance and supporting documentation, as needed and submits a request for higher-level review, if desired.

Adheres to timelines for completing performance management responsibilities.

Office of Human Resources (OHR) and OPDIV Servicing Human Resources Offices (Indian Health Service and National Institutes of Health):

Provide technical advice and guidance to PRBs, rating officials, and SES/T-42 executives on policies, guidance, procedures and processes pertaining to the System.

Ensures performance ratings and performance recognition documentation are accurate, complete and in compliance with regulation and policy.

Processes all final ratings, bonuses, pay adjustments, and other resulting personnel actions. Oversees and ensures all required records for annual summary ratings, bonuses and pay adjustments comply with record retention requirements in 5 CFR Parts 430 and 293.404(b)(1).

Provides training on the System for all SES/T-42 executives.

2. ORGANIZATIONAL PERFORMANCE ASSESSMENT

2.1 PURPOSE

The purpose of assessing the organization's performance is to:

- a. Ensure accountability at the organizational level for the achievement of Departmental objectives; and
- b. Provide a basis for ensuring that individual SES/T-42 executive performance ratings reflect organizational performance.

2.2 OPDIV AND STAFFDIV ORGANIZATIONAL PERFORMANCE ASSESSMENT

Each OPDIV and STAFFDIV Head will assess organizational performance at the end of the annual performance period using reports of the Department's GPRA goals, annual performance plans and targets, program performance measures, performance targets in the HHS Congressional Budget Justifications, Online Performance Appendices, the HHS Strategic Plan quarterly reports, Agency Financial Report, and the HHS Summary of Performance and Financial Information. These reports provide fiscal and high-level performance results and are accessible on the HHS website. OPDIVs and STAFFDIVs should pay particular attention to customer and employee perspectives in assessing its organizational performance.

Organizational assessments should be completed using the Organizational Assessment Template in Appendix C as a guide. At a minimum, the assessment should include:

- the name and signature of the OPDIV/STAFFDIV Head; and,
- the name the OPDIV/STAFFDIV; and,
- a brief statement of the mission; and,
- an executive summary of high-level annual accomplishments and achievements that address the organizations success in achieving Departmental goals and objectives and the organization's programmatic responsibilities. .

The assessment should be 2-3 pages with one-inch margins and no smaller than 12 point font. Organizational performance assessments are validated by the OPDIV or STAFFDIV Head's rating official. Organizational performance assessment information will be communicated to rating officials and PRBs and used to ensure that individual performance ratings directly align to organizational success.

3. PLANNING AND COMMUNICATING PERFORMANCE

3.1 EXECUTIVE PERFORMANCE APPRAISAL CYCLE

The duration of the performance appraisal period will be 12 months, except when an executive fails to achieve expectations; when a new executive and senior professional is assigned to a position through appointment, reinstatement, reassignment, or transfer after the beginning of the performance appraisal period; or when other situations occur that may warrant a performance appraisal period of either fewer or more than 12 months.

The annual performance appraisal period shall begin October 1 and end September 30 of the following year.

The minimum performance appraisal period is 90 days, in order to provide for meaningful evaluation of an individual's performance.

The performance appraisal period must be extended when an annual summary rating cannot be prepared at the end of the performance appraisal period because the executive or senior professional has not completed the minimum performance appraisal period or for other reason.

The rating official determines how long the performance appraisal period will be extended to provide the executive ample opportunity to achieve the performance elements and requirements; however, the extension may not result in an appraisal period that exceeds 15 months.

An SES/T-42 executive's appraisal period may be terminated and his/her performance rated at any time after the 90-day minimum period, provided there is an adequate basis on which to appraise and rate his/her performance.

3.2 INDIVIDUAL PERFORMANCE PLAN

3.2.1 PLAN ESTABLISHMENT

Individual performance plans will:

- a. Be drafted and submitted with all requests to fill a new or existing SES position;
- b. Be established on the current version of the Form HHS-740.
- c. Established at the beginning of the rating cycle or when a personnel action requires development of a new SES/T-42 performance plan;
- d. Be developed collaboratively between the rating official and the SES/T-42 executive;
- e. Be revised, documented and communicated to the SES/T42 executive whenever a change in assigned individual and/or organizational responsibilities and goals is so significant that the established performance objectives are no longer adequate;
- f. Be aligned to the Department's strategic goals and OPDIV/STAFFDIV goals and program responsibilities and individual performance requirements;

- g. Include the mandatory competency based critical elements and 3 to 5 results-oriented program critical elements that include performance expectations described at the Level 3, Achieved Expected Results;
- h. Focus predominantly on business results, containing clear outcomes and specific, measurable indicators that will be used to assess performance
- i. Contain balanced measures that include employee and customer perspectives;
- j. Include affirmative action, equal employment and diversity goals and ensure compliance with merit systems principles.
- k. Hold SES/T-42 executives accountable for the rigorous appraisal of subordinate employee performance and ensure that subordinate employees' performance is:
 1. Aligned with the organization's and Department's goals and objectives;
 2. Appraised realistically against clear, measurable standards of performance; and
 3. Recognized based on their individual performance, responsibility, and progress made towards the goals and objectives of the Department.

3.2.2 CRITICAL ELEMENTS

All elements in the performance plan are critical elements.

The Executive Leadership and Management critical elements and performance requirements describe, at the Level 3, Achieved Expected Results, the core competencies and attributes for the accomplishment of strategic goals and initiatives, individually and organizationally, that are linked to HHS' mission and values. Incorporated into these elements are employee and customer perspectives; leveraging diversity (meeting affirmative action, equal employment opportunity, and diversity goals); and human resources management (hiring reform, rigorous appraisal of subordinate employees, and merit system principles).

The program critical elements should be results-oriented and directly aligned to the organization's strategic plan and GPRA goals, and the organization's programmatic responsibilities.

3.2.3 INDIVIDUAL CRITICAL ELEMENT RATING LEVELS

The rating official will assign a rating for each critical element, based on an assessment of actual performance against the performance requirements in the performance plan, as follows:

Level 5 – Achieved Outstanding Results (AO): Consistently superior; significantly exceeds Level 4 (AM) performance requirements. Leadership and outcomes are models of excellence, despite major challenges such as changing priorities, insufficient resources or unanticipated resource shortages, and externally driven parameters. Contributions have impact well beyond the executive's purview, demonstrating unusual initiative in achieving results critical to Agency success and strategic goals. The executive is uncommonly effective in dealing with officials and others who present difficult issues and problems for resolution. Options and recommendations are creative, pertinent, and demonstrate in-depth understanding of issues. Products and skills cause major changes to be considered and often made in the area of responsibility and authority. The executive displays consistently superior executive competency in promoting a quality

environment of continual improvement. In accordance with requirements of 5CFR 430.405 (b)(iii)(A), this is the outstanding level.

Level 4 – Achieved More than Expected Results (AM): *Consistently exceeds expectations of Level 3 (AE) performance requirements.* The executive continually sets a tone of progressive leadership, overcoming significant organizational challenges such as coordination with external stakeholders or resource shortfalls and dealing productively and strategically with other in non-routine matters, some of which may be complex and sensitive. Outcomes often exceed both assigned responsibilities and outcomes for successful performance. The employee consistently demonstrated the highest level of integrity and accountability in achieving HHS program and management goals, with contributions that had impact beyond his/her immediate purview. The employee exerted a major positive influence on management practices, operating procedures, or program implementation, which contributed substantially to organizational change, growth, and recognition. The executive consistently demonstrates strong executive competency.

Level 3 – Achieved Expected Results (AE): *Consistently meets performance requirements.* Work is solid and dependable; budget/performance results are effective. Employee satisfaction indicates a positive organizational climate; customers are satisfied with program results, and the executive successfully resolved operational challenges without higher-level intervention. The employee consistently demonstrated integrity and accountability in achieving HHS program and management goals, and took follow-up actions based on performance information available to him/her. Opportunities were seized to improve business results and include employee and customer perspectives. Executive competency is consistently demonstrated. In accordance with requirements of 5CFR 430.405 (b)(iii)(A), this is the fully successful level.

Level 2 – Partially Achieved Expected Results (PA): *Marginally acceptable; needs improvement; occasionally does not meet Level 3 (AE) performance requirements.* The executive had difficulties in meeting expectations. Actions taken by the executive were sometimes inappropriate or marginally effective and did not significantly contribute to any positive results achieved. While working relationships may be generally sound, the executive's impact on program performance, employee productivity, morale, organizational effectiveness and customer satisfaction needs improvement, as described in the annual performance plan and as measured by appropriate assessment tools. Appraisals of subordinates were late, lacked rigor, failed to show linkages between performance requirements and organizational goals, and/or made little use of training and development. Immediate improvement is essential. Limited understanding and practice of executive competency are demonstrated. In accordance with requirements of 5CFR 430.405 (b)(iii)(A), this is the minimally satisfactory level.

Level 1 – Achieved Unsatisfactory Results (UR): *Undeniably unacceptable performance; consistently does not meet Level 3 (AE) performance requirements.* The executive failed to meet expectations. Repeated observations of performance indicated negative consequences in key outcomes e.g., quality, timeliness, business results, customer satisfaction, morale, etc., as described in the annual performance plan. Performance is grounds for reassigning or removing the employee from the SES and may be grounds for reassigning or removing a T-42 executive. Major gaps exist in demonstration of executive competency. In accordance with requirements of 5CFR 430.405 (b)(iii)(A), this is the unsatisfactory level.

3.3 COMMUNICATION

Communication about program objectives and an executive's progress toward achieving performance goals in the attainment of those objectives should be an ongoing process between supervisors and subordinate executives. Ongoing informal discussions of performance are strongly encouraged during the appraisal period.

Career development is integrated with performance management process. Along with meaningful performance-related discussions that assist the SES/T-42 executive in reinforcing strengths and correcting weaknesses, executive development opportunities should be discussed. Rating officials should discuss and encourage SES/T-42 executives to seek professional and developmental opportunities that promote achievement of the strategic initiatives of the Department/OPDIV/STAFFDIV.

3.4 PROGRESS REVIEWS

The rating official must conduct at least one progress review with the executive during the appraisal period and provide feedback about how well he/she is performing against the assigned critical elements and performance requirements. As a result of a progress review, the rating official and the executive should share a common understanding of current performance, expectations for the remainder of the performance period, and new actions, if any, that will be initiated. The rating official will document the progress review using the appropriate section of the performance plan and both the rating official and executive will keep a copy of the progress review. A progress review is not a performance rating.

At any time during the appraisal period the executive is performing less than Level 3, Achieved Expected Results, on any performance element, steps must be taken to promptly address the executive's performance and the rating official must provide written documentation as an attachment to the employee's performance plan and provide advice and assistance on how to improve performance. Assistance may include, but is not limited to, formal training, on-the-job training, counseling, and closer supervision. This documentation must clearly state progress to date, deficiencies, and steps to be taken to achieve performance at the Level 3, Achieved Expected Results.

The rating official must discuss any changes to the performance requirements with the SES/T-42 executive. Changes to the performance requirements may be made at any time during the appraisal cycle. The SES/T-42 executive and rating officials each sign a copy of any documentation that results from the changes.

4. RATING PERFORMANCE

The rating official must discuss the initial and final (if different from the initial rating) annual summary rating at the end of the appraisal period with the SES/T-42 executive. Appraisals will not be prepared for executives within 120 days after the beginning of a new President's term of office.

Attachment B addresses ratings for nonstandard situations including when SES/T-42 executives have been newly appointed, reassigned, transferred, detailed, or whose rating official has changed during the appraisal period.

4.1 SES/T-42 EXECUTIVE'S SUMMARY OF ACCOMPLISHMENTS

Each SES/T-42 executive will prepare a summary of accomplishments for each critical element describing his/her overall performance, including metrics, for the appraisal period. The summary of accomplishments must be documented using the performance plan Form HHS-740 and should be limited to citing measurable performance results. The summary of accomplishment occurs prior to the rating official's assessment and assignment of an initial summary rating.

4.2 RATING OFFICIAL'S JUSTIFICATION FOR RATING

The rating official will consider the SES/T-42 executive's summary of accomplishments for each critical element, as well as input from previous supervisors or others, where applicable and prepare a narrative justification for rating for each critical element in the employee's performance plan on the Form HHS-740. The narrative should not repeat the employee's summary of accomplishments or indicate concurrence with the summary of accomplishments.

4.3 INITIAL SUMMARY RATING

Rating officials must rate each SES/T-42 executive's performance in writing and assign an initial summary rating at the end of the appraisal period. Each critical element will be assigned points as follows:

Critical Element Rating	Points Assigned
Level 1: Achieved Unsatisfactory Results (UR)	1.00
Level 2: Partially Achieved Expected Results (PA)	2.00
Level 3: Achieved Expected Results (AE)	3.00
Level 4: Achieved More than Expected Results (AM)	4.00
Level 5: Achieved Outstanding Results (AO)	5.00

In addition, the rating official must ensure the initial summary rating for the SES/T-42 executive takes into account the OPDIV or STAFFDIV organizational performance and results achieved in accordance with GPRA. Further, the initial summary rating must consider information from employees and customers; the effectiveness, productivity, and performance quality of the employees for whom the executive is responsible; and meeting affirmative action, equal employment opportunity, hiring reform initiatives, diversity goals and complying with the merit system principles. The rating official must meet with the SES/T-42 executive to discuss the written initial summary rating and, if applicable, any needed improvement assistance. Both the rating official and SES/T-42 executive will sign and keep copies of the initial summary rating and associated documentation.

If the SES member does not submit a written response or request a higher-level review, the rating official transmits the initial summary rating to the PRB.

4.4 HIGHER LEVEL REVIEW

The rating official must advise the SES member of his/her right to respond in writing to the rating and/or request a higher-level review of the rating. If the SES member disagrees with the initial summary rating received, he/she may request one higher-level review. All requests for higher-level review will be in writing, and must be completed within five (5) business days of the issuance of the initial summary rating. The higher-level review must be at a higher organizational level than the rating official, but not necessarily in the same organization. The reviewer will be given a copy of the SES member's initial summary rating and any written response made by the SES member to the initial rating. The higher-level reviewer's documentation should not exceed two (2) pages.

The purpose of the higher-level review for SES members is to provide another source of information to the PRB, in addition to the SES member's summary rating. The higher-level official may not change the rating official's initial summary rating, but may recommend a different rating to the PRB. Copies of the higher-level reviewer's findings and recommendations will be provided to the SES member, the rating official, and the PRB and become part of the official performance appraisal. OPDIV/STAFFDIVs may provide a higher-level review for T-42 executives.

4.5 PERFORMANCE REVIEW BOARD

Each OPDIV Head will establish one or more PRBs to make written recommendations to the Secretary on the performance ratings, bonuses and pay adjustments of its SES members (Career, Noncareer, Limited Term, and Limited Emergency). The Office of the Secretary (OS) will establish a single consolidated PRB for all STAFFDIVs and the Administration on Aging. At a minimum, all HHS PRBs must conform to the following broad requirements:

- a. Each PRB will have three or more members who are appointed by the OPDIV Head.
- b. PRB members must be appointed in such a manner as to assure consistency, stability, and objectivity in appraising SES performance. To achieve this objective, PRBs may include all types of executives (including career SES, non-career SES, PAS appointees, Flag Rank, Commissioned Corps or T-42 executives,) from different organizational components, headquarters and the field, different functional disciplines and to include minorities, women and people with disabilities.
- c. When appraising performance or recommending bonuses for career SES members more than one-half of the members of a PRB must be SES career appointees.
- d. PRB appointments must be published in the *Federal Register* prior to the PRB acting on any appraisal.

PRB members must absent themselves from discussions and actions involving their own ratings, in order to avoid a conflict of interest.

OPDIVs may use a PRB to recommend the final ratings for T-42 executives to the OPDIV Head.

4.6 ANNUAL SUMMARY RATING AND DERIVATION FORMULA

The Secretary determines the final annual summary rating for each SES member and retains the authority to change the performance rating recommended by the PRB, higher-level reviewer, and rating official.

Summary ratings must consider organizational performance. Although there may be exceptions, generally individual performance ratings must be broadly consistent with the organization's performance. HHS will not prescribe a forced distribution of ratings for employees, however, the Department may review standards and ratings for strictness of application to ensure that ratings and recognition comply with Departmental policy.

Each critical element will be assigned points as follows:

Critical Element Rating	Points Assigned
Level 1: Achieved Unsatisfactory Results (UR)	1.00
Level 2: Partially Achieved Expected Results (PA)	2.00
Level 3: Achieved Expected Results (AE)	3.00
Level 4: Achieved More than Expected Results (AM)	4.00
Level 5: Achieved Outstanding Results (AO)	5.00

The average points for both the Program and Competency-Based Critical Elements will be determined by adding the points and dividing by the number of critical elements. The Program Critical Element score will be weighted at 60% and the Competency-Based Critical Element score will be weighted at 40%. The weighted averages of the Program and Competency-Based Critical Elements will be added to determine the final score. This score will be converted to a final summary rating in accordance with the following table:

Appraisal Conversion Table	
1.00 to 1.99 points	Level 1: Achieved Unsatisfactory Results (UR)
2.00 to 2.99 points	Level 2: Partially Achieved Expected Results (PA)
3.00 to 3.59 points	Level 3: Achieved Expected Results (AE)
3.60 to 4.49 points	Level 4: Achieved More than Expected Results (AM)
4.50 to 5.00 points	Level 5: Achieved Outstanding Results (AO)
Exceptions to the mathematical formula:	
1. If an executive receives a PA on one or more critical elements, the Final Summary Rating cannot be higher than PA.	
2. If an executive receives a UR on one or more critical elements, the Final Summary Rating cannot be higher than UR.	

4.7 APPEALS

An SES/T-42 executive may not request reconsideration or appeal the recommendation of the PRB, the final annual summary rating, or the lack of or amount of a pay increase or performance bonus.

Career SES members may file a complaint with the Office of the Special Counsel on any aspect of the rating process that the individual believes involves a prohibited personnel practice. Career

SES members who are removed from the SES as a result of the performance rating may request an informal hearing before the Merit Systems Protection Board on the removal.

5. USING SUMMARY RATING RESULTS: SES MEMBERS

An SES member's final annual summary rating serves as the basis for appropriate personnel actions; including performance bonuses, pay increases, awards, pay reductions, increased training, reassignment, or removal from the SES. The System assures a clear and direct linkage between performance and pay. SES pay rates or pay adjustments, as well as the overall distribution of performance bonuses across HHS, reflect meaningful distinctions among individual performance levels determined during the appraisal process. SES members who demonstrate the highest levels of individual performance – and make the greatest contributions to organizational performance – must receive the highest rates of basic pay, pay adjustments and performance bonuses. SES members who demonstrate low levels of performance must experience consequences that can range from pay reductions to increased training to removal from the SES.

The Department may establish limits on and criteria for performance recognition, including bonus pools, the value of awards and amounts of pay increases.

5.1 LEVELS 3 (AE), 4 (AM) AND 5 (AO) SUMMARY RATINGS

Career SES members with annual summary ratings of at least Level 3 (Achieved Expected Results) may be considered for performance bonuses and/or pay increases.

Limited Term, Limited Emergency and Noncareer SES members whose annual summary rating is at least Level 3 (AE) are eligible for a pay increase but are ineligible for a performance bonus.

5.2 LEVEL 2 (PA) SUMMARY RATINGS

Appropriate performance personnel actions will be considered, and in some cases required, for SES members whose annual summary rating is Level 2 (Partially Achieved Expected Results). Action may be taken during the appraisal period e.g., after a progress review, at the end of the appraisal period, or both.

During the appraisal period, if the rating official determines that an SES member's performance on one or more critical elements is Level 2 (PA), that determination must be documented through a progress review. If one or more critical elements continue to be rated Level 2 (PA) at the end of the appraisal period, the determination must be documented and consideration must be given to a reassignment action.

If an SES member was found to be Level 3 (AE) or above during a progress review, but is then rated Level 2 (PA) on the annual summary rating, he or she must be provided assistance, if the executive remains in the SES. The SES member and his/her supervisor must develop a performance improvement plan for the next appraisal period, designed to raise performance to Level 3 (AE). Documentation must include identification of the elements and performance

requirements involved and a narrative description of the performance deficiency in comparison to the requirements. At any time after the 90-day minimum rating period, the rating official may terminate the performance plan and issue a new summary rating. The SES member's salary may be reduced up to 5%, if the executive remains in the SES.

An SES member who receives annual summary ratings of less than a Level 3 (AE) twice in any 3-year period must be removed from the SES.

Executives receiving an annual summary rating at Level 2 (PA) are not eligible for a bonus or a pay increase.

5.3 LEVEL 1 (UR) SUMMARY RATINGS

If, at the end of an appraisal period, performance on one or more elements is determined to be Level 1 (UR), the determination must be documented in writing and the SES member must be reassigned or transferred within the SES or may be removed from the SES. An executive who receives two Level 1 (UR) annual summary ratings in any 5-year period must be removed from the SES. The SES member's salary may be reduced up to 10%, if the executive remains in the SES. Executives receiving an annual summary rating at Level 1 (UR) are not eligible for a bonus or a pay increase.

5.4 SES BONUSES AND PAY ADJUSTMENTS

Performance bonuses and pay increases are calculated based on a percentage of base pay, and minimum and maximum percentages are set by the Secretary on an annual basis. PRBs have discretion to recommend individual bonuses and pay increases that reflect meaningful distinctions among individual SES member's performance.

In percentage terms, executives the highest annual summary rating must be recommended for greater pay adjustments than executives who receive lower annual summary ratings.

In percentage terms, career SES members with the highest annual summary rating must be recommended for greater bonuses than executives who receive lower annual summary ratings.

6. USING APPRAISAL RESULTS: TITLE 42 EXECUTIVES

OPDIV/STAFFDIVs should follow the guidance in HHS Personnel Instruction 42-1, Use of Title 42 Authority to Appoint Special Consultants.

6.1 LEVEL 3 (AE), 4 (AM) AND 5 (AO) SUMMARY RATINGS

Pay Increases: In percentage terms, no T-42 executive rated Level 3 may be recommended for a higher pay increase than a T-42 executive rated Level 4 (AM) or Level 5 (AO).

Performance Awards: A T-42 executive rated Level 5, 4 or 3 may be considered for performance awards within the guidelines established by each OPDIV. In percentage terms, a T-42 executive rated Level 3 (AE) may not be recommended for a higher performance award than a T-42 executive rated Level 5 (AO) or 4. A T-42 executive rated Level 4 (AM) cannot be recommended for a higher performance award than a T-42 executive rated Level 5 (AO).

T-42 executives rated Level 2 (PA) or Level 1 (UR) are not eligible for performance awards.

6.2 LEVEL 1 (UR) AND LEVEL 2 (PA) SUMMARY RATINGS

If at any time during the rating period, a T-42 executive's performance is determined to be less than Level 3 (AE), consult HHS policy document entitled "HHS Personnel Instruction 42-1, Use of Title 42 Authority to Appoint Special Consultants" and any guidelines established by the OPDIV.

7. TRAINING AND ADMINISTRATION

7.1 TRAINING

The Deputy Assistant Secretary for Human Resources will ensure annual training is provided for SES/T-42 executives and their rating officials on the System. Training will be designed to ensure that the performance management process operates effectively. Individual OPDIVs and STAFFDIVs may develop and conduct training to supplement training provided by the Department.

7.2 RECORDKEEPING

As part of monitoring performance, supervisors may make notes on significant instances of performance so that they will not be forgotten. Such notes will not be required by or under the control of the Department or any of its components, and are not subject to the Privacy Act or accessible under the Freedom of Information Act, as long as they remain solely for the personal use of the supervisor, are not provided to any other person, are not used for any other purposes, and are retained or discarded at the supervisor's sole discretion. If the supervisor bases a performance appraisal in part or in full on specific information from such notes, however, that information will be recorded on or attached to the official appraisal form. Information on or attached to the form will be subject to the Privacy Act.

The retention, maintenance, accessibility, and disposal of performance records as well as supervisors' copies will be in accordance with 5 CFR Parts 430 and 293.404(b)(1). Performance records must be retained for five years and transferred with the executive's Official Personnel Folder when the executive transfers to a new organization in HHS or to another Agency. When an executive leaves HHS, all appropriate performance-related documents five years old or less, including the current executive performance plan and an interim rating, shall be forwarded in the Employee Performance File along with the Official Personnel File to the new Agency.

When an employee in the SES accepts a Presidential appointment, the employee's performance file shall be retained as long as the employee remains employed under that Presidential appointment. If the individual does not return to the SES when the appointment ends, the employee's Employee Performance File shall be destroyed in accordance with HHS procedures. Where any performance-related document is needed in connection with ongoing, quasi-judicial, or judicial proceeding, it may be retained for as long as necessary beyond the established retention schedule.

7.3 MONITORING AND EVALUATING THE SYSTEM

The Assistant Secretary for Human Resources has responsibility for the administration and evaluation of the Executive Performance Management System throughout the Department and for implementing program improvements.

8. DEFINITIONS AND ACRONYMS

Appointing authority: The official with authority to make appointments in the Senior Executive Service.

Appraisal: The process under which performance is reviewed and evaluated.

Appraisal period: The established period of time for which an Executive's performance will be reviewed and a rating of record will be prepared.

Balanced measures: An approach to performance measurement that balances organization results with the perspectives of distinct groups, including customers and employees.

Critical element: A key component of an executive's work assignment or responsibility of such importance that unacceptable performance on the element would result in a determination that an employee's overall performance is unacceptable.

Designated Appointing Authority (Designee): The individual designated by the Secretary in a formal delegation order to carry out pay and performance management responsibilities in accordance with 5 CFR Part 430 and Part 534.

Executive: For purposes of this policy, a member of the Senior Executive Service or Title 42 appointee covered by the Executive Performance Management System.

Higher-Level Reviewing Official: The next higher-level official above the rating official in the organization.

Justification for Rating: A brief written statement prepared by the rating official that supports the assigned rating for each critical element.

Minimum Appraisal Period: The minimum amount of time a senior executive must have served in a position under an established performance plan in order for an appraisal to be completed. HHS has established a minimum appraisal period of 90 days.

OPDIV: Operating Division

Organizational Assessment: An annual review and assessment of organizational performance against established performance requirements, designed to evaluate success in achieving Departmental strategic goals and objectives.

Performance Appraisal: The review and evaluation of an executive's performance against established critical elements and performance requirements.

Performance Management System: The framework of policies and practices established for planning, monitoring, developing, evaluating, and rewarding both individual and organizational performance and for using resulting performance information in making personnel decisions.

Performance Plan: The written summary of work the executive is expected to accomplish during the appraisal period and the requirements against which performance will be evaluated, including metrics. The plan includes critical elements and performance requirements related to executive leadership responsibilities and specific and measurable expectations that link to goals established in strategic planning initiatives. .

Performance Requirement: A statement of the performance expected to meet the Level 3 (AE) for a critical element. A performance requirement may include, but is not limited to, factors such as quality, quantity, timeliness, specific metrics, and manner of performance.

Performance Review Board (PRB): A group of executives established to provide oversight to ensure balance, equity, and fairness in the evaluation and scoring process under the performance appraisal system; to ensure there are meaningful distinctions in relative performance reflected in the performance requirements; and to make recommendations to the appointing authority on SES performance ratings and recognition.

Progress Review: A mid-year review of the executive's progress in meeting performance requirements.

Rating Official: An executive's immediate supervisor, responsible for informing the executive of the critical elements of his/her position, establishing performance requirements, appraising performance, and determining the initial summary rating.

Ratings:

Annual Summary Rating. The final rating approved by the authorizing official at the end of the performance appraisal period. This is also the rating of record, the official rating, or the Final Summary Rating.

Critical Element Rating: Ratings assigned to each individual critical element.

Initial Summary Rating. The summary performance rating proposed by the rating official and documentation of accomplishments after evaluating the employee's performance against the established performance elements and performance requirements. This is a proposed rating of record.

Interim Rating. A written assessment of performance prepared when either the executive or rating official leaves their position before the end of the performance appraisal period and the executive has been under performance standards for a minimum of 90 days.

STAFFDIV: Staff Division in the Office of the Secretary.

Summary of Accomplishments: A brief written statement prepared by the executive that compares actual performance with the critical elements and performance requirements, including metrics, in the performance plan.

APPENDIX A: INDIVIDUAL APPRAISAL TIMELINE

This timeline contains approximate timeframes for key milestones in the individual appraisal process. Specific deadline dates will be determined on an annual basis, and will be disseminated by the Deputy Assistant Secretary for Human Resources as soon as they are established.

Preparing New Performance Plans Upcoming Performance Cycle

Executive Performance Plans drafted	Early Sept.
OPDIV and STAFFDIV Heads share plans with subordinates and establish framework to cascade performance goals throughout OPDIV	Mid to Late Sept.
All executive Performance Plans established	Mid Oct.

Appraising Individual Performance Current Performance Cycle

Mid-year progress reviews completed and documented	April 30
Executive's summary of accomplishments due to immediate supervisor	Early Oct.
Managers complete justification for rating; meet with subordinate executive to determine initial summary ratings	Mid Oct.
All higher-level reviews requested are completed	Mid to Late Oct.
OPDIV Performance Review Boards meet	Late Oct.
OPDIV Heads review/transmit recommended annual summary ratings	Early Nov.
Secretary, the Deputy Secretary, or ASA designee finalizes annual summary ratings/recognition	Early Dec.
OHR notifies OPDIVs and STAFFDIVs and HR Offices of final decisions	Early Dec.
HR Offices begin processing SES pay and bonus actions	Mid-Dec.

APPENDIX B: GUIDANCE FOR NON-STANDARD SITUATIONS

SITUATION	ACTION
1. A current SES/T-42 executive did not have a plan at any time during the entire appraisal period, or did not perform against a plan for at least 90 days.	A plan must be established immediately and the executive's appraisal period must be extended for the amount of time necessary to meet the minimum appraisal period of 90 days.
2. The executive is reassigned from one SES/T-42 position to another within HHS <u>more than</u> 90 days before the end of the appraisal period.	Establish a plan for the new position. Obtain performance input from the previous supervisor if executive had an SES plan for at least 90 days in former position and consider the input for the initial summary rating. If the executive cannot be rated in former position because s/he was not under a plan for at least 90 days, rate at end of appraisal period based only on the new plan.
3. The executive is reassigned from one SES/T-42 position to another within HHS <u>less than</u> 90 days before the end of the appraisal period.	Establish a plan for the new position. Extend rating period until the minimum appraisal period is met. Obtain performance input from the previous supervisor if executive had an SES plan for at least 90 days in the former position and consider the input for the initial summary rating.
4. An executive is newly appointed to an SES or T-42 position after July 3, and on or before September 30, they <u>will not</u> meet the minimum appraisal period of 90 days by the end of the rating cycle - September 30.	Establish a plan. The executive must serve under the plan for the 90-day minimum appraisal period before he/she can be rated.
5. An executive is temporarily assigned or detailed to another position for 90 days or more during the rating period.	A plan must be established for the position that is filled on a temporary basis. The supervisor during the temporary assignment must provide a written summary of the executive's performance during the assignment to the executive's supervisor of record on or before September 30. The supervisor of record must consider the temporary supervisor's summary in determining the initial summary rating.
6. An executive is deployed to perform military service during the appraisal period.	If the executive completed 90 days under a performance plan prior to deployment, the rating official must issue an initial summary rating before the executive leaves. If the executive did not complete 90 days under a plan prior to deployment, the previous final summary rating will be used as a carry over rating.
7. Executive transfers to an SES position in another Federal Agency after completing the minimum appraisal period.	If the executive completed 90 days under a performance plan prior to the transfer, the losing supervisor must appraise the executive's performance and issue an interim rating before the executive leaves.
8. Executive transfers from an SES position in another Federal Agency to an SES position in HHS.	Establish plan to cover remainder of appraisal period. Obtain performance input from former Agency if possible for consideration in preparing the initial summary rating. If transfer occurred within last 90 days and no rating or input transferred, extend appraisal period until the minimum appraisal period is met and prepare the initial summary rating.
9. Before the end of the appraisal period, the executive's supervisor separates or leaves position.	Obtain performance input from previous supervisor (or higher-level official in the organizational hierarchy) prior to supervisor leaving, if possible, and consider the input for the initial summary rating.
10. Executive is appointed to the SES/T-42 on or after October 1 but before the PRB for that calendar year	Establish a plan for the rating period. No appraisal is due until September 30 of the following year.

APPENDIX C: ORGANIZATIONAL ASSESSMENT TEMPLATE

OPDIV/STAFFDIV HEAD: _____

OPDIV/STAFFDIV: _____

OPDIV Head Signature: _____ Date: _____

Brief Statement Of Mission:

Executive Summary of High Level Annual Accomplishments and Achievements.