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December 5, 2013

The Honorable Chuck Hagel
Secretary of Defense
1400 Defense Pentagon
Washington, DC 20301-1400

Dear Mr. Secretary:

The Senior Executives Association (SEA) represents the interests of career federal executives in government, including those in the Senior Executive Service (SES) and in equivalent Senior Professional (SP) positions, such as Senior Level or Senior Scientific and Professional positions. It has recently come to our attention that Department of Defense-wide funding guidance was issued on November 26, 2013 by the Office of the Secretary of Defense (OSD) that severely reduces pay pool amounts for the payment of Fiscal Year 2013 performance awards to high performing career SES and SP Defense employees. In particular, the guidance reduces the pay pool amounts from the Department's formerly established maximum of 5 percent of aggregate career employee salaries of SES and SP executives participating in pay pools to a maximum of one percent of aggregate salaries. It further limits the payment of awards to only those Senior Executives and Professionals whose performance is rated at the very highest levels of DoD's rating scale.

This situation is of grave concern to SEA in that this drastic reduction is at odds with government-wide guidance issued jointly by the Director of the Office of Management and Budget (OMB) and the Acting Director of the Office of Personnel Management (OPM) issued on November 1, 2013. That guidance called on federal agency heads to place funding limits on SES and SP pay pools for FY 2013 at 5% of respective aggregate career employee salaries – the same level as for FY 2012. The OMB/OPM guidance recognizes that the federal wide pay system for career senior executives and professionals is geared to “pay-for-performance” and the payment of performance awards is a central element in rewarding those SES and SP employees whose achievements directly and significantly contribute to mission accomplishment.

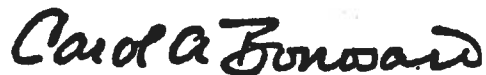
Career SES and SP executives do not enjoy the same type of employment security and longevity-based pay raises granted to employees in the General Schedule (GS) – making their performance awards programs all the more important in ensuring fair compensation for the extra risk and difficulty involved in highly demanding jobs. Unlike the case regarding GS employees, SES and SP performance awards, under law, may not be less than 5% of an executive's rate of pay. *DoD's harsh reduction in pay pool funding, therefore, will result in huge decreases in the numbers and amounts of awards granted to the Department's highest performing senior managers and professionals – those critical front line leaders so instrumental to DoD's overall success. Further, DoD's announced policy effectively rejects the notion of pay-for-performance for its senior civilian leaders, except for a select few.*

SEA strongly urges you to reconsider DoD's announced policy approach and raise the minimum FY 2013 funding level of the Department's pay pools for SES and SP employees. With all due respect, SEA believes the Department's announced approach to cost savings by reducing the funding of pay pools for a relatively small and disproportionately crucial number of career senior executives is very short-sighted and, at best, is "penny wise and pound foolish." Significantly, we know of no other major department taking DoD's approach.

Most importantly, however, DoD's announced policy runs the risk of accelerating the retirement, resignation and transfer to other agencies (with solid pay for performance systems) of some of the Department's most experienced and effective senior managerial and professional talent during a very challenging time for the nation. Failure to maintain a strong pay for performance system also sends the wrong signal to executives who may be increasingly reluctant to innovate, take risks, or otherwise "go the extra mile" given the near elimination of the performance-based component of their pay. Moreover, the policy will likely further discourage highly talented, lower level managers and professionals (many of whom already earn more than their SES/SP bosses), from seeking senior executive positions in the future – realizing that the risks and level of effort required to be successful much outweigh the potential rewards.

Thank you for considering our views on the important issues covered in this letter. I would be more than happy to talk with you or a member of your staff further about our position, including other possible options the Department may want to consider in lieu of its announced policy on pay pool reductions.

Sincerely



Carol A. Bonosaro
President

cc: The Honorable Sylvia Mathews Burwell, Director, Office of Management and Budget
The Honorable Katherine Archuleta, Director, Office of Personnel Management
Michael L. Rhodes, Director, Administration and Management, OSD