



the voice of career federal executives since 1980

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November 12, 2013

The Honorable Katherine Archuleta
Director
U.S. Office of Personnel Management
1900 E Street NW
Washington, DC 20415

Dear Director Archuleta:

Congratulations on your confirmation as Director of the Office of Personnel Management (OPM). I look forward to a very fruitful relationship as we at the Senior Executives Association (SEA) continue to work cooperatively with OPM to help make government more efficient and effective in these very challenging times.

As you know, SEA represents the interests of career federal executives in government, including those in the Senior Executive Service (SES) and in equivalent positions, such as Senior Level (SL) or Senior Scientific and Professional (ST) positions. In light of recent actions affecting the SES, SEA has an immediate concern with ensuring the integrity and continued excellence of the career Senior Executive Service, and I believe it is SEA's continuing responsibility to bring to your attention developments of particular concern regarding the management of the career senior leadership corps.

As you settle in to your new position, you are no doubt inundated with information and hearing from a variety of stakeholders. While I would prefer not to add to the immense amount of material you are reviewing, I have attached background information on many challenges and issues broadly facing the career leadership corps that threaten the recruitment and retention of talented executives as well as overall government effectiveness.

There are several urgent issues regarding the SES that you face at present; in considering these, I offer myself and SEA as a resource to you. I would like to ensure you have necessary information to make informed decisions, and I am requesting an opportunity to meet with you given their gravity. They are:

SES Office at OPM

Of great importance to SEA is the continuation and engagement of the Senior Executive Services and Performance Management (SESPM) office managed by Stephen Shih and his team at OPM. Over the years, SEA has been a strong advocate for centralized leadership at OPM to ensure that agencies consistently adhere to the statutes and regulations governing the SES and that there is one repository for information and expertise on the SES government-wide system. Such an office provides critical services for executive resources management including oversight of Qualifications Review Boards (QRBs), performance appraisal systems and certification, SES data (including ratings, performance awards, and pay). Moreover, the office has the ability to apply appropriate pressure on agencies to ensure they follow the rules and correctly prioritize SES management.

Depending on the administration, this function has been broken up into a variety of offices leading to confusion and unequal application of the SES system. SEA was strongly supportive of Director John Berry's efforts to once again establish a central office within OPM. The primary benefit to such an office is that it provides a centralized approach to SES management and ensures that agencies adhere to a government-wide policy, versus an agency-specific approach, to managing the SES. SEA has continued to advocate for a statutorily required office at OPM with a mission to improve the efficiency, effectiveness, productivity, and professionalism of the SES.

As an example of where the office has served an important role is in the recent attempt by several agencies to ignore statutes and regulations and neglect to provide FY 2012 ratings in a timely manner, if at all. In consultation with the SESPM office, SEA worked to bring this issue to the attention of agencies and to ensure that FY 2012 ratings were issued. The engagement and oversight by OPM and the reminder that certification depends on SES ratings was a key factor in ensuring agency compliance. The combination of OPM's oversight and the certification process is the only tool that ensures that agencies comply with the law and treat their Senior Executives fairly and consistently.

Although agencies have taken issue with the certification process, and more recently the QRB process, as being too rigid and not helpful in allowing agencies to manage their SES corps, SEA firmly believes in the importance of both processes. Consistent with our support for the role the SESPM plays in overseeing consistent compliance with a rigorous performance appraisal system, SEA believes the office serves an equally important role in ensuring the impartiality of QRBs as they follow merit staffing and prevent undue politicization of the SES.

PMC SES Initiative

SEA has heard from a number of sources about an initiative by the President's Management Council (PMC) to reimagine the SES for the 21st century, including the possibility of removing much of the framework that governs the SES today. SEA is deeply concerned that this initiative is an effort by some agencies to find a way around the rules – many of which were put in place to ensure fair treatment and consistent application of a government-wide system.

SEA believes there is much room for improvement in the SES system and has drafted a set of comprehensive legislative and regulatory reform proposals. We believe large scale changes to the system without the full participation of stakeholders are not a responsible way to implement change. Should the PMC proposals and workgroups move forward, SEA strongly requests to be a participant in any discussions affecting the SES.

Suspension of Presidential Rank Awards

Finally, as you may be aware, in June the White House suspended the Presidential Rank Awards (PRA). These awards are given yearly to those Senior Executives and senior level equivalent employees (SL/ST) to recognize long-term excellence that typically culminates in high level programs that directly help taxpayers and save the government millions of dollars. These awards are set forth in statute, although the President may choose not to award them. Over the years, the awardees have exemplified the work that public servants perform and in 2012 alone, the award winners had a collective estimated savings of \$94 billion.

The apparent reason for the suspension of the awards is in large part due to budget constraints and optics. However, the administration did state that it would consider alternative, meaningful forms of recognition to acknowledge excellence. At this point in time, however, no resolution on alternate

forms of recognition has occurred. SEA is on record as favoring continuation of the traditional PRA program for this year, but has offered options for alternate recognition as well. In a recent letter to the President, which has been enclosed for your review, SEA recommended that the Administration take the following steps:

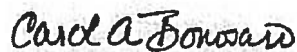
- Host a meeting with the President for the awardees, including a photo opportunity.
- Provide all alternate recognition awardees with a certificate or letter signed by the President.
- Permit OPM to publicize the names of the award winners and allow agencies to publicly recognize awardees and hold appropriate internal ceremonies.
- Confirm that the traditional Presidential Rank Awards program will be resumed upon the end of sequestration and assure that receipt of this year's non-monetary awards will not preclude recipients from consideration for a monetary Presidential Rank Award upon full resumption of that program.

At a time when the public's trust and confidence in government is shaken, it is imperative that stories of how federal employees successfully serve the American people are shared and embraced. Given the short time frame in which to identify and vet nominees, it is critical that plans begin for providing this recognition. I urge you to work with the Administration and the Office of Management and Budget (OMB) to address this issue. As we stated in our letter to the President, SEA stands ready to assist in this endeavor.

As you can see, there are many issues affecting the SES that are percolating. Although I have listed a few of the most pressing issues above, there are many others requiring the attention of OPM as listed in the attached background material. Additionally, SEA has been working on many initiatives including a mentoring partnership with Young Government Leaders and working with the Asian American Government Executives Association and the African American Federal Executives Association to encourage diversity among the career leadership corps. I'm sure this is an area where OPM and SEA can find further cooperation and engagement. I welcome the opportunity to meet with you in person to discuss all of these issues at your earliest convenience.

In the meantime, on behalf of SEA, I pass along our very best wishes for a successful tenure as OPM Director.

Sincerely,



CAROL A. BONOSARO
President

Enclosure

CHALLENGES FACING THE CAREER SENIOR EXECUTIVE CORPS THREATEN GOVERNMENT PERFORMANCE

November 2013

Earlier this year President Obama announced a bold Management Agenda for his second term that relies heavily upon technology, innovation and the effective management of complex and interlocking government programs that deal with national security, public safety and health, economic revitalization and other important Administration priorities. In announcing his new agenda the President indicated he will recruit entrepreneurs, innovators and other new talent from the private sector as well as continue to rely on current public managers to ensure a “government that’s smarter, quicker, and more responsive to the needs of the American people.”

In reference to the critical role played by current federal employees, the President acknowledged, “America is full of talented, dedicated public servants who are working really hard every day to uphold the public trust.” Also, both during and following the recent government shutdown the President reiterated his gratitude for the crucial work performed by federal employees and expressed disappointment at Congress’s failure to recognize their value to the nation’s well-being.

The President’s prescience is especially true when it comes to the approximate 7,000 career federal executives who are the absolute critical link between Administration policy and program priorities and effective agency-level design and implementation of these priorities on an ongoing basis. The talented and proven men and women who comprise the Senior Executive Service (SES) and other career senior managerial and professional positions across the government provide the ongoing leadership capability and technical program management skills needed to operate the federal government on a day to day basis. These executives average 26 years of government experience and have demonstrated success on many levels throughout their careers. However, these executives are currently facing unprecedented challenges as they attempt to effectively administer large scale government programs under exceedingly constrained and uncertain financial circumstances.

Added to these fiscal realities are growing weariness, circumspection, caution and fear that the difficult decisions they are tasked with making could be subject to second guessing and retribution by partisans in the Congress. Further there is a growing sense among career executives that Administration political appointees are underutilizing their talents, undervaluing their contributions, questioning their expertise and judgment, and not being fully supportive during these difficult times. For a variety of reasons, career executives are increasingly choosing to retire or resign to take better paying, more rewarding positions outside the federal sector. These key talent losses are putting in jeopardy accomplishment of the key Administration priorities at time when our government and the nation are most in need – a situation that bodes poorly for future innovation and government transformation.

The following discussions capture current key challenges and threats to the continued viability and stability of the career senior executive corps in the federal government. The Senior Executives Association believes these specific areas of concern are having or will soon have negative impacts on government effectiveness and need to be addressed in the near future.

Rising Risk Aversion Threatens Innovation and Government Improvement

It is no secret that federal employees are being debased on many fronts – in the media, in Congress, and perhaps most importantly, in the public eye. Several so-called “scandals” have surfaced and the entire federal workforce (and in particular the senior executive corps) is bearing the brunt of poor judgments and damaging actions committed by a few. The cumulative effect of these circumstances, coupled with a long-standing pay freeze and Congressional attacks on federal benefits, is becoming apparent. With increasing frequency many career senior managers are avoiding risk and are becoming inclined to make “safe decisions” as opposed to the “right decisions” – or decisions (in their minds) that could potentially be career damaging in the current climate if not fully successful.

Unfortunately, avoiding the more difficult and critical issues (and the tough decisions associated with them) diminishes opportunities for breakthroughs in technological innovation and productivity, cost savings, process and program enhancements, improved resources utilization and other goals outlined in the President’s Management Agenda. Moreover, avoiding risk and choosing safe vs. right decisions ultimately does a disservice to the American public who, as taxpayers, deserve our government’s best –as opposed to just “good enough”.

Accelerating Turnover Reflects Growing Frustration Among Senior Executives

As discussed in more detail below, problems with pay, recognition and public support for career executives are beginning to take their toll. One important sign that this is causing problems is increasing retirements and other turnover among SES executives and other senior professionals in government. The net result is a huge brain drain and loss of institutional capability at a time when government most needs career executive leadership, expertise and commitment. With greater frequency senior career executives themselves are choosing to retire or seek employment in the private sector rather than continue in a system they believe does not support or reward their efforts – and in some cases seems to denigrate their value as critical front-line leaders of the most important and impactful federal programs. Quite clearly, as time passes, the situation is getting worse and not better as evidenced by recent trends.

- The actual number of career senior executives leaving government increased by 27% between FY 2010 and FY 2012.
- The retirement rate among career SES managers rose from 5.8% in FY 2009 to 8.3% in FY 2012 – a 43% increase.
- Looking ahead, nearly two-thirds of career SES executives are eligible to retire in the next five years.

The loss of key staff due to retirements and resignations and eroding employee morale have also added to pressures on non-retiring senior executives who stay and continue to work

tirelessly to manage mission essential programs across the government. These senior career executives have increasingly been subjected to Inspector General and Congressionally-mandated investigations into the propriety of their management actions and decisions – to the point where many feel they are being treated as “guilty until proven innocent” – and causing them to rethink their commitment to federal service.

Declining Recognition and Performance-Based Pay Are Reducing Morale and Retention

Presidential Rank Awards: Public recognition of key achievements on behalf of the American public is one of the most treasured rewards of federal senior career executives. Developments during the Obama Administration have raised concerns about the Administration’s willingness and commitment to recognize the significant contributions of senior career manager. Most recently, an unnamed Administration official was quoted in June as indicating that for FY 2013 Presidential Rank Awards will be replaced with appropriate forms of non-monetary recognition, though the statute governing the rank awards provides for monetary awards. Even prior to this statement, the Administration had delayed the review and selection process for the FY 2012 SES Rank Award winners (including those from the Intelligence and Foreign Service communities) to a point where awardees began to wonder about whether their achievements were truly valued. Recent data underscore these concerns.

- Since the outset of the Obama Administration, the number of Distinguished Rank Award winners has dropped each year from 75 in FY 2009 to 46 for FY 2012 (39% drop).
- Even more drastically, the number of Meritorious Rank Award winners has dropped from 269 in FY 2009 to 78 in FY 2012 (65% drop).
- This decline threatens to discourage innovation and cost savings. For example, cost savings to the government achieved by Distinguished Rank Award winners from FY 2009 thru FY 2012 approximated \$217 billion, including about \$95 billion in FY 2012 alone,
- The cost of Rank Awards granted to the 240 DEs during this timeframe was approximately \$15 million – an impressive return on investment!

Further, OPM currently does not publish the names of the awardees (SEA does) and agencies are under instructions to do nothing to identify them publicly. This is in sharp contrast to previous Administrations that publicly celebrated Rank Award recipients’ achievements (e.g., Presidents Reagan and Clinton met with Distinguished Award winners in the White House – and President George H.W. Bush included Distinguished Rank Award winners in a meeting at Constitution Hall early in his Administration).

Although SEA does not agree with the Administration’s recent cancellation of the traditional Rank Awards program for FY 2013, the Association does believe that recognition, aside from the award itself, can and should still be given. To this end, SEA has since recommended appropriate means for the Administration to now meet its commitment to acknowledge excellence in the career executive service and to do so in a meaningful way – and has offered specific cooperation and support in the process.

Compensation: Career members of the Senior Executive Service and other Senior Professionals in the federal government have witnessed in recent years several disturbing developments with regard to their basic pay as well as compensation based on the merits of their performance. These developments are increasingly causing financial hardship and serving as disincentives to executive recruitment, performance and retention. As with other federal employees, members of the SES have been subject to an across the board pay freeze going on three years. In addition to the pay freeze, senior executives are experiencing increasingly pernicious pay compression that has resulted in many of their subordinates (at the GS-15 level) being paid more than them – and in some cases a good deal more. The following data illustrate these problems.

- The pay range for SES employees is \$119,554 to \$179,700 (\$165,300 for non-certified agencies). The pay range (in the D.C. Metro Area) for GS-15 subordinates is \$123,578 to \$155,500. The average salary of SES employees is \$166,529 (FY 2011 data).
- If the SES pay scale (the scale is tied to political appointees' pay scales at EX Levels II/III) had received the same percentage increase as the GS pay scale of their subordinate staff, the SES maximum salary limit would currently be at approximately \$248,000.
- Pay compression for the top 7,000 career executives is especially painful when they know that the current government ceiling on the pay of comparable executive contractors and those who they oversee is well over \$700,000.

Also, beginning in FY 2011 the Administration reduced the percentage of SES performance awards funds available in agency pay out pools from a maximum of 10% of aggregate salary to a maximum of 5% - a 50% reduction in available pay for performance funding. Further, bills have been introduced in both bodies of Congress to suspend performance awards during sequester (with no opposing stand taken by the Administration). Ironically, OPM regulations governing SES performance management require making meaningful distinctions in rating and paying SES employees based on performance. Moreover, cancelling performance awards may have the effect of putting in jeopardy OPM certification of agencies' SES performance management systems – which would further weaken pay for performance.

Escalating Congressional Attacks Create Disincentives to Serve

Beyond pay issues, several recent bills introduced and being discussed in Congress would, if enacted, impose further financial hardships and deprive career executives of fundamental due process protections – thereby exacerbating disincentives to serve in critical executive jobs.

Among the proposed legislation of most concern to SEA are:

- (1) a House bill that would require firing any Federal employee who exercised 5th Amendment rights and refuses to answer questions from Congress, and
- (2) a bill that would allow agencies to put career Senior Executives on unpaid investigatory leave for up to 3 months without due process pending the outcome of an investigation if the agency determines the executive has engaged in serious misconduct. The

bill also directs agencies to either fire, suspend without pay or reinstate the executive after the unpaid investigative period has expired. The House version of this bill would also allow career SES employees to be fired without third party appeal rights to the MSPB.

To date, the Administration has not taken a stand in opposition to any of these bills.

The net effect of these proposed bills, coupled with a perceived lack of support by the current Administration, is not only to add to the hastening of the exodus of highly talented career executives from the federal service, but also, as alluded to earlier, to heighten circumspection and caution among executives who remain - with executives fearing exposure, retribution and being singled out by Congress or the Administration. Being overly cautious and avoiding critical issues, will, over time, significantly impact government effectiveness and service to the public.

SEA further fears that passage of the proposed bills would also increase the likelihood of politicization of the career executive service – with senior managers’ objectivity and independence diminished due to fear of summary dismissals, placement on unpaid investigatory or other types of political reckoning for expressing views or taking actions viewed as contrary to or not supportive of their agency’s “party-line.”

Lagging Succession Planning, Training and Interest in Joining the SES Causing Problems

The problem of the thinning ranks of career executives, coupled with continued diminishment of the incentives for those continuing to serve in these positions, is exacerbated by two related, emerging trends that will impact the quantity and quality of future candidates who are available to fill vacant career executive positions

Lack of Succession Planning and Bench Strength: There is a growing reality that many agencies, due mostly to budgetary and workload pressures, have not done a particularly good job of succession planning or otherwise preparing the next generation of replacements for key career SES executives who are becoming retirement eligible. For example, the number of formal SES Candidate Development Programs being conducted by agencies is declining due to current budgetary constraints and increasingly restricted replacement hiring into SES positions. Other leadership training, executive coaching and mentoring programs that otherwise would contribute to increased succession readiness are also being cut for the same reasons. In addition, training and executive development provided to employees already in SES positions is being cut, making it more difficult for current executives to meet emerging technical and managerial challenges or to take on broader responsibilities.

Waning Interest in SES Jobs by Talented Potential Replacement Candidates: There is increasing evidence that many of the most talented and capable GS-15 potential replacement candidates are not even applying for SES jobs due to the perceived thanklessness of the positions coupled with the pay compression, lack of recognition, and other disincentives previously cited. These disincentives are compounded by potential candidates knowing that the SES system is based on mobility and that their agencies increasingly are declining to pay for

household sales/moves and other relocation expenses when career executives are reassigned to different geographic areas. Unfortunately, agencies are viewing mobility and relocation as budgetary/procurement challenges as opposed to key elements in their human capital program that support improved employee recruitment and retention. (This trend is also adversely impacting retention among current SES members who fear they may be forced to move without financial support from their agency). These dynamics are consistent with a 2009 SEA survey of GS-14s and GS-15s that found the stress and financial implications of accepting relocation served as an impediment to joining the Senior Executive Service. These employees also expressed concerns about the work/life balance associated with becoming a Senior Executive.

Increasing Workloads and Spans of Control Lead to Burnout and Loss of Oversight

Although implied in many of the aforementioned sections, due to sequester and other budgetary pressures, many agencies are choosing not to backfill key executive positions when vacancies occur. This often results in managerial work being shifted from the vacant position to a filled SES position in a related program area. The added workload and managerial pressures can result in insufficient attention being paid to key programmatic and organizational activities – and also increased executive stress, overload, and burn-out – all of which further contribute to costly and ill-timed turnover as well as increased risk in program management and oversight. Foregoing oversight, quality control and other managerial measures that cut down on waste, mistakes, delays and program implementation glitches can have adverse impacts on performance and delivery of service as well as public confidence in government.

Growing Agency Inconsistency in Managing Executive Resources Threatens System Stability

One of the key features of the SES provisions of the Civil Service Reform Act was to give OPM the centralized role of setting policy and managing the government's executive resources program to enhance consistency and fair treatment in areas such as merit-based hiring, pay for performance, mobility and career development. In keeping with this role OPM was also given SES system oversight responsibilities to ensure that agency performance appraisal systems, hiring and selection processes and allocations of executive resources are consistent with merit system principles and good government management practices.

In recent years, with increasing frequency, SEA has witnessed agencies attempting to circumvent OPM centralized management and oversight processes by establishing practices inconsistent with government-wide regulation and OPM guidance as related to the SES and other senior personnel systems. These actions create both intra and interagency inequities among senior executives, added costs, and erode public confidence in the entire executive resources system. To address these challenges, OPM needs to reassert its centralized management role through a strengthened SES policy/oversight organization, working with stakeholder agencies and SEA, to improve system fairness, consistency and cost effective utilization of executive resources across the government.



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October 30, 2013

The President
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

The Senior Executives Association (SEA) is a non-profit, non-partisan organization committed to effective, efficient and productive leadership in the federal government and to representing the interests of career federal executives, including those in the Senior Executive Service and in equivalent positions. Earlier this year the Administration announced Presidential Rank Awards (PRA) for federal Senior Executives and Professionals would not be granted in 2013 due to budgetary constraints and that it would consider alternative, meaningful forms of recognition to acknowledge excellence. Although SEA is on record as favoring continuation of the traditional PRA program for this year, we recognize the Administration's legitimate concerns for both budget and optics during these difficult times of sequester and financial sacrifice by all federal employees and the nation.

During and following the federal government shutdown you wrote to federal employees with appreciation for the important work they do for our country and stated they never should have been treated in such an ungrateful manner. We applaud and strongly agree with your sentiments and, in that spirit, ask that you further demonstrate your support by moving forward with alternate PRA recognition for deserving career executives. At a time when the public's trust and confidence in government is shaken, it is imperative that stories of how federal employees successfully serve the American people are shared and embraced. Moreover, the accomplishments of Presidential Rank awardees save the government and American taxpayers tens of billions of dollars. In support of alternative recognition, SEA pledges its full cooperation in recommending that the Administration take the following steps:

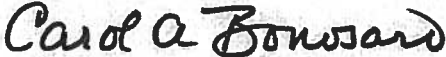
- Host a meeting with the President for the awardees, including a photo opportunity.
- Provide all alternate recognition awardees with a certificate or letter signed by the President
- Permit OPM to publicize the names of the award winners and allow agencies to publicly recognize awardees and hold appropriate internal ceremonies
- Confirm that the traditional Presidential Rank Awards program will be resumed upon the end of sequestration and assure that receipt of this year's non-monetary awards will not preclude recipients from consideration for a monetary Presidential Rank Award upon full resumption of that program.

To support this process, SEA's Professional Development League will host a banquet for the awardees at the Department of State Diplomatic Reception Rooms (as it has done each year since 1986 for Presidential Distinguished Rank Award winners) and would be honored to welcome you at this event where you can personally recognize them (in addition to or in lieu of the separate meeting recommended above). SEA would also be pleased to contribute to public recognition activities deemed appropriate by OPM.

Implementing these recommendations would make clear you understand the importance of career executives to meeting the Administration's program and policy agenda and that you value the corps' significant contributions to cost effectively managing the Executive Branch in these challenging times of fiscal austerity. It would also maintain over thirty consecutive years of official Presidential appreciation of the exceptional accomplishments of the talented men and women worthy of Rank Award recognition.

Thank you for your consideration of our request. Again, we stand ready to help in any way possible.

Respectfully,



Carol A. Bonosaro
President

cc: The Honorable Sylvia Mathews Burwell, Director, Office of Management and Budget
The Honorable Elaine Kaplan, Acting Director, Office of Personnel Management