

SENIOR EXECUTIVE SERVICE

1. REASON FOR ISSUE: To revise policies regarding the Department of Veterans Affairs (VA) Senior Executive Service Awards.

2. SUMMARY OF CONTENTS/MAJOR CHANGES: This handbook contains mandatory VA policies on Senior Executive Service Awards. The pages in this issuance replace the corresponding page numbers in VA Handbook 5027. Revised text is contained in [brackets]. These changes are incorporated within the electronic version of VA Handbook 5027 that is maintained on the [Office of Human Resources Management Web Site](#). Significant changes include:

- a. Changes all references from bonuses to awards for consistency with regulatory language.
- b. Updates the list of executives eligible to receive performance awards to be consistent with regulatory provisions.
- c. Updates the method for calculating the award pool.
- d. Updates the criteria for Presidential Rank Award nominations in accordance with Office of Personnel Management guidance.
- e. Clarifies conditions for recognizing executives for contributions, achievements or accomplishments.

3. RESPONSIBLE OFFICE: Corporate Senior Executive Management Office (006).

4. RELATED DIRECTIVE: VA Directive 5027, Senior Executive Service

5. RESCISSIONS: None

CERTIFIED BY:
OF VETERANS AFFAIRS:

BY DIRECTION OF THE SECRETARY

/s/
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SENIOR EXECUTIVE SERVICE

PART VI. AWARDS

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PART VI. AWARDS

1. SCOPE. This part contains mandatory procedures related to various awards which can be granted only to Senior Executives; individuals appointed under 38 U.S.C. 7306 who are not physicians or dentists and are eligible for SES awards under authority of 38 U.S.C. 7404(c); Presidential appointees who elect to continue eligibility for SES awards under the provisions of 5 U.S.C. 3392(c); and certain other executive level employees as defined in subsequent paragraphs of this part. Policies on the incentive awards available to these employees are set forth in VA Handbook 5017, Employee Recognition and Awards.

2. REFERENCES

- a. 5 U.S.C., chapter 45; chapter 53, subchapter VIII.
- b. 38 U.S.C. 7306, 7404(c).
- c. 5 CFR, part 530, subpart B; 534 [subpart D].
- d. 62 Comp. Gen. 675 (1983) and 64 Comp. Gen. 114 (1984).

3. LIMITATIONS

a. **Aggregate Compensation**

(1) [An executive's aggregate compensation (includes payment of performance awards and Presidential Rank Awards) received in any given calendar year may not exceed the rate payable to the Vice President of the United States at the end of the calendar year (if the performance appraisal system is certified under 5 U.S.C. §5307) or the rate of pay for Level I of the Executive Schedule (if the performance appraisal system is not certified). Components of aggregate compensation are set forth in VA Handbook 5007, Part VII, Chapter 2.]

(2) The limitation applies to the total amount of aggregate compensation actually received by an employee during the calendar year without regard to the period of service for which such compensation is received.

(3) Any amount which may not be paid to an individual because of the above limitation shall be paid in a lump sum at the beginning of the following [calendar] year and taken into account in determining the aggregate compensation for that [calendar] year in accordance with 5 CFR 530.204.

b. **Calendar Year Limitation.** [It is VA policy that] an executive may not receive [payment for] a performance award and a Presidential Rank Award in the same calendar year.

4. BUDGETING FOR AWARDS. The payment of awards approved under this part will be from funds of the Administration, Assistant Secretary, Deputy Assistant Secretary, or Staff Office employing the award recipient. In preparing its annual fiscal operating plan, each Administration or Staff Office will consider the guidelines in this part; and, to the extent possible, estimate and provide for the funds

necessary to pay any awards which may be recommended and approved. If adequate funds are not available to cover approved awards, the Office of Budget will attempt to arrange an adjustment of allocations.

5. SES PERFORMANCE AWARDS

a. General

(1) SES performance awards are to recognize excellence in performance by career executives. For each SES appraisal period, VA [may] grant [awards] to executives who have demonstrated a high level of individual and/or organizational performance.

(2) The policies set forth in this part on eligibility for SES performance awards and on the amount and distribution of awards, reflect the law and Office of Personnel Management (OPM) policies in effect at the time of issuance. The [Secretary] may authorize deviation from these policies in response to changes in the law or OPM guidelines.

b. Basic Eligibility Requirements

(1) Must be a career Senior Executive [as of the end of the appraisal period]; an individual appointed under 38 U.S.C. 7306 who is not a physician or dentist and is eligible for SES performance awards under authority of 38 U.S.C. 7404(c); a Presidential appointee who elected to continue eligibility for SES performance awards under the provisions of 5 U.S.C. 3392(c); [a reemployed annuitant with an SES career appointment; or a career SES appointee on detail to another agency].

(2) Must have been rated “Outstanding”, [“Exceeds Fully Successful”], or “Fully Successful” under the appraisal system established in part V of this handbook.

..... [c.]

Determining the Distribution and Amounts of Awards

(1) By law, the total amount of performance awards paid during the fiscal year by VA may not exceed 10 percent of the aggregate payroll for career executives in the Department as of the end of the appraisal period (September 30). Career executives are those who meet the basic criteria specified in paragraph 5b(1) of this part. [At times, the Office of Management and Budget (OMB) and/or OPM may issue guidance establishing alternate budgetary limits on performance awards.

(2) In the case of a Presidential appointee who elected to continue eligibility for SES awards under the provisions of 5 U.S.C. 3392(c), if his/her level of basic pay is higher than the maximum rate of basic pay for the applicable SES rate range, then the maximum rate of that SES rate range is used for calculating the award pool and the award amount the individual may receive. In the case of a career appointee who is on detail to another agency, the salary of the career appointee is included in calculating the award pool. In the case of an individual who may not receive the full amount of a performance award because of the aggregate limitation on pay, the full award is charged against the award pool for the fiscal year in which the initial award payment was made.]

[(3)] Subject to the total compensation limit described in paragraph 3a of this part, the amount of a performance award paid to an individual executive may not be less than 5 percent nor more than 20 percent of the executive's rate of basic pay as of the end of the appraisal period. [If the Secretary approves a special contribution award for an executive during the rating period, CSEMO will advise the PRB of the award during its deliberations. The PRB will recommend whether the payment of a special contribution award should impact the amount of a proposed performance award, if any.]

[(4)] [Award] amounts should be relative to the executive's performance contributions and should be distributed to reflect performance distinctions. Awards at or near the 20 percent maximum amount will be reserved for those executives whose contributions are truly exceptional.

[d]. Identifying Agency [Award] Recipients

(1) The following rules are to be observed in identifying [award] recipients:

(a) Performance awards are to be granted only when there is a clear demonstration that they are merited by the performance of the recipients. [Individual and organizational performance achievements, as documented through the appraisal system established in part V of this handbook, will be the primary criteria for identifying proposed award recipients. Awards] are not to be used merely as supplements to basic pay.

(b) Performance awards will not be recommended or granted on a rotational basis (e.g., rewarding half of an organization's executives one year and the other half the next year, irrespective of performance).

(c) [Awards] are to be based only on service in a covered position; not on prior service as a noncareer or limited SES appointee, a General Schedule appointee, etc. If an executive proposed for [an award] has served less than a full year in a covered position, the length of service should be taken into consideration in determining the amount of the award.

(d) [An executive who receives an annual summary rating of "Outstanding" must be considered for a performance award. The opportunity for the Secretary to consider performance awards for executives, who receive annual summary ratings of "Fully Successful" or "Exceeds Fully Successful", depends on VA's awards budget, the overall rating distribution, amount of awards VA desires to grant to executives with the highest ratings, and other applicable factors.]

[(2)] The Secretary may consider granting performance awards to:

(a) Executives appointed within the last 90 days of the appraisal period who are rated based on an extension of the appraisal period;

(b) Executives newly appointed to the SES during the appraisal period and received an associated increase in pay;

(c) Executives reassigned during the appraisal period and received an associated increase in pay;

(d) Reemployed annuitants serving in covered positions; and

(e) Individuals who are separated (e.g., transferred, retired, or resigned) subsequent to the end of the appraisal period.]

(3) The Secretary is responsible for approving individual [award] recipients, [as well as] the amount of the award to be granted to each.

(4) The VA PRB is responsible for [providing recommendations to] the Secretary on [performance awards, including distribution of the award pool.]

[(5)] The [Executive Director, Corporate Senior Executive Management Office] is responsible for:

(a) Providing technical and administrative support to the Secretary, VA PRB and other Department officials to facilitate the identification of [award options, award] recipients and the [process for] payment of awards; and

(b) Submitting required reports to OPM on a timely basis.

f. **Grievances and Appeals.** The receipt of or failure to receive a performance award under this part is not subject to grievance (5 CFR 771.105) or MSPB appeal. However, allegations of prohibited personnel practice in the awards process may be filed with the Office of the Special Counsel. In addition, the Federal Discrimination Complaints System applies equally to SES.

6. PRESIDENTIAL RANK AWARDS

a. Definitions

(1) **Meritorious Executive.** A rank awarded by the President to select executives whose performance records demonstrate sustained [career] accomplishment. Subject to the total compensation limit described in paragraph 3a, the recipient of this rank is entitled to a lump-sum payment of twenty percent of the executive's [annual basic] pay.

(2) **Distinguished Executive.** A rank awarded by the President to select executives whose performance records demonstrate sustained extraordinary accomplishment. Subject to the total compensation limit described in paragraph 3a, the recipient of this rank is entitled to a lump-sum payment of thirty-five percent of the executive's [annual basic] pay.

b. Basic Eligibility Requirements

(1) Must be a career Senior Executive; an individual appointed under 38 U.S.C. 7306 who is not a physician or dentist and who is eligible for Presidential Rank Awards under authority of 38 U.S.C. 7404(c); or a Presidential appointee who elects to continue eligibility for the Presidential Rank Awards under the provisions of 5 U.S.C. 3392(c). [Must have at least 3 years of career or career-type Federal civilian service at the SES level.]

(2) May not have received the same Rank Award during the 4 previous fiscal years.

- (3) Must have a record of sustained accomplishment for a minimum period of at least 3 years.

c. Nomination and Selection Criteria

(1) Nominees for Meritorious Executive and Distinguished Executive must have demonstrated the qualities of strength, leadership, integrity, industry, and personal conduct of a level that has established and maintained a high degree of public confidence and trust. Balanced Measures (i.e., high performance in GPRA goal attainment, customer satisfaction, and employee perspectives) will be key in evaluating executive achievements. Accomplishments should be described in relation to the balanced measures. Examples of the criteria upon which nominees may be evaluated include, but are not limited to, the following:

(a) **[Program Results:** The executive has an exceptional record of achieving major program goals and exceeding customer expectations by marshaling internal and external resources to attain high-quality outcomes that are technically sound and cost-effective, and that yield rewards commensurate with the level of risk.

(b) **Executive Leadership:** The executive possesses a sound strategic overview of the public sector environment and has shown creativity, adaptability, and resilience in aligning program efforts with the organization's vision, mission, and goals, and in partnering with stakeholders inside and outside the organization. The executive has also demonstrated the ability to lead people effectively by fostering employee development, cooperation and teamwork, and making optimal use of human, financial and information resources.]

(2) No more than nine percent of the total number of VA [career] executives [may] be recommended for the Presidential Rank Award.

d. Agency Nomination Process

(1) The Secretary will:

(a) Select the Department executives to be submitted to OPM for Presidential Rank Awards. He/she may establish a Presidential Rank Award Review Committee or other board to review nominees and prepare recommendations for his/her consideration.

(b) Submit any Department nominations for Presidential Rank Awards to OPM no later than the date specified by OPM each year.

(2) Administration Heads, Assistant Secretaries and Other Key Officials who report directly to the Secretary or Deputy Secretary will evaluate subordinate executives; and may submit nominations for those whose sustained accomplishments warrant recognition with a Presidential Rank Award. Assistant Secretaries will consider the recommendations of subordinate Deputy Assistant Secretaries in identifying their nominees.

(3) The [Executive Director, Corporate Senior Executive Service Office] will:

(a) Solicit nominations for Presidential Rank Awards;

(b) Provide technical and administrative support to the Secretary, the Presidential Rank Award Review Committee (if one is established), and other Department officials, to facilitate identification of Department nominees and submission of recommendations to OPM; [and

(c) Ensure nominees meet eligibility requirements.]

e. **Grievance and Appeals.** Decisions on the nomination of VA executives for the rank of Meritorious or Distinguished Executive are not subject to grievance (5 CFR 771.105) or MSPB appeal. However, allegations of prohibited personnel practice in the nomination process may be filed with the Office of the Special Counsel. In addition, the Federal Discrimination Complaints System applies equally to the SES.

[f. **Recognition.** Award recipients may be honored by appropriate ceremonies and may receive suitable symbols of their achievements.]

NOTE: *No public announcement will be made of nomination for, or receipt of, a Presidential Rank Award until authorized by OPM.*

7. INCENTIVE AWARDS

a. Incentive awards for sustained superior performance under 5 U.S.C., chapter 45, are analogous to performance awards under paragraph 5 of this part and may not be granted to career and noncareer Senior Executives, or individuals appointed under 38 U.S.C. 7306 who are not physicians or dentists and are eligible for SES performance awards under authority of 38 U.S.C. 7404(c).

b. Cash and honor awards may be granted to executives for suggestions, inventions, special contributions, etc., under the Department incentive awards program established in VA Handbook 5017. [Nominations for cash and honor awards for SES, SES-equivalent, and Senior Level employees must be submitted through CSEMO and the Department Chief of Staff to the Secretary for approval/disapproval. Executives may not be recognized twice for the same contribution, achievement, or accomplishment. If an executive's performance appraisal addresses a specific contribution, achievement, or accomplishment and the executive received a performance award, then the executive may not receive another award (e.g., special contribution award) for the same contribution, achievement, or accomplishment. This prohibition applies without regard to the executive's annual summary rating.]