



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

JAN 9 2004

MEMORANDUM FOR ALL USDA SENIOR EXECUTIVES AND INDIVIDUALS IN EQUIVALENT POSITIONS

FROM: Ann M. Veneman
Secretary

A handwritten signature in black ink, appearing to read "Ann M. Veneman", written over the printed name and title.

SUBJECT: Implementation of the Performance Based Pay System

As you are aware, the manner in which members of the Senior Executive Service (SES) are compensated will be dramatically changed. These changes were included within the Fiscal Year 2004 National Defense Authorization Act signed into law on November 24, 2003, and will become effective on Sunday, January 11, 2004. Hereafter, there will be a direct link between an executive's performance and his or her pay. The ceilings for base pay and for performance bonuses have been substantially increased. Reinforcing that linkage is the elimination of automatic cost-of-living and locality adjustments and the replacement of the prior system of six pay levels with a single broad pay band. These changes will also apply, in a manner yet to be finalized, to members of the Senior Foreign Service and in part, to persons serving in Senior Level and Scientific and Technical positions.

Changes of this magnitude, occurring so rapidly, are bound to generate a measure of uncertainty about how they will affect each of you. The purpose of this memorandum is to let you know that I will be personally overseeing the Department's transition to the new system and have made the following decisions to guide the process:

- Many questions about these changes have yet to be answered. I have directed Departmental Administration to aggressively seek answers to these questions as they arise and to keep all of you apprised of the status of the implementation on a real-time basis. A webpage has been developed for this purpose and can be viewed at www.usda.gov/da/ERSD.html.
- I will employ all the flexibilities in the law to assure that no USDA executive is financially disadvantaged during the immediate transition from the old to the new system.

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- Before we can take full advantage of the new system, we must develop a new SES performance appraisal system and have it certified by the Office of Personnel Management. I have directed Departmental Administration to lead the development of the new system and to do so quickly, but carefully, with emphasis on fairness and clarity. We will take advantage of what other Departments, more experienced in performance-based systems, have already developed if clearly applicable to USDA. We have appointed a team of experienced senior executives to assist in this process and will employ the Executive Resources Board in the vetting process.
- I have also directed that all senior executives and all persons involved in the rating of senior executives be thoroughly trained in the workings and underlying logic of the new system. We will strive for meaningful performance measures, consistently applied throughout USDA.

I also want you to know how much I appreciate the hard work and leadership you all provide the Department and that I will continue to give this matter my personal attention in order to assure that it is implemented as expeditiously and as fairly as possible.

cc: Subcabinet
Agency Heads