

**GAO**

Report to the Chairman, Subcommittee  
on the Federal Workforce and Agency  
Organization, Committee on  
Government Reform, House of  
Representatives

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June 2006

**HUMAN CAPITAL**

**Trends in Executive  
and Judicial Pay**



Highlights of [GAO-06-708](#), a report to the Chairman, Subcommittee on the Federal Workforce and Agency Organization, Committee on Government Reform, House of Representatives

## Why GAO Did This Study

Critical to the success of the federal government's transformation are its people—human capital. Yet, the government has not transformed, in many cases, how it classifies, compensates, develops, and motivates its employees to achieve maximum results within available resources and existing authorities. GAO has reported that the federal government as a whole may face challenges in offering competitive compensation to its senior leaders who have reached a statutory pay cap.

As requested, GAO (1) provided trend data for basic pay rates of selected federal executive and judicial pay plans from 1970 to 2006, (2) identified elements of total compensation for the selected pay plans in 2006, and (3) identified principles for any possible restructuring of these pay plans. We selected 1970 as a baseline because salary increases went into effect in 1969 for executive-level positions as recommended by the Commission on Executive, Legislative, and Judicial Salaries. The pay plans cover the following—career Senior Executive Service (SES), administrative law judges (ALJ), senior-level (SL), Executive Schedule (EX), scientific or professional (ST), and members of Boards of Contract Appeals (BCA), as well as federal justices and judges—the Chief Justice, associate justices, circuit judges, district judges, and judges of the U.S. Court of International Trade.

[www.gao.gov/cgi-bin/getrpt?GAO-06-708](http://www.gao.gov/cgi-bin/getrpt?GAO-06-708).

To view the full product, including the scope and methodology, click on the link above. For more information, contact Lisa Shames at (202) 512-6806 or [shamesl@gao.gov](mailto:shamesl@gao.gov).

## HUMAN CAPITAL

### Trends in Executive and Judicial Pay

#### What GAO Found

The basic pay rates for all of the selected federal pay plans increased in nominal dollars from 1970 to 2006. However, when adjusted for inflation to 2006 dollars using the Gross Domestic Product price deflator, the pay rates for those under the EX pay plan and the federal justices and judges decreased and the pay rates for the SES, SL/ST, and ALJ positions increased. For example, in 1970, cabinet secretaries were paid \$250,204 (in 2006 dollars) compared to \$183,500 in 2006. Their pay actually declined in value by about 27 percent during this period. In 1970, ALJs were paid \$148,058 (in 2006 dollars) compared to \$152,000 in 2006. Their pay increased in value by 3 percent during this period. In comparison, when adjusted for inflation to 2006 dollars using the Consumer Price Index, the pay rates for all of the selected pay plans decreased. For example, pay actually declined in value for cabinet secretaries and ALJs by 41 percent and 17 percent, respectively.

The elements of total compensation vary among the selected pay plans. For example, SES and SL/ST positions may receive cash awards/bonuses, while, at present, selected EX positions, ALJs, BCA positions, and federal justices and judges do not due to the nature of the positions. All of the positions within the selected pay plans may receive noncash or deferred benefits, such as health and life insurance, retirement, and access to child care facilities. However, there are differences in retirement, such as larger benefits, for federal justices and judges compared to other executive-level positions.

Regarding any possible restructuring of these pay plans, certain principles should be considered to attract and retain the executive leadership necessary to address 21st century challenges. The pay plans should be

- sensitive to hiring and retention trends;
- reflective of responsibilities, knowledge and skills, and contributions;
- transparent;
- market-sensitive;
- flexible to economic change;
- sustainable; and
- competitive.

Going forward, there are several illustrative issues that deserve further reconsideration—maintaining a reasonable relationship in total compensation across executive-level positions; recognizing equity issues in the basic pay rates within the same position, such as inspectors general; considering performance-based bonuses with appropriate safeguards for positions that do not receive them including selected EX positions, ALJs, BCA positions, and federal justices and judges; and recognizing anomalies between comparable pay plans, such as SES and SL/ST, in terms of basic pay caps, as well as aggregate pay (basic pay plus cash awards/bonuses).

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## **Abbreviations**

ALJ	administrative law judge
BCA	Board of Contract Appeals
BEA	Bureau of Economic Analysis
BLS	Bureau of Labor Statistics
CPDF	Central Personnel Data File
CPI	Consumer Price Index
EX	Executive Schedule
GDP	Gross Domestic Product
GS	General Schedule
IG	inspector general
OPM	Office of Personnel Management
PA	Presidential appointment
PAS	Presidential appointment subject to Senate confirmation
SES	Senior Executive Service
SL	senior-level
ST	scientific or professional

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United States Government Accountability Office  
Washington, DC 20548

June 21, 2006

The Honorable Jon C. Porter  
Chairman  
Subcommittee on the Federal Workforce  
and Agency Organization  
Committee on Government Reform  
House of Representatives

Dear Mr. Chairman:

In order to respond to an array of governance and fiscal challenges in the 21st century, the federal government must have the institutional capacity to plan more strategically, react more expeditiously, and focus on achieving results. Critical to the success of this transformation are the federal government's people—its human capital. We have commended the progress that has been made in addressing human capital challenges in the last few years. Still, significant opportunities exist to improve strategic human capital management to respond to current and emerging 21st century challenges. For example, the government has not transformed, in many cases, how it classifies, compensates, develops, and motivates its employees to achieve maximum results within available resources and existing authorities.<sup>1</sup>

Further, leading organizations understand that they need senior leaders who are drivers of continuous improvement and stimulate and support efforts to facilitate change and achieve related transformation efforts. We have reported that the federal government as a whole may face challenges in offering competitive compensation to its senior leaders.<sup>2</sup> In 2003, about 70 percent of Senior Executive Service (SES) members received the same basic pay due to compression—when their pay reached a statutory cap. The SES performance-based pay system, implemented in 2004, provided an interim solution to this issue of pay compression creating a single, open-range pay band and allowing agencies to increase the basic pay cap

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<sup>1</sup>GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: February 2005).

<sup>2</sup>GAO, *Human Capital: Symposium on Designing and Managing Market-Based and More Performance-Oriented Pay Systems*, [GAO-05-832SP](#) (Washington, D.C.: July 27, 2005).

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for their senior executives upon certification of their performance management systems by the Office of Personnel Management (OPM) with concurrence from the Office of Management and Budget.

The second National Commission on the Public Service has reported that the salaries for top-level government officials—such as political appointees, SES members, and federal justices and judges—have not been keeping pace with inflation or maintaining reasonable relationships to the market. In 2003, the Commission recommended that top-level officials in the executive, legislative, and judicial branches receive significant increases in their salaries to ensure a reasonable relationship to relevant professional positions, such as leaders in not-for-profit and educational organizations or state and local governments.<sup>3</sup>

At your request, our objectives were to (1) provide trend data for basic pay rates of selected federal executive and judicial pay plans from 1970 to 2006, (2) identify elements of total compensation for the selected pay plans in 2006, and (3) identify principles for any possible restructuring of these pay plans. These pay plans cover the following: career SES, administrative law judges (ALJ), senior-level (SL), Executive Schedule (EX) levels I to V, scientific or professional (ST), and members of Boards of Contract Appeals (BCA), as well as the federal justices and judges from courts under Article III of the Constitution of the United States—the Chief Justice, associate justices, circuit judges, district judges, and judges of the United States Court of International Trade. For the first objective, as a point of comparison, we also included the basic pay rates for the General Schedule (GS) grade 15, step 10, position. We provided the basic pay rates for every 10 years starting with 1970. We selected 1970 as a baseline because salary increases went into effect in 1969 for EX positions, federal justices and judges, and other top-level government officials as recommended by the Commission on Executive, Legislative, and Judicial Salaries. For additional information on our objectives, scope, and methodology, see appendix I. On March 8, 2006, we briefed your staff on our review. The purpose of this report is to transmit the briefing slides (see app. II) and the additional analyses that you requested at that time as a result of the briefing. We performed our work from February through

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<sup>3</sup>The National Commission on the Public Service, *Urgent Business for America: Revitalizing the Federal Government for the 21st Century* (Washington, D.C.: January 2003).

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May 2006 in accordance with generally accepted government auditing standards.

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## Results in Brief

The basic pay rates for all of the selected federal pay plans increased in nominal dollars from 1970 to 2006. However, when adjusted for inflation to 2006 dollars using the Gross Domestic Product (GDP) price deflator, the pay rates for those under the EX pay plan and the federal justices and judges decreased and the pay rates for the SES, SL/ST, and ALJ positions increased, as shown in figure 1.<sup>4</sup> For example, in 1970, EX-level I positions (e.g., cabinet secretaries) were paid \$250,204 (in 2006 dollars) compared to \$183,500 in 2006—a decrease of about 27 percent. In other words, the pay for EX-level I positions actually declined in value by about 27 percent from 1970 to 2006, despite an increase in nominal dollars of about 206 percent. On the other hand, the inflation-adjusted pay rates for SES, ALJs, SL/ST, and BCA positions increased from 1970 to 2006. In 1970, ALJs were paid \$148,058 (in 2006 dollars) compared to \$152,000 in 2006—an increase of about 3 percent during this time period. In addition, the inflation-adjusted pay rates for the district and circuit judges and judges of the U.S. Court of International Trade stayed about the same—decreasing by about 1 percent during this time period. In comparison, when adjusted for inflation to 2006 dollars using the CPI, the pay rates for all of the selected pay plans decreased. For example, pay actually declined in value for cabinet secretaries and ALJs by 41 percent and 17 percent, respectively.

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<sup>4</sup>We adjusted the basic pay rates from the selected pay plans to calendar year 2006 dollars using the Bureau of Economic Analysis's GDP price deflator and the Bureau of Labor Statistics's Consumer Price Index (CPI). From 1970 to 2006, the CPI has increased at an average annual rate of 4.7 percent, whereas the GDP price deflator has increased at an annual average rate of 4.0 percent. See appendix I for more information on these indexes.

**Figure 1: Percentage Differences in Nominal and Inflation-Adjusted Basic Pay Rates for the Selected Pay Plans from 1970 to 2006**

Executive-level positions within the selected pay plans	1970—Pay rates (in dollars)			2006—Pay rates (in dollars)	Percentage differences from 1970 to 2006		
	Nominal	Inflation-adjusted (GDP)	Inflation-adjusted (CPI)	Nominal/Inflation-adjusted (GDP and CPI)	Nominal	Inflation-adjusted (GDP)	Inflation-adjusted (CPI)
<b>Executive Schedule—level I</b> (e.g., cabinet secretaries)	\$60,000	\$250,204	\$309,049	\$183,500	206	(27)	(41)
<b>Executive Schedule—level II</b> (e.g., deputy secretaries, Senators, and Members of the House of Representatives)	42,500	177,228	218,910	165,200	289	(7)	(25)
<b>Executive Schedule—level III</b> (e.g., undersecretaries and deputies of most agencies)	40,000	166,802	206,033	152,000	280	(9)	(26)
<b>Executive Schedule—level IV</b> (e.g., selected inspectors general, chief financial and information officers)	38,000	158,462	195,731	143,000	276	(10)	(27)
<b>Executive Schedule—level V</b> (e.g., commissioners, associate directors)	36,000	150,122	185,429	133,900	272	(11)	(28)
<b>Senior Executive Service—for agencies with performance management systems that are not certified</b>	35,505	148,058	182,880	152,000	328	3	(17)
<b>Senior Executive Service—for agencies with certified performance management systems</b>	35,505	148,058	182,880	165,200	365	12	(10)
<b>Senior-level/scientific or professional</b>	35,505	148,058	182,880	152,000	328	3	(17)
<b>Administrative law judges</b>	35,505	148,058	182,880	152,000	328	3	(17)
<b>Members of Boards of Contract Appeals</b>	29,752	124,068	153,247	152,000	411	23	(1)
<b>General Schedule grade 15, step 10</b>	29,752	124,068	153,247	139,774	370	13	(9)
<b>Chief Justice</b>	62,500	260,629	321,926	212,100	239	(19)	(34)
<b>Associate justices</b>	60,000	250,204	309,049	203,000	238	(19)	(34)
<b>Circuit judges</b>	42,500	177,228	218,910	175,100	312	(1)	(20)
<b>District judges</b>	40,000	166,802	206,033	165,200	313	(1)	(20)
<b>Judges of the U.S. Court of International Trade</b>	40,000	166,802	206,033	165,200	313	(1)	(20)

Source: GAO.

Notes: We provided the maximum basic pay rates for SES, SL/ST, ALJ, and BCA positions and included locality pay for the Washington, D.C./Baltimore area in the basic pay rates for the SL/ST, ALJ, BCA, and GS-15, step 10, positions in 2006. While we only included basic pay rates, SES, SL/ST, and GS-15, step 10, positions are eligible for cash awards/bonuses.



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Total compensation includes elements such as cash (e.g., locality pay, cash awards/bonuses), noncash benefits (e.g., annual and sick leave, health insurance), and deferred benefits (e.g., retirement, life insurance). Importantly, our analysis of the elements of total compensation centered on those elements that are authorized by statute for each pay plan. The specific application of each element will differ based on an individual's choice (e.g., to use child care facilities or purchase life insurance), each agency's program decision (e.g., to participate in the student loan repayment program), and differences across pay plans. For the executive-level positions, the elements of total compensation vary within and across the selected pay plans in 2006. For example, SES and SL/ST positions may receive cash awards/bonuses, while selected EX positions that are appointed by the President subject to Senate confirmation, ALJs, BCA positions, and federal justices and judges, at present, do not receive cash awards/bonuses due to the nature of the positions. Also, EX positions that are appointed by the President (with or without Senate confirmation) may not receive any outside earned income from teaching, writing, speaking, or other activities, while other EX positions may receive outside earned income, subject to certain limitations. Federal justices and judges may receive income from teaching subject to certain limitations.

All of the positions within the selected pay plans may receive noncash or deferred benefits, such as health and life insurance, retirement, and access to child care facilities. However, there are differences in retirement, such as larger benefits, for federal justices and judges compared to other executive-level positions. While we did not determine the balance of total compensation between pay and benefits within and across the executive-level pay plans, federal civilian employees received, in broad terms, most of their compensation—about 67 percent—in salary and wages and about 33 percent in the form of benefits or deferred compensation.<sup>5</sup> For workers in private industries, we recently reported that their wages made up 71 percent of total compensation, while benefits accounted for 29 percent.<sup>6</sup>

Regarding any possible restructuring of executive-level pay plans, certain principles should be considered to attract and retain the quality and

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<sup>5</sup>GAO, *Military Personnel: DOD Needs to Improve the Transparency and Reassess the Reasonableness, Appropriateness, Affordability, and Sustainability of Its Military Compensation System*, [GAO-05-798](#) (Washington, D.C.: July 19, 2005).

<sup>6</sup>GAO, *Employee Compensation: Employer Spending on Benefits Has Grown Faster Than Wages, Due Largely to Rising Costs for Health Insurance and Retirement Benefits*, [GAO-06-285](#) (Washington, D.C.: Feb. 24, 2006).

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quantity of executive leadership necessary to address 21st century challenges. Executive-level pay plans should be

- **sensitive to hiring and retention trends**—actual trends, such as demographic, workforce, and economic trends and their effects on the federal government’s ability to hire and retain high-quality persons for these positions are considered;
- **reflective of responsibilities, knowledge and skills, and contributions**—the positions vary both within and across executive-level pay plans;
- **transparent**—Congress, leadership, and the public can easily understand the value of the compensation and contributions;
- **market-sensitive**—the compensation of the relevant markets (e.g., private or nonprofit sectors) is appropriately considered;
- **flexible to economic change**—changes in the nation’s economy, such as extraordinary economic circumstances or severe budgetary constraints, can be accommodated;
- **sustainable**—over the longer term, given known cost trends and risks and future fiscal imbalances, executive-level pay plans are financially sustainable; and
- **competitive**—reasonable total compensation and other elements necessary to attract and retain leadership can help ensure the optimum use of taxpayers’ dollars and make the most efficient allocation between cash and noncash benefits.

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## Observations

While the types of experiences, responsibilities, and required knowledge and skills vary both within and across the executive-level positions, as well as the type of appointment and length of service, there are several illustrative issues that deserve further reconsideration.

- **Maintaining a reasonable relationship across executive-level positions.** As discussed earlier, we and others have reported on challenges in offering competitive compensation to executive and judicial positions. A commission may be an option for exploring ways to maintain a reasonable relationship across these positions and to the relevant markets, such as nonprofit and educational organizations or state and local governments. For example, in 1967 and 1989, Congress established the authority to appoint commissions to provide salary recommendations

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to the President every 4 years for top-level executive, judicial, and legislative officials. The commission established in 1989 has never been appointed.

- **Recognizing equity issues.** There are differences in the basic pay rates for inspectors general (IG) based on the level of appointment even though the powers and duties extended to IGs in either appointment are essentially the same. Most IGs for cabinet departments and major agencies are appointed by the President subject to Senate confirmation (paid at EX-level IV). However, IGs for some agencies, such as the National Science Foundation and the Securities and Exchange Commission, are appointed by the agency head and paid at varying amounts including GS-15 or SES pay rates.
- **Considering performance-based bonuses.** There are positions across the executive-level pay plans that are not eligible to receive bonuses (or awards) due to the nature of the positions. For example, SES and SL/ST positions may receive bonuses, while selected EX positions that are appointed by the President subject to Senate confirmation (including selected IGs), ALJs, BCA positions, and federal justices and judges do not. Bonuses awarded within a system that incorporates appropriate safeguards may be an option for rewarding individuals in these positions for their contributions. Appropriate safeguards, including reasonable transparency and appropriate accountability mechanisms can help ensure fairness and prevent politicization and abuse. Bonuses must be performance-based with a mechanism for assessing individuals' performance based on multiple sources of input and checks and balances to help ensure that the positions' independence is not compromised.
- **Recognizing anomalies between comparable pay plans.** There are anomalies between comparable pay plans, such as the SES and SL/ST pay plans. For example, as of January 2004, the aggregate pay cap (basic pay plus awards/bonuses) for SES and SL/ST positions is higher for individuals whose agencies have certified performance management systems. However, the higher basic pay cap only applies to SES members under certified performance management systems, not SL/ST positions.

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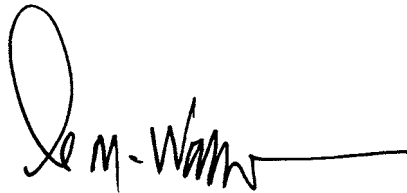
We provided drafts of this report to the Director of the Office of Personnel Management and the Director of the Administrative Office of the United States Courts for their information. As we agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after its date. At that time, we will provide copies of this report to other interested congressional parties, the Director of the Office of Personnel Management, and the Director of the

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Administrative Office of the United States Courts. We will make copies of this report available to others on request. The report is also available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me on (202) 512-5500 or Lisa Shames, Acting Director, at (202) 512-6806 or [shamesl@gao.gov](mailto:shamesl@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Other GAO staff who made major contributions to this report are acknowledged in appendix III.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D. M. Walker", with a long horizontal line extending to the right.

David M. Walker  
Comptroller General  
of the United States

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# Appendix I: Objectives, Scope, and Methodology

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Our objectives were to (1) provide trend data for basic pay rates of selected federal executive and judicial pay plans from 1970 to 2006, (2) identify elements of total compensation for the selected pay plans in 2006, and (3) identify principles for any possible restructuring of these pay plans. We selected governmentwide executive-level pay plans from the executive and judicial branches for our review. For the executive branch, we included the executive-level pay plans with the largest number of individuals according to the Office of Personnel Management's (OPM) Central Personnel Data File (CPDF). These pay plans cover the following: career Senior Executive Service (SES), administrative law judges, senior-level, Executive Schedule (EX), scientific or professional, and members of Boards of Contract Appeals. For the EX pay plan, we also included legislative positions—the Comptroller General, the Librarian of Congress, the Public Printer of the United States from the U.S. Government Printing Office, Senators, and Members of the House of Representatives—whose pay rates are tied to the EX pay plan. For the judicial branch, we included the federal justices and judges from courts under Article III of the Constitution of the United States—the Chief Justice, associate justices, circuit judges, district judges, and judges of the United States Court of International Trade. For the first objective, as a point of comparison, we also included the basic pay rates for the General Schedule (GS) grade 15, step 10, employees. Employees in this position receive an annual general pay increase that is based on the Employment Cost Index and delivered automatically and uniformly to all employees.

To meet our objectives, we collected and analyzed pay rates for the selected pay plans beginning in 1970 and then every 10 years including the current pay rates for 2006. We selected 1970 as a baseline because salary increases went into effect in 1969 for EX positions, federal justices and judges, and other top-level government officials as recommended by the Commission on Executive, Legislative, and Judicial Salaries. We gathered the basic pay rates and other related data, such as average pay and aggregate pay caps, and the elements of total compensation, from a variety of sources including legal references and documents—United States Code, Code of Federal Regulations, and Executive Orders, as well as OPM data and information from the CPDF, annual pay tables, and other policy documents. Importantly, our analysis of the elements of total compensation centered on those elements that are authorized by statute for each pay plan. The specific application of each element will differ based on an individual's choice (e.g., to use child care facilities or purchase life insurance), each agency's program decision (e.g., to participate in the student loan repayment program), and differences across pay plans.

In addition, we reviewed our prior work as well as that of other public sector organizations, such as the Congressional Research Service and National Commission on the Public Service.

We used the CPDF data from September 2005 to identify the number of individuals in the selected pay plans in the executive branch. We also used the CPDF data to identify the average rate of pay and the distribution of individuals by pay level within selected pay plans from September of 1990, 2000, and 2005. Data on the federal justices and judges are not maintained in the CPDF. Based on previous GAO work, we found the CPDF data were sufficiently reliable for the purposes of this report.<sup>1</sup>

To account for inflation, we adjusted the basic pay rates from the selected pay plans to calendar year 2006 dollars using the Bureau of Economic Analysis's (BEA) Gross Domestic Product (GDP) price deflator and the Bureau of Labor Statistics's (BLS) Consumer Price Index (CPI). Each index has its strengths and weaknesses in measuring inflation. The CPI measures the average change over time in the prices paid by consumers for a fixed market basket of consumer goods and services. BLS weights each item in the CPI to specify the importance of the expenditure item relative to the market basket of goods and services and to provide appropriate emphasis to the price changes associated with those items. These expenditure weights remain fixed until the next major revision of the CPI's market basket of goods and services and they serve as a benchmark from which price comparisons are calculated.<sup>2</sup> However, since the expenditure weights are fixed, the CPI does not reflect the extent to which purchasers' spending patterns change in response to relative price changes and, as such, it tends to overstate the effect of price changes on purchasing power.

By contrast, the GDP price deflator measures changes over time in the prices of broader expenditure categories than the CPI including personal consumption expenditures, gross private domestic investment, net exports of goods and services, and government consumption expenditures and gross investment. In addition, unlike the CPI, BEA annually changes the

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<sup>1</sup>GAO, *OPM's Central Personnel Data File: Data Appear Sufficiently Reliable to Meet Most Customer Needs*, GAO/GGD-98-199 (Washington, D.C.: Sept. 30, 1998).

<sup>2</sup>BLS has made major revisions to the market basket about once a decade between 1940 and 1997. Since 1998, BLS has updated the expenditure weights for the market basket every 2 years.

weights applied to the GDP price deflator's expenditure categories over time, which helps reflect how relative price changes affect purchasers' spending patterns.

Historically, inflation as measured by the CPI has tended to outpace inflation as measured by the GDP price deflator. Over the period of time covered by this report (1970 to 2006), the CPI has increased at an average annual rate of 4.7 percent, whereas the GDP price deflator has increased at an average annual rate of 4.0 percent.

In addition, to account for economywide trends in wage and salary growth, we adjusted the basic pay rates from the selected pay plans to calendar year 2006 dollars using BEA's National Income and Product Accounts wage index for private industries. We used this wage index because it provided a continuous series of wage data for the entire time period covered by our analysis. Wage and salary data pertaining to a more narrowly defined sector of the nonfederal workforce (e.g., white-collar workers) was not available for the entire time period. We performed our work from February through May 2006 in accordance with generally accepted government auditing standards.

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# Appendix II: Briefing Slides



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## **Executive and Judicial Compensation**

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**Request by the Subcommittee on the Federal  
Workforce and Agency Organization  
House Government Reform Committee**

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## Contents

- Scope (*slides 3-5*)
  - Selected federal executive and judicial pay plans
  
- Background (*slides 6-10*)
  
- Objectives
  - Provide trend data for basic pay rates from 1970 to 2006 (*slides 11-24*)
  - Identify elements of total compensation in 2006 (*slides 25-30*)
  - Identify principles for any possible restructuring of executive-level pay plans (*slide 31*)



## Scope—Executive and Judicial Pay Plans

- We included the six federal governmentwide executive-level pay plans with the largest number of individuals.
  - Career Senior Executive Service (SES)—*6,299 individuals*
  - Administrative law judges (ALJ)—*1,486 individuals*
  - Senior-level (SL)—*528 individuals*
  - Executive Schedule (EX)—*414 individuals*

Illustrative positions include the following:

  - Level I—Cabinet secretaries, leaders of the Senate and House, Director of the Office of Management and Budget
  - Level II—Deputy secretaries of cabinet departments, Director of the Office of Personnel Management (OPM), Senators and Members of the House, the Comptroller General, the Librarian of Congress, the Public Printer of the United States from the U.S. Government Printing Office
  - Level III—Undersecretaries and deputies of most agencies and departments
  - Level IV—Assistant secretaries, general counsels of departments (e.g., Departments of Defense and Health and Human Services), selected inspectors general (IG), chief financial officers, chief information officers
  - Level V—Commissioners (e.g., Indian Affairs in the Department of the Interior), associate directors (e.g., OPM), general counsels of smaller agencies (e.g., National Aeronautics and Space Administration)
  - Scientific or professional (ST)—*361 individuals*
  - Members of Boards of Contract Appeals (BCA)—*47 individuals*
  
- For the EX pay plan, we also included legislative positions—the Comptroller General, Librarian of Congress, Public Printer, and Senators and Members of the House—whose pay rates are tied to the EX pay plan.

Source: OPM's Central Personnel Data File (CPDF) from September 2005.

Notes: We focused on career SES only since the majority of individuals in the SES have career status. There are other executive-level pay plans that are limited to single agencies, such as the immigration judges at the U.S. Department of Justice. 3



## Scope—Executive and Judicial Pay Plans (con't.)

- We included federal justices and judges from courts under Article III of the Constitution of the United States.
  - Chief Justice of the United States
  - Associate justices of the Supreme Court
  - Circuit judges from the U.S. Courts of Appeals
  - District judges
  - Judges of the U.S. Court of International Trade



## Scope—Executive and Judicial Pay Plans (con't.)

### ***Considerations***

- Executive-level positions vary both within and across pay plans in terms of responsibilities and required knowledge and skills. In addition, length of service varies, such as between career SES, political appointees within the EX pay plan, and federal justices and judges who are appointed for life.
  - For example, EX positions can be appointed by the agency head, by the President (PA), or by the President subject to Senate confirmation (PAS). Governmentwide, the average tenure of political appointees for the period of 1990 through 2001 was just under 3 years.
  
- Regarding the appointment of IGs, most IGs for cabinet departments and major agencies are PAS positions (paid at EX-level IV); however, IGs for some agencies, such as the National Science Foundation and the Securities and Exchange Commission, are appointed by the agency head and paid at varying amounts, including General Schedule (GS) grade 15 or SES pay rates. The powers and duties extended to IGs in either appointment are essentially the same.
  
- Career SES members may accept Presidential appointments or other appointments to positions in the EX pay plan and retain their career SES status and certain SES benefits including their basic pay, eligibility for cash awards/bonuses and/or Presidential Rank Awards, annual and sick leave, and retirement. These individuals also retain their eligibility to return to the SES upon completion of the appointments.
  - PAS IGs who retain their career SES status have traditionally waived their eligibility for any awards/bonuses from the agency head to help maintain the independence of the position.



## Background—Executive, Legislative, and Judicial Salaries

- In 1967, Congress established the Commission on Executive, Legislative, and Judicial Salaries (known as the Quadrennial Commission) to study salaries of EX positions (including Members of Congress), federal justices and judges, and other top-level government officials every 4 years and report to the President on its recommendations for salary increases. The Commission—composed of nine individuals appointed from the private sector—was to recommend salary increases for these positions in order to maintain a reasonable relationship between these positions and with private sector salaries.
  - The President accepted the recommended salary increases for these positions, which went into effect in 1969. For example, the salary for EX-level I positions increased from \$35,000 in 1968 to \$60,000 in 1969.
- In addition to the Quadrennial Commission, Congress enacted the Executive Salary Cost-of-Living Adjustment Act of 1975, which was intended to give Members of Congress, federal justices and judges, and other top-level executive branch officials the same automatic cost of living adjustments that GS employees received, subject to congressional acceptance, disapproval, or modification.
  - For example, from 1975 to 1989, Congress accepted 5 such increases for itself and declined 10, according to the Congressional Research Service.



## Background—Executive, Legislative, and Judicial Salaries (con't.)

- In 1989, the National Commission on the Public Service (Volcker Commission) reported that executive, legislative, and judicial salaries were not keeping pace with inflation. The purchasing power of salaries for EX positions (including Members of Congress) and federal justices and judges had fallen by 35 percent between 1969, when the Quadrennial Commission's recommendations were implemented, and 1988.
  
- The National Commission on the Public Service's recommendations included the following:
  - raising the salaries for these positions to the 1969 levels of purchasing power,
  - changing the process for adjusting these salaries from only once every 4 years to one that is triggered on a more timely basis, and
  - increasing the pay cap for SES members, if the requested increase to EX salaries was delayed.



## Background—Executive, Legislative, and Judicial Salaries (con't.)

- Subsequently, the Ethics Reform Act of 1989
  - provided an increase to the salaries of EX positions, federal justices and judges, and the Vice President effective in 1991,
  - changed the method for automatic annual adjustments to these positions' pay rates to one based on the Employment Cost Index. Previously, these positions' adjustments were the same rate as the annual adjustments for GS employees,
  - tied the salaries of district judges and EX-level II positions to that of Senators and Members of the House and the salary of the Speaker of the House to that of the Vice President and the Chief Justice, and
  - abolished the Quadrennial Commission. The authority and responsibilities of the Quadrennial Commission were assumed by the Citizens' Commission on Public Service and Compensation, which was to be appointed during fiscal year 1993 and then every fourth fiscal year, but it has never been appointed, according to the Congressional Research Service.
- While the Ethics Reform Act sets the rate of the judicial pay adjustment, a 1981 law (Pub. L. 97-92, Section 140), provides that any salary increase for federal justices and judges must be specifically authorized by Congress. Since 1981, the judges' salaries have been adjusted at the same rate as those for Members of Congress, according to the Congressional Research Service.
- Since 1991, Congress voted to not give themselves and other EX positions a pay increase in 5 out of the 16 years (1994–1997 and 1999), according to the Congressional Research Service. Congress also voted to not give an across-the-board pay adjustment to GS positions for 1994, but these positions did receive locality pay adjustments that year.



## Background—Executive, Legislative, and Judicial Salaries (con't.)

- In 2003, the second National Commission on the Public Service reiterated the need to restore fairness in executive, legislative, and judicial salaries. The Commission reported that
  - the salaries for cabinet secretaries (EX-level I) declined 44 percent from 1969 to 2001, when adjusted for inflation, and
  - the pay caps imposed by Congress created a tight compression of salaries at the top of all three branches. For example, about 70 percent of SES members received the same pay due to compression in 2003.
  
- The National Commission on the Public Service recommended that Congress
  - grant increases to EX positions and federal judges to ensure a reasonable relationship to other professional opportunities, such as leading academic centers and not-for-profit institutions, and
  - break the statutory link between the salaries of Members of Congress and those of federal judges and senior political appointees.





## Background—Executive, Legislative, and Judicial Salaries (con't.)

- Supporting the Commission's 2003 recommendations, the Chief Justice of the United States' *2005 Year-End Report on the Federal Judiciary* stated that
  - the real pay of federal judges has declined by almost 24 percent since 1969, while the average American worker's real pay has increased by over 15 percent, and
  - if Congress gave judges a raise of 30 percent today, federal judges would be making about the same as they would have in 1969 after adjusting for inflation.
  
- While the pay of the Vice President and other executive-level positions can be adjusted annually, the salary of the President can only be adjusted through legislative action at the change of administration, according to the Constitution of the United States.
  - The Vice President's salary was \$181,400 in 2000 and is \$212,100 in 2006.
  - Effective 2001, the President's salary was increased from \$200,000 (the amount it had been since 1969) to \$400,000 (the 2006 amount).



## **Objective 1: Provide Trend Data for Basic Pay Rates**

- Provided basic pay rates beginning in 1970 (just after the salary increases for executive-level positions recommended by the Quadrennial Commission went into effect in 1969) and then every 10 years including the current pay rates for 2006 for selected positions.
  - Included the basic pay rates for the GS grade 15, step 10, position for comparison purposes.
  - Not all the pay plans existed in their present form in 1970, 1980, or 1990. For example, the Civil Service Reform Act of 1978 created the SES pay plan and the Federal Employees Pay Comparability Act of 1990 increased the pay rates for the ALJ pay plan to executive levels. We included the following pay rates for these positions in 1970, 1980, or 1990:
    - for SES positions, GS-16 to GS-18 pay rates in 1970,
    - for SL/ST positions, GS-16 to GS-18 pay rates in 1970, 1980, and 1990,
    - for ALJ positions, GS-15 to GS-18 pay rates in 1970, 1980, and 1990, and
    - for BCA positions, GS-15 pay rates in 1970 and GS-16 to GS-18 pay rates in 1980 and 1990.
  - Included locality pay (created with the Federal Employees Pay Comparability Act of 1990) for the Washington, D.C./Baltimore area in the basic pay rates for the applicable executive-level positions:
    - 2000—for SES, SL/ST, ALJ, BCA, and GS-15 positions.
    - 2006—for SL/ST, ALJ, BCA, and GS-15 positions (effective January 2004, SES positions no longer received locality pay).



## Provide Trend Data for Basic Pay Rates (con't.)

- As shown in the following slides, we presented the basic pay rates for the selected pay plans from 1970 to 2006 in the following ways:
  - in nominal dollars (slides 13, 17, 19),
  - adjusted for inflation in 2006 dollars (slide 14),
  - adjusted for wage growth in 2006 dollars (slides 15, 18), and
  - the cumulative growth of basic pay rates in nominal dollars compared to wages and prices (slides 16, 20).



## Basic Pay Rates (in nominal dollars)– Executive Pay Plans

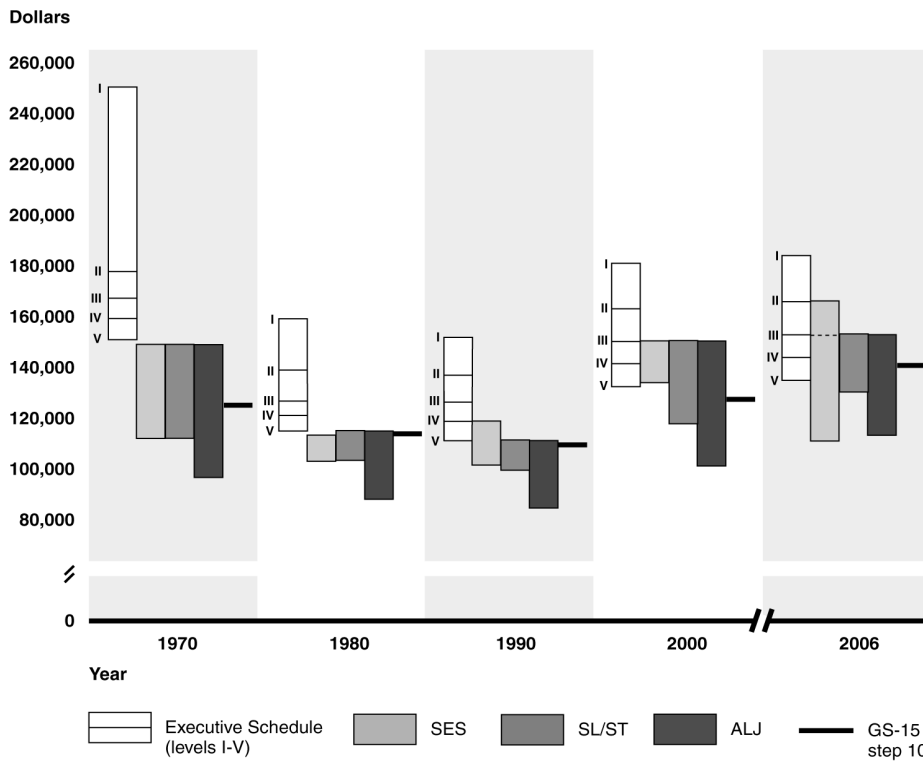
	1970	1980	1990	2000	2006
<b>EX-level I</b>	\$60,000	\$74,500	\$107,300	\$157,000	\$183,500
<b>EX-level II</b>	\$42,500	\$65,000	\$96,600	\$141,300	\$165,200
<b>EX-level III</b>	\$40,000	\$59,300	\$89,000	\$130,200	\$152,000
<b>EX-level IV</b>	\$38,000	\$56,500	\$83,600	\$122,400	\$143,000
<b>EX-level V</b>	\$36,000	\$53,600	\$78,200	\$114,500	\$133,900

	1970		1980		1990		2000		2006	
	<i>Min.</i>	<i>Max.</i>	<i>Min.</i>	<i>Max.</i>	<i>Min.</i>	<i>Max.</i>	<i>Min.</i>	<i>Max.</i>	<i>Min.</i>	<i>Max.</i>
<b>SES</b>	\$26,547	\$35,505	\$47,889	\$52,750	\$71,200	\$83,600	\$115,811	\$130,200	\$109,808*	\$152,000 or \$165,200**
<b>SL/ST</b>	\$26,547	\$35,505	\$47,889	\$53,600	\$69,451	\$78,200	\$101,566	\$130,200	\$129,024	\$152,000
<b>ALJ</b>	\$22,885	\$35,505	\$40,832	\$53,600	\$59,216	\$78,200	\$87,131	\$130,200	\$112,213	\$152,000
<b>BCA</b>	\$22,885	\$29,752	\$47,889	\$53,600	\$69,451	\$78,200	\$125,469	\$130,200	\$152,000	\$152,000
<b>GS-15, step 10</b>	\$29,752	\$29,752	\$53,081	\$53,081	\$76,982	\$76,982	\$110,028	\$110,028	\$139,774	\$139,774

\*Effective January 2004, a single, open-range pay band replaced the six SES pay levels and SES no longer received locality pay.

\*\*For the SES positions under certified performance management systems, the maximum basic pay is \$165,200. For systems that are not certified, the maximum basic pay is \$152,000.

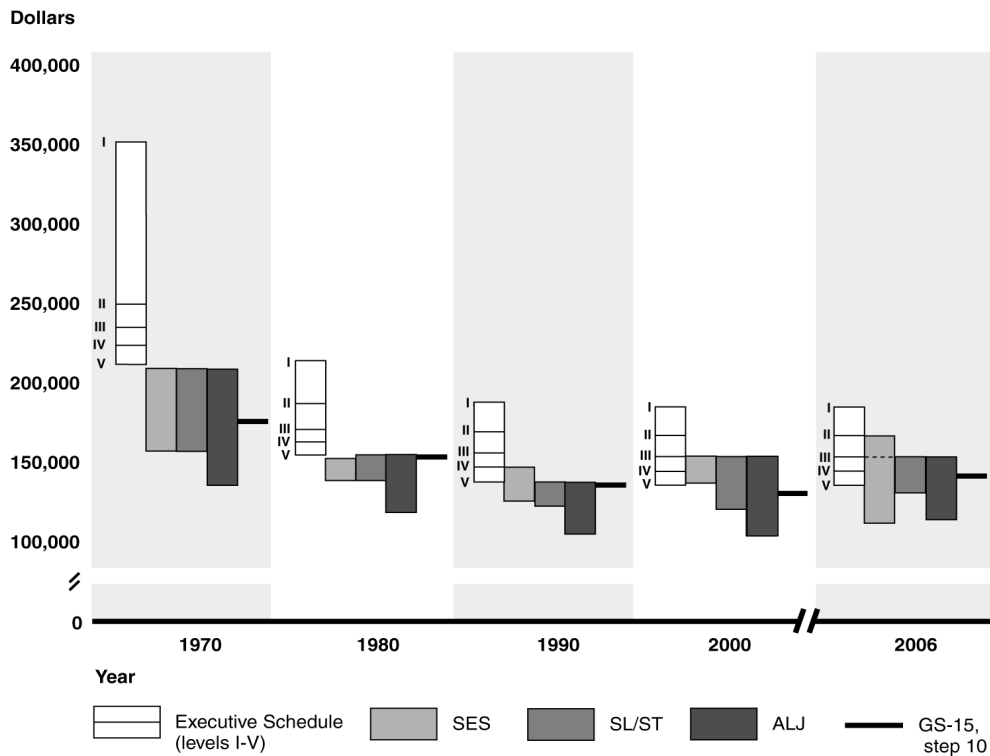
## Basic Pay Rates for Executive Pay Plans Adjusted for Inflation (in 2006 dollars)



Source: GAO.

Notes: Pay rates inflated to calendar year 2006 dollars using the Bureau of Economic Analysis's (BEA) Gross Domestic Product price deflator. In 2006, for the SES positions under certified performance management systems, the maximum basic pay is \$165,200 (EX-level II). For the SES positions under systems that are not certified, the maximum basic pay is \$152,000 (EX-level III).

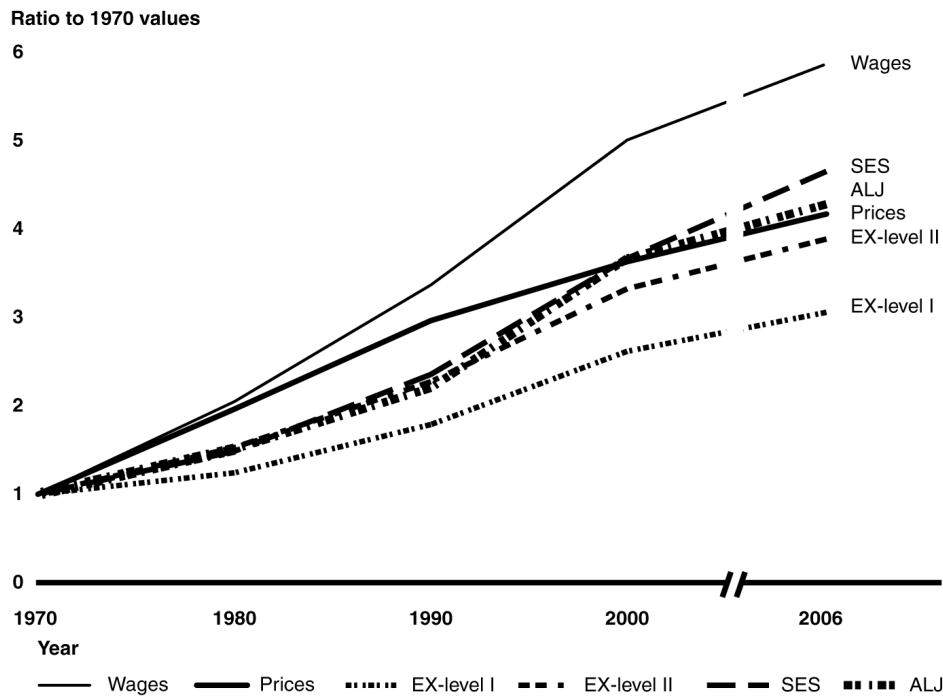
## Basic Pay Rates for Executive Pay Plans Adjusted for Wage Growth (in 2006 dollars)



Source: GAO.

Notes: Pay rates inflated to calendar year 2006 dollars using BEA's National Income and Product Accounts wage index for private industries. In 2006, for the SES positions under certified performance management systems, the maximum basic pay is \$165,200 (EX-level II). For the SES positions under systems that are not certified, the maximum basic pay is \$152,000 (EX-level III).

## Cumulative Growth of Basic Pay Rates for Executive Pay Plans Compared to Prices and Wages



Source: GAO.

Notes: Cumulative growth when normalized to 1970 values (1970=1). Price growth is based on BEA's Gross Domestic Product price deflator and wage growth is based on BEA's National Income and Product Accounts wage index for private industries. Included maximum rates of basic pay for ALJs and SES (under certified performance management systems for 2006). Did not include cash awards/bonuses for SES; all other positions are not eligible for cash awards/bonuses.



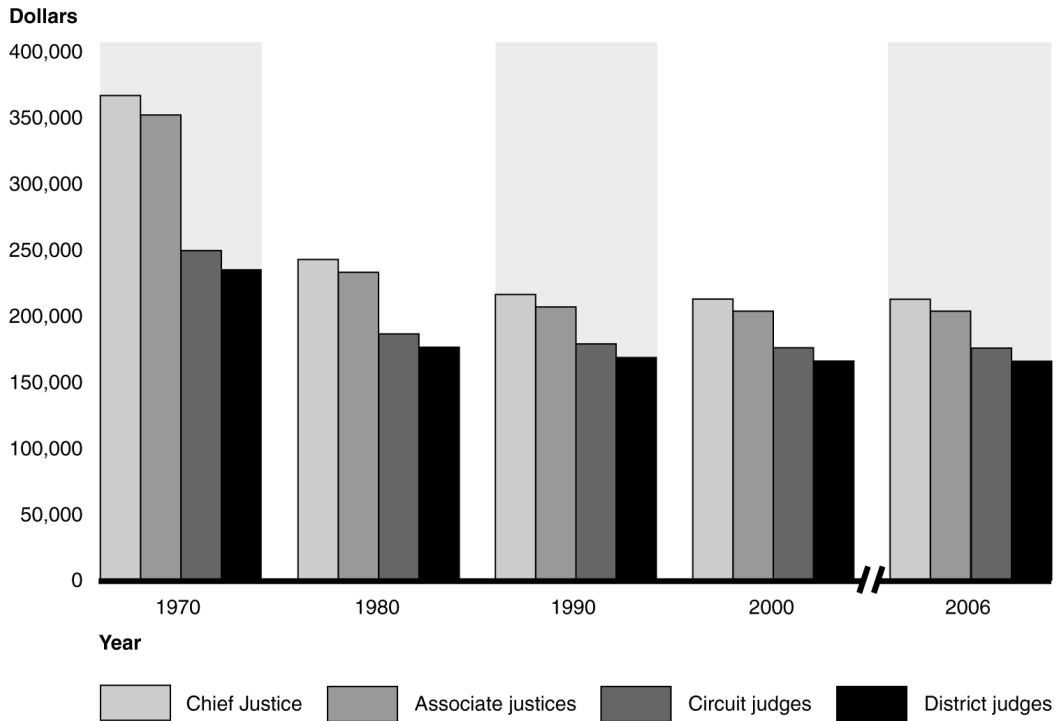
**Basic Pay Rates (in nominal dollars)–  
Judicial Pay Plans**

	1970	1980	1990	2000	2006
<b>Chief Justice</b>	\$62,500	\$84,700	\$124,000	\$181,400	\$212,100
<b>Associate justices</b>	\$60,000	\$81,300	\$118,600	\$173,600	\$203,000
<b>Circuit judges</b>	\$42,500	\$65,000	\$102,500	\$149,900	\$175,100
<b>District judges</b>	\$40,000	\$61,500	\$96,600	\$141,300	\$165,200
<b>Judges of the U.S. Court of International Trade</b>	\$40,000	\$61,500	\$96,600	\$141,300	\$165,200

- Federal justices and judges do not receive cash awards/bonuses, locality pay adjustments, or other additional pay. Therefore, these positions’ basic pay rates are not subject to an aggregate pay cap.



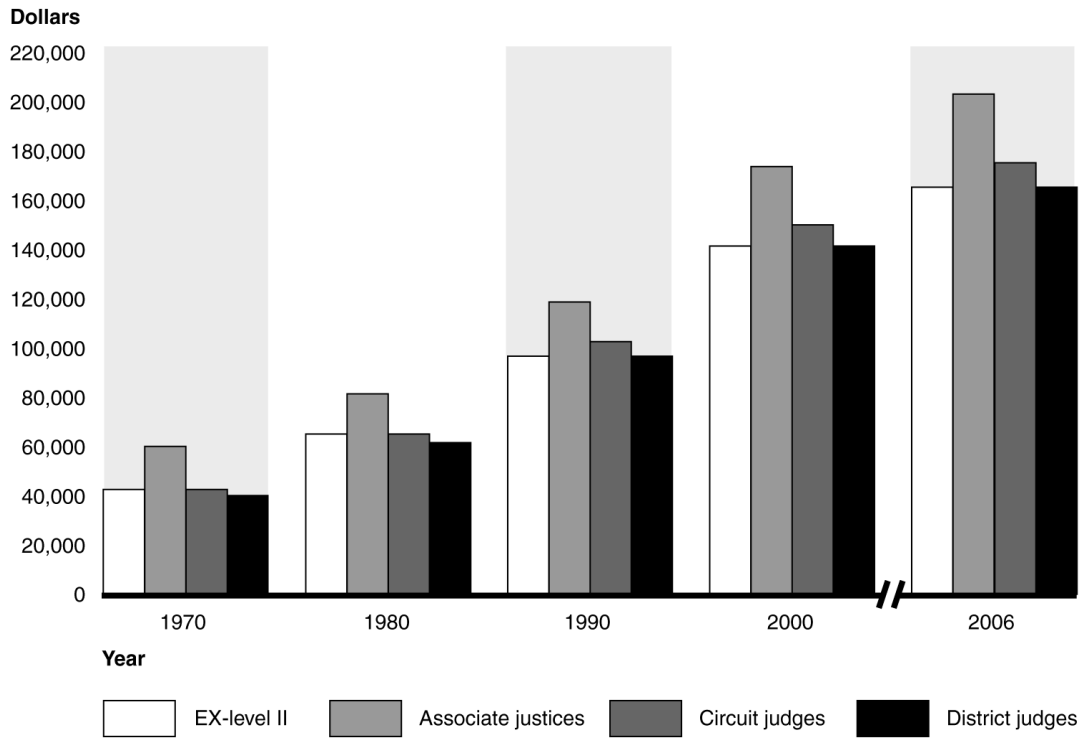
## Basic Pay Rates of Federal Justices and Judges Adjusted for Wage Growth (in 2006 dollars)



Source: GAO.

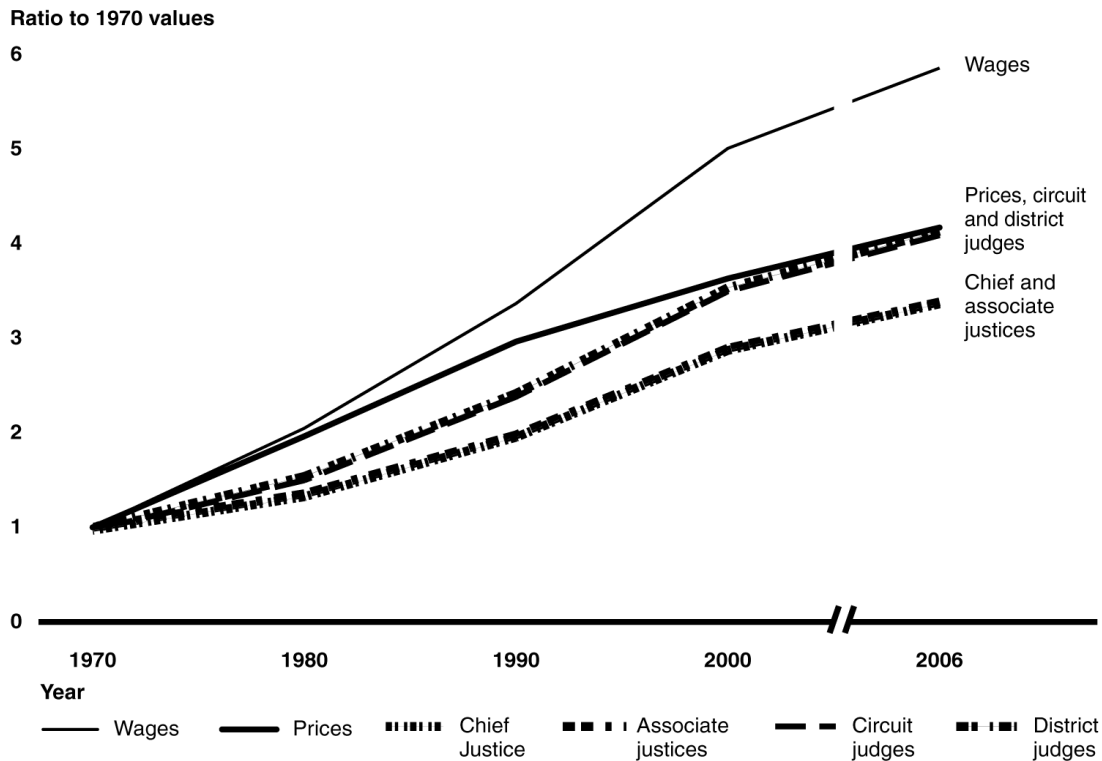
Note: Pay rates are inflated to calendar year 2006 dollars using BEA's National Income and Product Accounts wage index for private industries.

## Basic Pay Rates of EX-level II Positions and Federal Justices and Judges (in nominal dollars)



Source: GAO.

## Cumulative Growth of Basic Pay Rates for Federal Justices and Judges Compared to Prices and Wages



Source: GAO.

Notes: Cumulative growth when normalized to 1970 values (1970=1). Price growth is based on BEA's Gross Domestic Product price deflator and wage growth is based on BEA's National Income and Product Accounts wage index for private industries.



## Overall Considerations in Basic Pay Rates

- Any comparisons in pay rates across decades must be made with caution for the following reasons.
  - The pay rates for the SES, ALJ, SL/ST, and BCA pay plans are linked to the EX pay plan. Any pay adjustment in the EX pay plan affects the pay adjustments in these pay plans.
  - EX positions have not received annual pay adjustments in a consistent manner either prior to or following the Ethics Reform Act of 1989.
  - The difference in pay between the EX levels has changed. For example, as shown in slide 15, when adjusted for real wages, the difference in pay (in 2006 dollars) between EX-level I and EX-level II was about 41 percent in 1970, while the difference was about 15 percent in 1980 and 11 percent in 1990, 2000, and 2006.



## Overall Considerations— Aggregate Pay Cap

- All positions, except federal justices and judges, are subject to an aggregate pay cap (base pay plus cash awards/bonuses).
- Since 1990 (as a result of the Federal Employees Pay Comparability Act of 1990), aggregate pay is not to exceed EX-level I (\$183,500 in 2006) for EX, ALJ, BCA, and GS-15 positions.
- Prior to 2004, EX-level I was the aggregate pay cap for all SES and SL/ST positions as well. Since 2004, aggregate pay for SES and SL/ST positions is not to exceed
  - EX-level I (\$183,500 in 2006) for individuals under performance management systems that are not certified.
  - The total compensation payable to the Vice President (\$212,100 in 2006) for individuals under certified systems.



## Overall Considerations—Distribution of Individuals within Pay Ranges

- Individuals are paid different amounts within the pay ranges for the SES, SL/ST, and ALJ pay plans. We provided the distribution of individuals by the levels within these pay ranges, to the extent possible.
  - SES members were paid at 6 levels (ES 1 to ES 6) prior to 2004.
  - ALJs are paid at 3 levels (AL 1 to AL 3) with rates within level 3 (A to F) since 2000. AL 1 and 2 are reserved for supervisory ALJs.
  - The SL/ST pay plan does not have levels within the pay range.

<b>SES</b> (ES 6 is the highest pay)	
<b>1990:</b> 6,626 total	<b>2000:</b> 6,297 total
• ES 6 – 5%	• ES 6 – 7%
• ES 5 – 15%	• ES 5 – 17%
• <b>ES 4 – 55%</b>	• <b>ES 4 – 38%</b>
• ES 3 – 15%	• ES 3 – 14%
• ES 2 – 7 %	• ES 2 – 12%
• ES 1 – 3%	• ES 1 – 12%

<b>ALJ</b> (AL 1 is the highest pay)	
<b>2000:</b> 1,340 total	<b>2005:</b> 1,486 total
• AL 1 – 0.4%	• AL 1 – 0.3%
• AL 2 – 2%	• AL 2 – 3%
• <b>AL 3/F – 61%</b>	• <b>AL 3/F – 72%</b>
• AL 3/E – 18%	• AL 3/E – 2%
• AL 3/D – 13%	• AL 3/D – 7%
• AL 3/C – 4%	• AL 3/C – 2%
• AL 3/B – 0.1%	• AL 3/B – 6%
• AL 3/A – 0%	• AL 3/A – 5%

Source: OPM's CPDF from September of 1990, 2000, and 2005.

Notes: September 2005 data are the most recent data available. Numerous changes to the CPDF and federal personnel policies make comparisons of data from the CPDF before 1984 not suitable for our purposes. Percentages may not add to 100 due to rounding.



**Overall Considerations—  
Average Basic Pay**

- We provided the average rate of basic pay for individuals in the SES, SL/ST, and ALJ pay plans.\*

	1990	2000	2005
<b>SES</b>	\$78,819	\$127,016	\$147,476
<b>SL/ST</b>	\$77,996	\$118,764	\$145,159
<b>ALJ</b>	\$73,828	\$118,057	\$143,705

- As a point of comparison, state government ALJs, adjudicators, and hearing officers were paid on average \$60,750, in 2004, according to the Bureau of Labor Statistics.
  - The top three paying states in 2004 in terms of the annual mean wage were California (\$103,910), Alabama (\$103,550), and Colorado (\$93,810).

\*Source: Mean pay data from OPM's CPDF from September of 1990, 2000, and 2005. September 2005 data are the most recent data available. Numerous changes to the CPDF and federal personnel policies make comparisons of data from the CPDF before 1984 not suitable for our purposes.



## Objective 2: Identify Elements of Total Compensation in 2006 – Overall Observations

- Cash:
  - Only SL/ST, ALJ, and BCA positions receive locality pay.
  - All positions may receive annual adjustments to basic pay. SES members may receive their adjustments based on their individual performance and contribution to the organization's performance.
  - SES and SL/ST positions may receive Presidential Rank Awards and cash awards/bonuses.
  - Positions appointed by the President may not receive any outside earned income from teaching, writing, speaking, or other activities. Other EX positions may receive outside earned income, subject to certain limitations. Federal justices and judges may receive income from teaching subject to certain limitations.
  
- Noncash benefits:
  - All positions may receive benefits, such as health insurance, access to child care facilities, and flexible spending or health savings accounts. All positions except those appointed by the President within the EX pay plan and federal justices and judges accrue annual and sick leave.
  - Select EX positions, such as cabinet secretaries and the Chief Justice and associate justices, may receive passenger carrier use from home to work.
  
- Deferred benefits: All positions may receive benefits, such as retirement and life insurance. However, there are differences in retirement, such as larger benefits, for Members of Congress and federal justices and judges.





**Elements of Total Compensation**

	<b>EX*</b>	<b>SES and SL/ST</b>	<b>ALJ and BCA</b>	<b>Federal justices and judges</b>
<b>Cash</b>				
Basic pay	Yes	Yes	Yes	Yes
Locality pay	No	No-for SES. Yes-for SL/ST.	Yes	No
Annual adjustments to basic pay	Yes-based on the Employment Cost Index.	Yes-the minimum and maximum rates of the pay range are adjusted based on the increases for the EX and the GS pay plans.  However, an adjustment to an individual's pay is at the agency's discretion. Specifically, an SES member's pay may be adjusted based on his/her performance and contributions to the agency's performance. An SL/ST employee's pay adjustment may or may not be tied to his/her performance.	Yes-tied to the EX increases.	Yes-based on the Employment Cost Index, but any pay increase must be specifically authorized by Congress.

\*Career SES members may accept Presidential appointments or other appointments to positions in the EX pay plan and retain their career SES status and certain SES benefits including their basic pay, eligibility for cash awards/bonuses and/or Presidential Rank Awards, annual and sick leave, and retirement. These individuals also retain their eligibility to return to the SES upon completion of the appointments.



**Elements of Total Compensation  
(con't.)**

	EX	SES and SL/ST	ALJ and BCA	Federal justices and judges
<b>Cash</b>				
Cash awards/bonuses (e.g., performance-based, on the spot, suggestions, special act or service)	No-for PAS positions. Yes-for other EX positions.	Yes	No	No
Presidential Rank Awards	No	Yes - Distinguished (35% of base pay). - Meritorious (20% of base pay).	No	No
Student loan repayment	Yes	Yes	Yes	No
Recruitment, relocation, and retention incentives	No-for the head of an agency and PAS positions. Yes-for other EX positions.	Yes	No	No
Transit benefits	Yes	Yes	Yes	Yes



**Elements of Total Compensation  
(con't.)**

	EX	SES and SL/ST	ALJ and BCA	Federal justices and judges
<b>Cash</b>				
Teaching, writing, and speaking income	<p>No-PA and PAS positions may not receive any income.</p> <p>Yes-for other EX positions as long as the activity is not related to the employee's official duties. However, employees may receive income for teaching at secondary or higher education schools or programs funded by federal, state, or local government even if related to official duties.</p> <p>-Noncareer employees' income is subject to advanced approval and not to exceed 15% of EX-level II.</p>	Yes	Yes	Yes-federal justices and judges may receive income for teaching subject to advanced approval and not to exceed 15% of EX-level II.
Outside earned income (e.g., a federal employee who is a CPA prepares tax returns unrelated to official duties outside of work)	<p>No-PA and PAS positions may not receive any outside income.</p> <p>Yes-for other EX positions; however, income for noncareer employees is not to exceed 15% of EX-level II.</p>	Yes	Yes	No



**Elements of Total Compensation  
(con't.)**

	EX	SES and SL/ST	ALJ and BCA	Federal justices and judges
<b>Noncash Benefits</b>				
Merchandise awards/gifts	Yes	Yes	Yes	No
Time off awards	No	Yes	No	No
Annual and sick leave	No-for PA and PAS positions. Yes-for other EX positions.	Yes	Yes	No
Health insurance	Yes	Yes	Yes	Yes
Flexible spending accounts/health savings accounts	Yes	Yes	Yes	Yes
Access to federally sponsored child care facilities	Yes	Yes	Yes	Yes
Home to work (passenger carrier use)	Yes-for select EX positions, such as Level I positions; Secretaries of the Air Force, Army, and Navy; and the Comptroller General.  No-for other EX positions.	No	No	Yes-for the Chief Justice and associate justices.  No-for other federal justices and judges.



**Elements of Total Compensation  
(con't.)**

	EX	SES and SL/ST	ALJ and BCA	Federal justices and judges
<b>Deferred Benefits</b>				
Retirement	Yes However, Members of Congress (whose pay is tied to EX-level II) pay a higher percentage of salary, receive a larger benefit for each year of service, and they become eligible for annuities at an earlier age with fewer years of service than most federal employees.	Yes	Yes	Yes-they are permitted to retire with full pay and benefits when the sum of the judge's age and number of years on the bench is 80.
Life insurance	Yes	Yes	Yes	Yes
Survivor benefits	Yes	Yes	Yes	Yes-federal justices and judges must elect survivor benefits and contribute from their current and retirement salaries.
Long-term care insurance	Yes	Yes	Yes	Yes



### Objective 3: Identify Principles for Any Possible Restructuring of Executive-Level Pay Plans

- In order to attract and retain the quality and quantity of executive leadership necessary to address 21st century challenges, executive-level pay plans should be
  - **sensitive to hiring and retention trends**—actual trends, such as demographic, workforce, and economic trends and their effects on the federal government’s ability to hire and retain high-quality persons for these positions are considered;
  - **reflective of responsibilities, knowledge and skills, and contributions**—the positions vary both within and across pay plans;
  - **transparent**—Congress, leadership, and the public can easily understand the value of the compensation and contributions;
  - **market-sensitive**—the compensation of the relevant markets (e.g., private or nonprofit sectors) is appropriately considered;
  - **flexible to economic change**—changes in the nation’s economy, such as extraordinary economic circumstances or severe budgetary constraints, can be accommodated;
  - **sustainable**—over the longer term, given known cost trends and risks and future fiscal imbalances, pay plans are financially sustainable; and
  - **competitive**—reasonable total compensation and other elements necessary to attract and retain leadership can help ensure the optimum use of taxpayers’ dollars and make the most efficient allocation between cash and noncash benefits.

Sources: DOD Needs to Improve Its Military Compensation System (GAO-05-798), Symposium on Designing and Managing Market-Based and More Performance-Oriented Pay Systems (GAO-05-832SP), Implementing Pay for Performance at Selected Personnel Demonstration Projects (GAO-04-83), The Congress Should Act to Establish Military Compensation Principles (FPCD-79-11).

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# Appendix III: GAO Contact and Staff Acknowledgments

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## GAO Contact

Lisa Shames, (202) 512-6806 or shamesl@gao.gov

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## Acknowledgments

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