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# WITHDRAWAL SHEET

## Ronald Reagan Library

Collection: KHACHIGIAN, KEN: Files

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File Folder: Cabinet Meetings (1 of 3) ~~Box 4089~~ *Box 1*

Date: 5/13/97 *10/24/06*

*Notes (April 1981)*

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
<i>3.</i> 1. Notes <i>3</i>	handwritten notes by Ken Khachigian re Cabinet Meeting (8 pp.)	4/24/81	<del>P5</del>
<i>2.</i> 2. Notes <i>2.</i>	handwritten notes by Ken Khachigian re Cabinet Meeting (2 pp.)	4/16/81	<del>P5</del>
<i>1.</i> 3. Notes <i>1.</i>	handwritten notes by Ken Khachigian re Cabinet Meetings (4 pp.)	4/2/81	<del>P5, PT B1</del>
4. Notes	handwritten notes by Ken Khachigian re Cabinet Meeting (5 pp.) <i>cp. 4 partial; p. 5, A1D</i>	3/19/81	<del>P5</del> <i>86</i>
5. Notes	handwritten notes by Ken Khachigian re Cabinet Meeting (2 pp.)	3/13/81	<del>P5</del>
6. Notes	handwritten notes by Ken Khachigian re Cabinet Meeting (4 pp.)	3/5/81	<del>P5</del>
7. Notes	handwritten notes by Ken Khachigian re Cabinet Meeting (4 pp.)	2/26/81	<del>P5</del> <i>03 11/29/00</i>

### RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

**Freedom of Information Act - [5 U.S.C. 552(b)]**

- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
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- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

# WITHDRAWAL SHEET

## Ronald Reagan Library

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*[Notes] (April 1981)*

*redo*

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 1 LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

THE WHITE HOUSE

WASHINGTON

CABINET MEETING AGENDA

April 2, 1981 -- 1:30 PM

- |  |                               |
|--|-------------------------------|
| 1. Update on the President's condition     | Vice President                |
| - Related events                           | Ed Meese                      |
| 2. Economic Recovery Program Status Report | Donald Regan<br>Dave Stockman |
| 3. Minority Personnel                      | Pen James                     |
| 4. Future Calendar                         | Ed Meese                      |

CABINET MEETING PARTICIPANTS

April 2, 1981 -- 1:30 PM

The Cabinet -- All Members \*

James A. Baker III  
Michael K. Deaver  
Richard V. Allen  
Martin Anderson  
David Gergen  
Richard Darman  
Craig Fuller  
Karna Small  
Larry Speakes  
Daniel Murphy  
Ken Khachigian  
Karen Hart

\* Ken Davis, Deputy Secretary-Designate of  
Energy, attending for Secretary Edwards

For Presentations:

Pen James  
Ed Harper

# Cabinet Meeting

4-16-81

1:04 p.m.

RR not present - V-f. presiding

Brook: Japanese inputs - trays -

Think we'll get some restraint - though not deep. Main thing is length of time so domestic industry can borrow capital for future.

Baldridge: Jobs - 75,000 w/ 300,000 more cars?

w/ RR's package - e/g up to industry - no bailouts -

Hain: Suzuki's visit - Sun program didn't impress the Japanese very much.

Hain says on balance - Sun program to work on solving our problems helps w/ Japanese.

Brook: Companies need to get out front w/ statements.

Baldridge shall say: "I will recommend to the P. that there will be no more bailouts."

# Federal Regional Councils -

New focus: Do we need 10 regions?

Walt: Ittenis doesn't want to be  
a member of all of them.

Harper - Barnes Dept. To Dept.

## S.E.S. - Harper -

Bonuses - 20% bonus is only  
incentive left

Performance Review Bds. required  
to have other cases S.E.S. etc as  
1/2 of their memberships.

Incentives are critical tool to  
get control of bureaucracy.

Schwartz - Good tools - also  
transfer power is critical.





MEMORANDUM TO HEADS OF AGENCIES

FROM: David Stockman

SUBJECT: Federal Regional Councils

The President has decided to restructure the Federal Regional Council system. Its primary mission will be to provide field support for the Administration's Economic Recovery and federalism reform program. The Federal Regional Council membership will consist of the following agencies: the Departments of Agriculture, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Labor and Transportation and the Environmental Protection Agency.

The Federal Regional Councils will be reestablished in each of the ten standard federal regions. Each member agency will provide a representative, who will be the principal policy official in the region, to serve on each Council. The Councils will have a general intergovernmental and interagency coordination responsibility; they will have no special appropriations and no powers beyond those collectively possessed by the individual member officials. The President will appoint one official to serve as Chairperson of the Council.

The Councils will assist in explaining and coordinating:

- implementation of the Administration's Economic Recovery Program.
- reform of federal aid system through block grants and the devolution of federal programs and functions.
- reduction of number and impact of federal regulations and crosscutting administrative requirements.

As these efforts are in the forefront of the President's program, and will involve regular contact with state and local officials, it is important that your representatives be thoroughly familiar with departmental and related Administration policies and be able to serve as effective advocates for them in the field. It is expected that the work of the Councils will be complementary to and supportive of the regular interagency and intergovernmental coordination responsibilities of the agencies.

On behalf of the President I want to extend my thanks to those departments and agencies and their officials who have previously served on the Federal Regional Councils. The non-member agencies may be called upon from time to time, to assist in selected activities of the Councils. Therefore, it is important that all agencies have regional administrators in the field who can promote the Administration's activities.

The Deputy Director of OMB will provide the guidance necessary to restructure the Federal Regional Council system. He will be working closely with you in that effort. The President will be shortly appointing the Chairperson of each Council. In order to ensure the timely implementation of this initiative, your appointment of these officials is an important first step.

I appreciate your support of this effort.

## FEDERAL REGIONAL COUNCILS

### DEFINITION

The Federal Regional Councils are interagency coordinating committees of the principal Federal officials located in the ten standard Federal regions. They are not authorized by statute, receive no appropriations, are staffed by individuals assigned by member agencies, and have no powers beyond those collectively possessed by the individual regional officials.

### ROLE

Councils will assist in explaining and coordinating:

- Implementation of the Administration's Economic Recovery Program.
- Reform of federal aid system through blocking and the devolution of federal programs and functions.
- Reduction of number and impact of federal regulations and crosscutting administrative requirements.

### MEMBERSHIP

The Federal Regional Council membership will consist of the Departments of Agriculture, Education, Energy, Health and Human Services, Housing and Urban Development, Interior, Labor and Transportation, and the Environmental Protection Agency.

The President will appoint one official to serve as Chairperson of the Council.

### IMPLEMENTATION

The Deputy Director of OMB will provide the guidance necessary to implement the Federal Regional Council system.



## EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MEMORANDUM TO ED MEESE

FROM: ED HARPER

SUBJECT: Senior Executive Service Bonus System

### What is the Present SES Bonus System?

Bonuses were created by the Civil Service Reform Act of 1978 (CSRA) as an integral part of the new Senior Executive Service. Longevity pay increases for executives were abolished and annual performance pay substituted. This system of performance awards providing for both bonuses and ranks was intended to encourage excellence in performance among career appointees. It is considered one of the most innovative and important features of the SES.

The bonuses in any fiscal year may not exceed 20 percent of an executive's basic SES salary. A further restriction is that the total amount paid to an SES member during any fiscal year for basic salary, stipend for rank, and bonus may not exceed more than the annual salary payable for Executive Level I in effect for the same year. The number of SES bonus awards that may be granted by an agency initially was restricted (by CSRA) to 50 percent of the total number of filled and vacant SES General and Career Reserved positions.

The first SES bonuses were paid by a few agencies in the spring of 1980. Concerns about the number and amounts paid by these agencies, and about potential abuse of the bonus system, prompted the Congress to limit bonus payments--through the appropriations process--to no more than 25 percent of the number of SES positions. (This limitation currently is included in the continuing resolution.)

There is also a performance appraisal process leading to the awards. It is designed as a major management tool that helps agencies more sharply focus resources on accomplishing their overall missions and specific goals. This performance appraisal system replaces a former system under which almost everyone received a satisfactory rating and pay increases were awarded almost automatically.

### Rationale for SES Bonuses

The new provisions were designed to install in the Federal government systems similar to those which have been successful in the private sector and which had been advocated by public administrators for years (notably the second Hoover Commission report of 1955). The possibility

of earning a bonus also was intended to attract people to the SES and to compensate those who joined for some of the risks they assumed and for some of the relative security they relinquished. Members of the SES do not have lifetime tenure, become more vulnerable to involuntary reassignments, and--if they perform below acceptable standards--must be removed from the SES.

#### How Awards are Made

To qualify for a bonus, an SES member must:

- (1) receive a performance rating of not less than fully successful in the most recent appraisal of the executive's performance conducted in conformance with an agency system which has been approved by OPM, and
- (2) be recommended for an award by an appropriate performance review board (PRB) established in accordance with law. (PRB's make recommendations on individuals and size of bonuses to the appointing authorities and executive resources board of an agency.)

OPM last July issued the following additional guidance:

- (1) agencies generally should limit bonuses to 20 percent of the eligible career employees (since Congress made clear that its 25 percent figure is a limit, not the norm);
- (2) bonuses of 20 percent (of basic pay) should be limited to no more than 5 percent of those receiving bonuses;
- (3) bonuses of 17-20 percent should, in total, be limited to no more than 10 percent of those receiving bonuses; and
- (4) bonuses of 12-20 percent should, in total, be limited to no more than 25 percent of those receiving bonuses.

#### Criteria for Award

Other than the stipulations listed above, there were no criteria in either the law or provided by OPM to guide the granting of bonuses.

#### Other Comments

One of the continuing criticisms of the bonus system, even under reduced Congressional limits, is that some members of SES Performance Review Boards are themselves recipients of bonuses. This is not surprising, since the law requires that, when appraising a career appointee, more than half of a PRB's membership must also be SES career appointees. Nonetheless, while OPM also believes that this particular criticism has no substance, it has suggested that agencies consider including on their PRB panels one or more members from another agency.

Furthermore, GAO thoroughly studied early SES bonus system payments and detected no abuse. It concluded that the bonuses and awards were within the CSRA and OPM guidance in effect at the time. GAO further recommended that the Congress allow the CSRA bonus and rank provisions to take effect. GAO emphasized private industry experience has shown that "an innovative concept that demands such an enormous and abrupt change in organizational behavior, as does SES, cannot be expected to operate optimally at its inception. Several years of experience with the system may be necessary to discover the changes that will be required to make it run well."

A greater cause of criticism, which is seldom discussed, lies in the fact that top Congressional staff members are not eligible for bonuses. This is a source of great resentment to some of them, and many SES members believe it is at least one of the primary reasons for the Congressional action lowering the limit on the possible number of bonuses, and for continuing proposals to further limit or abolish the bonus system.

In passing the CSRA, Congress explicitly endorsed the principle of paying Federal employees based on performance and set up the SES to apply the principle at the higher levels of the government. In the view of many SES members, Congressional restrictions on bonuses are regarded as an act of bad faith taken against people who voluntarily joined the SES and assumed greater risks in return for the promise of rewards for outstanding performance. This is seen as particularly punitive at a time of compressed executive salaries. Indeed, the MSPB has reported that a recent survey reveals one-quarter of the SES career membership intends to leave government within the next two years and another 20 percent may do so; most cite insufficient incentives to remain.

Finally, further limits on or cancellation of the bonus system is believed very likely to severely damage the SES. GAO's August, 1980 report concluded that "continuing executive pay compression and efforts to limit bonus and rank awards creates turbulence and declining morale among senior executives. We believe that the innovative features of SES should not be curtailed or abandoned before they have been given a chance to work."

room, chairman of the Governmental Affairs Committee, stopped short of endorsing the measure. He said in a statement:

"A carefully designed federal pay reform bill could help reduce unnecessary federal spending a great deal. However, the complexities of this issue make it imperative that our committee thoroughly review the bill before recommending it to the full Senate."

Derwinski, ranking minority member of the House Post Office and Civil Service Committee, called it "a good government issue" and charged that the Carter administration backed off a similar proposal "to placate federal employees in an election year."

The Reagan proposal includes the pay-and-benefits "total compensation comparability" and other major elements of the Carter plan, plus several new features.

Assuming passage of the bill, the Reagan budget projects a 4.8 percent "comparability" raise for general schedule workers this fall, compared to a 13.5 percent uncapped raise under the current system.

The Office of Personnel Management is opposing Senate bill 677, which would change the current system of semi-annual adjustments of civil service annuities based on the consumer price index to once-a-year adjustments, on grounds that this legislation would protect older annuitants at the expense of younger ones.

Opposition was voiced by OPM Director Donald J. Devine at recent hearings of the Senate Committee on Governmental Affairs.

Devine noted that S. 677, like the administration's proposal to shift to annual cost-of-living adjustments, would serve to control the

expense of these adjustments — but criticized the Senate version because it "would protect those over 65 from any change and instead shift the burden of these changes in the protection against inflation to younger annuitants."

Under S. 677, those 65 and over would continue to receive semi-annual increases while from age 60 to 65, annuitants would receive a single adjustment each year based on the full increase in the consumer price index (CPI), as under the administration's proposal.

Annuitants under age 60 would receive one adjustment each year equal to one-half of the percentage

rise in the CPI. Surviving spouses would be treated in the same way as retirees, with their adjustments depending on their age. Surviving children would get full increases once a year.

Devine contended that for those employees who choose to retire at age 55, S. 677 would actually reduce their protection against inflation while on the other hand, the proposed Senate bill would fully protect those retirees over 60 against inflation.

Describing such a situation as "a bit of irony," he told the committee that a preliminary investigation by OPM's actuary "suggests that current annuitants who have been retired for ten years, most of whom would be in the over 65 group, have actually fared better than more recent retirees."

"In comparing increases in annuities with increases in federal pay, we have found that the annuities of individuals who were on the retirement rolls by the early seventies have increased as much as 35 percent more than federal pay," Devine said. "This means that these older retirees are receiving substantially higher benefits than would be paid to employees retiring today from the same positions and with the same length of service."

To emphasize this point, Devine cited the an example:

"An employee who retired in 1971 at the top of the pay scale for GS-9, with 30 years of service and at age 55, would have received an initial annuity of \$563 a month. Today, with cost-of-living adjustments over the last ten years, that annuity would be worth \$1355 a month. By contrast, a similar employee retiring today would receive an annuity of only \$1067 a month, nearly \$300 a month less than the earlier retiree is now receiving.

"Under S. 677, that earlier retiree (See COLA, Page 22)

## Supporters Called to Rally 'Round SES

Fearful that survival of the Senior Executive Service bonuses is "far from a certainty," Office of Personnel Management Director Donald J. Devine has issued an urgent call on proponents of SES to rally to its defense.

In testimony on the beleaguered SES and bonuses for executives before the House subcommittee on civil service, Devine also called on the Congress to give the program a chance to prove its worth as a performance awards system for deserving executives.

The system is not without its faults, Devine said, but the Reagan administration can make changes and improvements which would restore confidence in the bonus system.

A General Accounting Office official said it is too early to assess the success or failure of SES — but questioned the adequacy of the SES performance appraisal systems at some agencies.

The appraisal systems, required under provisions of the Civil Service Reform Act of 1978 which

created SES, set standards of performance on the critical elements of each individual's job.

During the subcommittee hearings, Ersa H. Poston, vice chairwoman of the Merit Systems Protection Board, emphasized that MSPB found no evidence, in a survey it had conducted, "that performance standards are being arbitrarily imposed" as had been alleged by some SES critics.

The hearings, which served as a forum for a multitude of opinions on SES — ranging from charges of favoritism to complaints of insufficient numbers of executives receiving bonuses — are intended to help the subcommittee determine whether changes might be needed in SES.

Describing the 6800-member SES as the "central nervous system of our government," subcommittee chairwoman Rep. Patricia Schroeder, D-Colo., admitted that the SES is faced "with grueling pressures," particularly because of the new administration's dedication to reducing the size and

role of the federal establishment.

Public pressure to tighten up on SES bonuses came after the National Aeronautics and Space Administration last year paid bonuses to 240 executives or 46 percent of the agency's authorized level.

Consequently, the Supplemental Appropriations Act, passed by Congress on July 2, 1980 cut the percentage of individuals who could get bonuses in half. Before passage of that act, the Civil Service Reform Act permitted the awarding of agency performance awards to 50 percent of the authorized number of SES slots within an agency.

OPM "went further to limit the number of bonuses to 20 percent of eligible career employees and to specify how many bonus recipients could receive how much money," Schroeder said, and "the result is that bonuses are scarcer and scarcer — and executives are feeling cheated and misled."

NASA associate administrator for management operations

Edwin C. Kilgore said NASA had surveyed a number of industrial concerns regarding their long experience in using bonuses to motivate their executives and found that "almost without exception, over 75 percent of their executives receive bonuses ranging from a few thousand dollars to very large amounts."

"These companies have found that bonuses for only a small percentage of executives can result in a hierarchical system where only the top executives benefit, a result which can be quite devastating to lower-level executives," Kilgore said.

Noting that the law establishes a specific restriction against removal or involuntary reassignment for 120 days after the appointment of a new agency head or a new noncareer supervisor, Kilgore told the subcommittee that reassignments within NASA since January 20, 1980 — the day that President Reagan was sworn into office — "have been few in number and those that occurred

(See SES, Page 14)

April 20, 1981 Federal

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\$100,000	\$ 8.90	\$ 6.67
100,000	9.90	7.42
100,000	11.25	8.44
100,000	11.25	8.44
100,000	16.25	12.19
100,000	16.25	12.19
100,000	23.25	17.44
100,000	23.25	17.44
100,000	23.25	17.44

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Combine Plan 1 with supplemental coverage.

Combined Total	Monthly Premium	Example of Premium Less 25% Dividend*
\$102,000	\$ 9.90	\$ 7.42
100,000	8.90	6.67
64,000	5.90	4.42
\$266,000	\$24.70	\$18.51

et cost if a 25% dividend is declared. Although not guaranteed, dividend declared for 1980.

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# SES

From Page 3

were all voluntary in nature."

"In the future, senior executives may be asked to transfer or accept reassignment to assure the most effective executive leadership of critical programs," Kilgore said.

OPM Chief Devine assured the subcommittee that the 120-day moratorium on non-voluntary reassignments within the SES ranks is being observed throughout the government.

Devine questioned, however, whether the 120-day limitation, which expires May 19, 1981, might not be too restrictive. "Whether the requirement unduly limits the capacity of agencies to make changes which, for any number of reasons, should not be delayed."

At the same time, he acknowledged that he is not aware "of any body of evidence sufficient to demonstrate that the 120-day waiting period is overly burdensome."

In strong defense of SES bonuses, Devine emphasized that they are "earned" — and that this type of earning serves as "a powerful incentive for superior executive accomplishment."

When asked by Schoeder about the authenticity of news reports that the Reagan administration is planning a wholesale purge of present SES members — most of whom moved into their jobs under the Carter administration — Devine issued assurances that no such plan exists.

"Certainly no assignments will be made to shake up the system," he said.

Devine said OPM is working on a plan to refer RIFed executives from one agency to another but emphasized that regulations that deal with bumping within the regular competitive service is concerned does not necessarily hold true within SES.

"SES should not be treated as just an extension of the regular competitive service," Devine said. "As I read the law, the SES was set up as a separate service."

Devine said that the pay and bonus for SES had created "terrible management problems in the government."

He cited problems encountered by the Canadian government, where as a result of a pay cap, regular, competitive civil servants actually are earning far more than executives.

Emphasizing that such a situation creates "serious problems," Devine contended that under such conditions, employees refuse to accept promotions into executive positions because they would lessen their earning capabilities.

Another question raised at the hearings involved the present practice of performance review boards, which recommend payment of SES bonuses, to their own board members.

Devine admitted that "this is a perplexing issue" but noted that

those serving on performance review boards are chosen to do so because "they are competent senior executives."

"I think it would be counterproductive for senior executives of that caliber to be ruled out of consideration for bonuses solely by virtue of their designation."

He added, however, that the general issue posed by the situation does not involve allegations of actual impropriety but rather, "the potential for, or possible appearance of, impropriety."

Devine suggested that more careful structuring of performance review boards might be a good idea, or requiring agency heads to take personal responsibility for all bonuses.

He indicated that the issue of performance review boards, along with other SES activities, will be the subject of an OPM review.

Although assuring the subcommittee that he is "generally sympathetic" to the Civil Service Reform Act of 1978, Devine indicated he would be open for ideas for changes designed to improve the civil service.

While emphasizing that "we must be realistic in recognizing that the survival of SES bonuses is far from a certainty," Devine said that "we must remain hopeful that a reasonable opportunity will be afforded to make refinements and improvements that will restore confidence in the bonus system."

"If the system is to survive, now is the time for supporters of the performance award concept to rally to its defense."

Another witness, Clifford J. Gould, director of GAO's federal personnel and compensation division, informed the subcommittee that the GAO currently is "identifying existing and potential impediments to the successful implementation of SES performance appraisal systems so agencies and OPM can take corrective actions before problems become too difficult to overcome."

Gould acknowledged that allegations by some members of Congress that bonuses have been given to circumvent a congress-

sional ceiling on executive pay might be well founded but suggested that if Congress wants to halt that tendency, it should lift its pay ceiling, which currently limits some 35,000 officials in a half dozen grades to \$50,112 a year. According to Gould, this would permit "appropriate differentials" between pay levels.

G. Jerry Shaw, president of Senior Executive Association (SEA) testified that his organization does not believe the bonus program was well-implemented government-wide because some agencies "never did get performance objectives established for their executives and as a result, many did not pay any bonuses." He added that other agencies paid only a few bonuses.

Like Devine, Shaw called on Congress not to repeal the bonus provision but rather, permit it to operate for a few years to see if it has the desired result. He emphasized, however, that he did not think the program would work unless the number of executives eligible for performance bonuses is once again increased to 50 percent.

Noting that executives who have had only one five and one-half percent pay increase in the last four years are considerably upset, Shaw added that "if a sense of bitterness is detected, I can assure you that it reflects the views of nearly all, if not all," members of SES.

In addition, Shaw said his organization is "delighted with the administration's indication of support for keeping the career Senior Executive Service system non-partisan."

Similarly, Paul Lorentzen, president of the Federal Executive Institute Alumni Association, generally supported continuation of the bonuses but urged more government-wide criteria for performance appraisals, charging that "performance appraisals vary greatly" from agency to agency.

He also called for "cooperative and competitive" behavior on the part of executives because the "me-first behavior" currently being displayed by bonus-hungry officials is "destructive" of cooperative team work.

—ANDRONICOS.

## CRIMINALS BEWARE

# Felons Face Benefits Cut

Rep. Patricia Schroeder, D-Colo., has introduced legislation that would deny federal retirement benefits to government employees or congressmen convicted of job-related felonies.

Because of constitutional restrictions, however, the measure could apply only to future crimes and would not affect congressmen convicted in Abscam.

Schroeder's bill would bar federal pensions to persons whose crimes occurred during their federal employment and involved their work, and which carried possible imprisonment of more

than five years. It would apply to crimes committed after the bill became law.

The Denver Democrat said there is little hope of withholding annuities from past violators, such as those in Abscam, because of a 1972 federal court decision in the Alger Hiss case. The court held that an attempt to withhold benefits from Hiss's unconstitutional.

Schroeder noted that an employee's contribution to the retirement fund pays for less than one third of its total cost.



# Full Cabinet Meeting

4/24/81

Thank you for your agreements  
of support.

I should be applying you  
I'm just so damned proud of  
all of you & how things  
were carried on. These  
were some days when  
I didn't think it was  
needed. (laughter)

I guess now we can  
get down to work.

It has been quite an  
experience. I don't  
have words to express my feelings.

I don't think this city  
seen a team like  
this in a long time

Edward

Strategic Petroleum Reserve

need it - need an unworsed  
fill rate - would  
prefer direct funding -  
esp. if can't get alternative funds

Bevan: recommends let Cab. Council on Economics make options on financing.

He: I have a Q - I've been asking - We've got the Elk Hills Reserves -

Don't we get offshore royalties + why can't we put that to the purchase of Strategic Petroleum.

Watt: attractive political solution, doesn't satisfy underlying budget problem

Edwards: 100,000 barrels a day going from Elk Hills to SFR

royalties are 1/6 of the income

P. 3

Stochman. Adyathy  
oil. 5th 30 to 40,000  
panels a day.

total of offshore &  
all wells would only  
be 250,000 panels a  
day. But we need  
to have more when market  
is down.

would still have to buy from  
open market

P. Doesn't like profit  
following gimmicks.

Stochman. Disagree - but  
security of country  
& primary requires prudent  
system.

There's no money in Gram-Sette  
for SPR

P. 4

P: Thinks we need a  
Strategic Reserve.

"I still come back  
to oil royalties — if they're  
used in the budget, we  
are digging into capital to  
pay for ongoing jobs &  
cost" —

now — where does the  
money go in the budget?

What would suffer if  
we didn't use them in  
budget.

Strohman — They go into  
General fund. General  
receipts — just like income  
taxes.

If took it all out, would  
increase ~~budget~~ deficit  
by \$71 billion.

P.5

P: If revenue increase, don't  
it reduce drain on the general  
funds -

Strohmer: That's one way we  
are going to balance budget in  
'84 - We've <sup>already</sup> accounted for  
substantial ~~receipts~~ increase in  
receipts.

Hartig: However, we finance it,  
it is critical to our  
national security that we do  
this. Let's study &  
come back w/ solution.

Strohmer: We'll see (Regan)  
I have to testify  
Sun on Tues - Wed on Thursday -

Regan: We can waffle then

Strohmer: Well - you waffle  
first

mean  
cough

A: I was just getting ready to play  
Camille & have a coughing spell.

Regan: Save that for Tuesday night

26  
4.6

P: I've been concerned  
about our credibility.  
re: grain embargo -

met w/ at + Bloch -  
I think we've now sent  
signals to Soviet Union.  
Our allies think maybe we've  
sent too much signal

think we should have had  
cut all trade - or lift  
the embargo -

I'm proposing today that  
we announce - close  
market - that we are  
lifting embargo -

I'm sending personal  
letter to Bog. who is  
reply to his letter which was  
harsh & intemperate -

I replied saying - if we're to  
negotiate, let's do on basis

f.

of what's good for  
dear people, not as  
part of chess game &  
maneuvers of the govts.

RR's  
lip  
pursed

Time to get down to what  
the hell we can do to  
improve the lot of  
people all over the  
world.

I think we're justified  
in lifting the embargo.

Kirkpatrick : lifting embargo  
makes it easier in UN  
to veto ~~UN~~ sanctions  
against South Africa.

Walt : We are very proud  
of you - & when you  
walked in we clapped  
from our hearts - saw you  
& thought - there goes the

p. 8

answer to our prayer -  
Bright get well card  
from Xia India school  
in Oklahoma.

p. I think we've demonstrated  
that what we set out  
to do & our method of  
doing it works.