



UNITED STATES DEPARTMENT OF COMMERCE
Office of the Acting Chief Financial Officer and
Assistant Secretary for Administration
Washington, D.C. 20230

MEMORANDUM FOR: Principal Human Resources Managers

FROM: Travis Hoadley
Chief Human Capital Officer and
Director of Human Resources Management

SUBJECT: Fiscal Year 2026 Performance Management Guidance

On June 17, 2025, the Office of Personnel Management (OPM) issued [Memorandum: Performance Management for Federal Employees](#) establishing new government-wide rules which require all Executive agencies, including the Department of Commerce (DOC), to improve the management of employee performance and build a culture that rewards strong performance and quickly addresses poor performance. The following guidance applies to all non-senior employees (those not in Senior Executive Service [SES] or Senior Technical [ST]/Senior Level [SL] positions). This includes employees covered by the General Schedule (GS), Federal Wage System (FWS/WG), Commerce Alternative Personnel System (CAPS), and Alternative Personnel Management System (APMS) performance appraisal systems.

While the vast majority of the Department's performance management guidance remains unchanged, the following new rules and requirements must be implemented with the Fiscal Year (FY) 2026 performance cycle:

1. All employee performance cycles must align with the FY, i.e. start on October 1st and end on September 30th.
 - a. Any plans or systems that do not currently match this cycle should use FY26 as an adjustment year, extending the existing cycle or reducing the next cycle as necessary to ensure a future cycle starts on October 1, 2026.
 - b. For example: If an employee's current performance cycle is November 1, 2024 to October 31, 2025, the next cycle will be reduced by one month to run from November 1, 2025 to September 30, 2026. The following cycle will begin on October 1, 2026, ending on September 30, 2027.
2. Any existing Pass/Fail performance management systems must be replaced with the DOC standard five-level rating system, consistent with any labor relations obligations.
3. The Holding Employees Accountable (HEA) performance element must be included in all supervisory employees' performance plans.
 - a. The HEA supervisory critical element and language must be added *verbatim* per OPM.
 - b. The Updated DOC Leadership/Management (L/M) supervisory critical element will also be mandatory for all supervisory employees.
 - c. The combined weight of the HEA and L/M supervisory elements must total at least 25%.

- d. To account for the new HAE standard, supervisory performance plans will include at least four (4), but no more than seven (7) critical elements.
4. Supervisors must provide regular performance check-ins/discussions with employees – with a minimum of four (4) quarterly (Q) reviews with the post Q2 review serving as the mid-year review and the post Q4 as the year-end review.
5. Managers must ensure that the distribution of performance ratings is normalized to reflect meaningful distinctions between Level 5 (“outstanding”) performance and expected Level 3 (“fully successful”) performance as indicated in the OHRM Fiscal Year 2025 Performance Management Guidance.
6. Recruitment, relocation, retention, and student loan repayment incentive must be promptly terminated for employees who perform below the “fully successful” or equivalent level in the applicable performance management system.
 - a. Previously issued incentives must be retroactively terminated on a pro-rated basis for any employee who has not completed the associated service requirement.
 - b. For example, an employee who received a lump sum recruitment bonus paid in advance but has only completed 50% of the required service at the time of their less-than-fully-successful rating, is required to return 50% of the incentive.
7. If an employee’s performance drops to an unacceptable level, they must be placed on a performance improvement plan (PIP) as soon as possible, consistent with Chapter 43 procedures and in coordination with the Servicing Human Resources Office (SHRO).
 - a. The PIP opportunity period should last no more than 30 business days unless there is a valid reason for a longer opportunity period, such as a need for more time to properly assess the quality of work performed. An employee can be placed on a PIP at any time; non-supervisory performance plans will include at least three (3), but no more than six (6) critical elements. management need not wait for a quarterly review.
 - b. If the employee’s performance does not improve to an acceptable level during the opportunity period, the supervisor must work with their SHRO to propose the removal or reduction-in-grade of the employee.
 - c. If the employee’s performance reaches an acceptable level during the opportunity period but subsequently declines in the same critical element(s) within 1 year from the PIP issuance date, the supervisor must work with their SHRO to propose the removal or reduction-in-grade of the employee.
 - d. Supervisors, in consultation with their SHRO, may utilize a Chapter 75 adverse action to address unacceptable performance. A PIP is not required in a Chapter 75 action, but preponderant evidence is required to show that the employee’s performance is unacceptable and the supervisor’s assessment is both accurate and reasonable.
 - e. Chapter 75 may also be used to address conduct that is unacceptable, including AWOL, failure to follow supervisory assignments, insubordination, etc.

Please take all appropriate steps to disseminate and implement these changes, including updating performance and disciplinary policies as necessary.

By close of business **Friday, October 17, 2025**, each PHRM must submit a detailed accounting of all activities taken and in-process (with anticipated completion dates) to OPBServices@doc.gov.