

FOURTH ESTATE

INTERIM GUIDANCE

THE NATIONAL SECURITY PERSONNEL SYSTEM

COMPENSATION ARCHITECTURE

- References:
- (a) Section 9902 of title 5, United States Code
 - (b) Title 5, Code of Federal Regulations, Chapter XCIX, Part 9901, "Department of Defense Human Resources Management and Labor Relations System"
 - (c) Title 5, Code of Federal Regulations Chapter 1 and Part 451, "Awards"
 - (d) DoD Civilian Personnel Manual, 1400.25-M, Chapter 1900
 - (e) through (g), see Enclosure 1

1. PURPOSE

This interim guidance:

1.1. Implements the compensation and pay-for-performance policies under References (a) through (g).

1.2. Provides supplemental guidance to the DoD implementing issuance at Subchapter 1930 of Reference (d).

1.3. Prescribes procedures, delegates authorities, and assigns responsibilities to DoD Fourth Estate entities.

2. RESPONSIBILITIES

2.1. The Heads of DoD Fourth Estate entities without independent appointing authority but who hold budget authority for their entities are delegated authority to act on functions as specifically provided within Subchapter 1930 of Reference (d) and this interim guidance. When the authority may be redelegated to the lowest practical level, it is noted in the corresponding paragraph in this interim guidance. Redelegation shall be in writing and shall specifically identify those individuals with delegated authority. When this authority is exercised, records shall be maintained to document the action and circumstance for the action taken. The officials to whom these authorities are delegated must be sufficiently trained to properly execute these authorities.

2.2. Accountability. The NSPS compensation program is a Human Resources tool of management; not a civilian personnel program responsibility. The broad range of NSPS pay

bands provides substantial pay-setting flexibilities. Due to the potential for increased long-term salary costs, authorized management officials who recommend or approve personnel and/or pay actions must exercise fiscal control and pay management oversight. All pay actions must take into consideration the availability of funds and conform to merit principles, and comply with the requirements of References (a) through (d).

3. GENERAL (SC1930.7.3.)

3.1. DA&M shall issue guidance to the head of each DoD Fourth Estate entity on the procedural requirements and the suspense date for submission of their pay progression plans. Each DoD Fourth Estate entity with budget authority is responsible for developing and submitting a plan for managing pay progression to DA&M prior to the end of the first rating cycle. DA&M will review and forward to the Under Secretary of Defense for Personnel and Readiness (USD(P&R)). Pay progression management plans should take into consideration:

3.1.1 Employment needs of the organization, including unique position requirements and mission critical skills;

3.1.2. Which requirements have the highest priority;

3.1.3. The culture and budget of the organization;

3.1.4. The training that will be provided to equip management officials with the skills they will need to manage and execute their pay responsibilities effectively; and

3.1.5. The incorporation of NSPS flexibilities to include, but not limited to:

3.1.5.1. Market sensitive pay;

3.1.5.2. Use of reassignments and promotions;

3.1.5.3. Distribution of funds applied to performance pay increases versus performance bonuses; and

3.1.5.4. Use of Pay Band Control Points.

4. PERFORMANCE-BASED PAY (SC1930.9.)

4.1. Elements of the Pay Pool Fund. (SC1930.9.3.1.) The DA&M may issue annual guidance to heads of Fourth Estate entities with budget authority on the procedural requirements, timelines, and suspense date for certification of pay pool funding compliance.

4.1.1. By the last business day of the calendar year, each DoD Fourth Estate entity head with budget authority shall forward to DA&M a written certification of compliance with annual pay pool funding requirements. Certification of payout compliance shall include the number of

employees paid under NSPS, and the aggregate percentage expended in Element 1, Element 2, and Element 3.

4.1.2. The submission shall include the amount of funds expended for Accelerated Compensation for Developmental Positions (ACDP) and Discretionary Performance Payouts (SC1930.9.9.) for the reporting period. Note: ACDP, OAR, and EPI, while not part of the pay pool, shall be included in the compliance certification to DA&M.

4.1.3. With the certification submission, the head of each DoD Fourth Estate entity with budget authority shall provide DA&M notice of its projected pay pool funding percent for the upcoming performance payout.

4.1.3.1. When the head of a DoD Fourth Estate entity determines a shortfall in meeting the pay pool funding percent for the performance payout, immediate notification must be made to the DA&M through the cognizant Principal Staff Assistant (PSA).

4.1.3.2. The DA&M will use the pay pool funding notice to ensure that the DoD Fourth Estate's aggregate pay pool funding meets the funding floor established by the Secretary.

4.1.3.3. The DA&M will make timely notification to the cognizant PSA of the necessity to reevaluate and adjust their pay pool funding percents so the entire DoD Fourth Estate will meet the funding floor established by the Secretary.

4.1.3.4. The cognizant PSA will make timely notification to the head of the affected DoD Fourth Estate entities so reevaluation and appropriate adjustments can be made to the pay pool funding percents and organizational budgets.

4.1.3.5. The head of the DoD Fourth Estate entity(ies) will report through the cognizant PSA(s) to the DA&M the adjustment made to the pay pool funding percent.

4.2. Funding Floors (SC1930.9.3.1.1.) The heads of DoD Fourth Estate entities with budget authority may set different funding floors for Element 1 of each pay pool to accommodate differences in the composition of pay pools, as long as their overall organization meets the pay pool funding requirement as established with DA&M. This authority may be redelegated in writing to the entity's Performance Review Authority (PRA) (SC1940.4.1.).

4.3. Pay Pool Funds (SC1930.9.3.1.3.) The heads of Fourth Estate entities with budget authority may establish policy concerning the allocation of funds representative of Element 3 of Pay Pool Funds (performance-based cash awards) for their agencies or activities. This authority may be redelegated in writing to the entity's PRA.

4.4. Pay Band Control Points (SC1930.9.5.) The heads of DoD Fourth Estate entities with independent appointing authority and/or budget authority have authority and are encouraged to establish and construct the methodology for pay band control points within their respective agencies or activities in order to manage pay progression. This authority may be redelegated in writing to the entity's PRA. Considerations when establishing pay band controls points include,

but are not limited to, labor market factors, skills, work complexity, and performance. The methodology shall be applied consistently to similar positions in the same pay band and career group within a pay pool. Pay band control points shall not be used to emulate the General Schedule.

4.5. Performance Shares (SC1930.9.6.) The heads of DoD Fourth Estate entities with independent appointing authority and/or budget authority may establish business rules concerning assignment of shares within a share range. This authority may be redelegated in writing to the entity's PRA. Considerations as regards performance shares (in addition to SC1930.9.6.1.1.) may include:

4.5.1. At the discretion of the Pay Pool Manager (PPM), if the majority of the employee's job objective ratings are four or higher, the employee may receive the higher share value within the share range.

4.5.2. At the discretion of the PPM, employees who have served an improvement period during the appraisal cycle may receive the lower share within the share range.

4.5.3. Additional considerations in making share assignments may include, but are not limited to, the success of units or organizations in meeting a mission goal and the level of contribution an individual makes to the unit, organization, installation, region, or headquarters.

4.5.4. Longevity shall not be considered in the distribution of shares in the share ranges.

4.5.5. Prorating the Payout. (SC1930.9.6.3.2.) NSPS Performance Based Pay Pool payouts are prorated based on hours worked to reflect (a) significant amounts of leave without pay (LWOP); (b) Part Time and Intermittent Employment; and/or (c) entry into NSPS position from a non NSPS position. These absences during the appraisal period will be prorated as follows:

<u>Hours Worked</u>	<u>Percentage of Payout Paid</u>
1561 - 2080	100
1041 - 1560	75
521 - 1040	50
Minimum - 520	25

For purposes of above computations, "Hours Worked" shall include hours in an approved paid leave status in addition to actual hours worked. The actual hours the employee works are used to calculate the proration. In the case of prorating due to part time employment, only the performance based pay pool bonus will be prorated since the "number of hours worked" automatically prorates pay increases for part time employees. For example, a part-time employee working 20 hours per week and earning \$40,000 per annum actually earns \$20,000. If

the employee receives a \$2,000 performance payout, with 60 percent going to bonus and 40 percent going to salary, the new annual salary would be \$40,800. The actual salary earnings would be \$20,400. Based on the above chart, the employee would receive 50 percent of their performance bonus or \$600.

4.6. Organizational/Team Achievement Recognition. (SC1930.AP4.3.) DoD Fourth Estate entities are encouraged to make use of Organizational/Team Achievement Recognition (OARs) in order to encourage team work and camaraderie. The heads of DoD Fourth Estate entities with budget authority shall establish internal procedures consistent with SC1930.AP4 which shall be followed when awarding an OAR. Considerations in making OAR awards include, but are not limited to, accomplishment of “Green” on Presidential Management Agenda initiative or achievement of an organization’s strategic goals. The organization can be identified at any level (e.g., office, field, headquarters).

4.7. Pay for Developmental Employees. (SC1930.9.10.) Consistent with the approval levels for percentages in paragraph 5.6., Pay Setting Upon Promotion, an employee participating in a predefined DoD Fourth Estate entity’s developmental program or developmental position may receive an increase to base salary, bonus, or a combination of these commensurate with assignment of more complex developmental work within pay band 1 using Accelerated Compensation for Developmental Positions (ACDP).

4.7.1. Accelerated Compensation for Developmental Positions Criteria.

4.7.1.1. Supervisors may recommend increases of up to 20 percent in base salary.

4.7.1.2. To establish the ACDP monetary value, as an option, management may take the difference between a projected full performance level base salary for the position being filled and the employee’s estimated or actual starting base salary. This amount is then divided by the time (e.g., 2 or 3 years) necessary to reach the full performance level as specified in the applicable formal training plan. This process provides the periodic amount allowed for ACDP increases. These increases, usually as salary increases, may be paid to coincide with the employee’s anniversary date, in increments based on accomplished milestones or in conjunction with the annual performance payout. The projected full performance level base salary may be proportionally increased if the bottom of the rate range is increased during the developmental period.

5. PAY ADMINISTRATION (SC1930.10.)

Heads of DoD Fourth Estate entities with budget authority may define approval levels and procedures for setting pay and may further delegate to the lowest practicable level. Officials to whom this authority has been delegated must be sufficiently trained to execute their responsibilities under this authority effectively. This delegation includes the authority to determine salary and approve premium pay and other special pay in accordance with this guidance and the controlling provision of Reference (d). Delegations shall be in writing and specifically identify the authorized management official and the higher-level management official.

5.1. Responsibilities. Heads of DoD Fourth Estate entities with budget authority are encouraged to designate an individual who shall audit documentation concerning pay determination decisions aside from performance-based pay determinations (e.g., new hire pay, reassignment pay, promotion pay) to ensure consistency in the application of legal and regulatory guides and equitable treatment of employees. This role could be performed by the pay pool manager or designee. Heads of DoD Fourth Estate entities with budget authority shall put in place any required procedures to ensure program integrity and meet external review and reporting requirements.

5.2. Approval Procedures. (SC1930.10.2.) In situations where a higher-level approval is required, that individual shall be, at a minimum, one level higher than the management official making the initial recommendation. Approval for second and third level is not necessary if there is no official within the entity at a higher level. The requirements and limitations imposed by Reference (e) shall be followed unless exceptions are permitted and approved by authorized officials to whom pay-setting authority has been delegated.

5.2.1. Written policies shall identify when higher increases are appropriate and ensure that pay setting decisions are consistent, fiscally sound, and based on labor market conditions, current salaries of employees, and the skill level of the employee, and conform with merit principles.

5.2.2. All pay setting decisions shall be documented in writing to ensure an adequate audit trail and attached to the Request for Personnel Action. This documentation is subject to periodic audits by the individual designated under paragraph 5.1. of this interim guidance. A sample pay setting checklist/worksheet is at Enclosure 2 of this interim guidance and may be used to document pay setting decisions.

5.3. Setting an Employee's Starting Pay. (SC1930.10.3) Under the NSPS, managers have greater flexibility to set pay for new hires as well as a result of an employee's promotion or reassignment. This pay setting flexibility provides managers with a valuable recruitment and retention tool. As the Department of Defense works toward refining its approach to establishing and adjusting the salary range minimums based on national labor market forces and aligning these factors to a DoD compensation philosophy, Reference (g) will be used in the interim to make pay setting determinations. In addition, any time that the Department of Defense issues pay setting guidance, the DoD guidance shall be followed.

5.3.1. The selecting official shall consider the following when establishing a base salary recommendation for a new hire or rehire:

5.3.1.1. The candidate's current validated salary;

5.3.1.2. Any other validated job offers with associated salary levels that the candidate has received;

5.3.1.3. The candidate's experience and breadth of skills as they relate to the requirements of the position;

5.3.1.4. Current budget status to determine available funds;

5.3.1.5. Information on market rates for like jobs and skills/background. A Human Resources Specialist may provide this information.

5.3.1.6. Impact of adding Local Market Supplement to base salary before finalizing base salary recommendation;

5.3.1.7. Entrance on duty date to determine when the new hire will receive first performance based payout;

5.3.1.8. Alignment with the pay of current employees in like positions; and

5.3.1.9. Pay band, skills, and responsibilities.

5.3.2. Approvals.

5.3.2.1. An increase up to 12 percent of the selectee's validated current salary, other validated job offer, or highest previous rate (HPR), if being reinstated, may be approved by an authorized management official.

5.3.2.2. A recommended increase above 12 percent, and not to exceed 20 percent, of the selectee's validated current salary, other validated job offer, or HPR if being reinstated shall be approved by the next (second) higher-level authorized management official.

5.3.2.3. An increase greater than 20 percent of the selectee's validated current salary, other validated job offer, or HPR if being reinstated shall be approved by a third higher-level authorized management official.

5.3.2.4. Approval for second and third level is not necessary if there is no official at a higher level within the DoD Fourth Estate entity.

5.4. Employee-Initiated Reassignment. (SC1930.10.4.1.) Pay may be set above the employee's current salary when the employee possesses specialized skills, knowledge, or abilities that will be used, and will enhance performance in the new position; the reassignment is for career development; or the reassignment is for comparable reasons that will further the DoD Fourth Estate entity's mission.

5.5. Management Directed Reassignment. (SC1930.10.4.2.) Pay may be set above the employee's current salary when the employee possesses specialized skills, knowledge, or abilities that will be used in and will enhance performance in the new position; the reassignment is for career development; or the reassignment is for comparable reasons that will further the DoD Fourth Estate entity's mission.

5.6. Setting Pay Upon Promotion. (SC1930.10.5.) An increase up to 12 percent of an employee's current base salary may be approved by an authorized management official. A recommended increase of 13 to 20 percent of an employee's current base salary shall be approved by the next (second) higher-level authorized management official. An increase to an employee's salary greater than 20 percent shall be approved by a third level higher authorized management official. Approval for second and third level is not necessary if there is no official at a higher level. Any increase higher than 6 percent must be based on specific factors that warrant such an increase. Such factors may include difficulty in filling the position, superior skills/qualifications, remote location, and greater expected contribution to the mission. Promotion increases that exceed the 12 percent range to reach the minimum rate of the new pay band are automatic and require no higher approval.

5.7. Setting Pay Upon Reduction in Band. (SC1930.10.6.)

5.7.1. Voluntary Reduction in Band. (SC1930.10.6.1.) When an employee voluntarily moves to a lower pay band, the authorized management official may decrease or increase the employee's salary, but must set the employee's salary within the assigned pay band. The authorized management official may also approve a reduction in band with no change to the employee's current base salary. An increase in salary may be up to 5 percent of the employee's current salary (not to exceed the maximum of the rate range); the approval level for an increase to the employee's current base salary will be defined by each DoD Fourth Estate entity. An increase in salary, based upon scarcity of candidates, reassignment from non-supervisory to supervisory, remote location, skills need, hard-to-fill positions, entrance into a training program for a job-related competency, or other such factors, should be documented.

5.7.2. Involuntary Reduction in Band. (SC1930.10.6.3.) An authorized management official may move an employee involuntarily to a lower pay band and decrease the employee's base salary because of poor performance or misconduct, but should do so only when factors dictate the necessity for such a decrease and due process under applicable adverse action procedures has been followed.

5.8. Pay Retention (SC1930.11.)

5.8.1. Pay Retention Delegation (SC1930.11.2.) The heads of the DoD Fourth Estate entities with independent appointing authority are hereby delegated the authority to extend pay retention consistent with SC1930.11.2. This authority may be further redelegated. The officials to whom this authority is delegated must be trained sufficiently to properly execute this authority.

5.8.2. Pay Retention Priority Referral (SC1930.11.8.) The heads of the DoD Fourth Estate entities with independent appointing authority shall develop procedures to place employees who are on pay retention on a priority referral list for the entire period of pay retention eligibility. Procedures for maintaining the priority referral list shall include, but are not limited to:

5.8.2.1. Employee placement on referral list(s) based on pay band and pay schedule or equivalent pay band in another pay schedule that does not exceed the pay band for which pay retention is in effect;

5.8.2.2. When to refer employees on the priority referral list;

5.8.2.3. Responsibilities of the employee;

5.8.2.4. Instructions for selecting officials to follow when requesting approval to non-select from the pay retention priority list;

5.8.2.5. Instructions for requesting waivers if waivers are permitted;

5.8.2.6. Who may approve/disapprove the non-selection or waiver requests;

5.8.2.7. When a selecting official may proceed with recruitment activities and consideration of any additional candidates outside of the priority referral list;

5.8.2.8. Definition of a valid offer under priority referral; and

5.8.2.9. Employee's pay retention status as a result of a declination of a valid offer.

6. ON-CALL PREMIUM PAY (SC1930.15.)

The heads of DoD Fourth Estate entities with independent appointing authority who submit a written request to the USD(P&R) for an extension of on-call premium pay for categories of employees within their agency shall furnish a copy of the request to the DA&M.

7. ANNUAL PREMIUM PAY FOR REGULARLY SCHEDULED STANDBY DUTY (SC1930.17)

Extending Standby Duty Premium Pay. (SC1930.17.) The heads of DoD Fourth Estate entities with independent appointing authority who submit a written request to the USD(P&R) that standby duty premium pay coverage be extended for occupations other than those cited in SC1930.17.2. shall furnish a copy of the request to the DA&M.

8. PAY FOR DUTY INVOLVING PHYSICAL HARDSHIP OR HAZARD (SC1930.25)

Establishment of Hazard Pay Differentials (SC1930.25.2.) DoD Fourth Estate entities with independent appointing authority who submit a written request to the USD(P&R) that hazard pay differential be established or modified shall furnish a copy of the request to the DA&M.

9. EFFECTIVE DATE

This interim guidance is effective immediately.

Enclosures - 2

E1. References, continued

E2. Notional NSPS Pay-Setting Worksheets

E1. ENCLOSURE 1

REFERENCES, continued

- (e) DoD Financial Management Regulation 7000.14-R, Volume X, Chapter X
- (f) Deputy Secretary of Defense Memorandum, "Delegation of Authority for National Security Personnel System (NSPS) Implementing Issuances," April 24, 2006
- (g) Manager's Interim Guidance for Establishing Pay for Employees in NSPS, May 2006

E2. ENCLOSURE 2

Notional NSPS Paysetting Worksheets

Sample Worksheet 1

NSPS SALARY DETERMINATION PROCESS – NEW HIRES, PROMOTIONS,
REASSIGNMENTS

Candidate Information	NSPS Job Information (Position To Be Filled)
Name:	Location: NSPS Position Title:
Current Job Title:	NSPS Pay Schedule/Occupation Code/Pay Band Former GS-Grade & Series or Equivalent:
Current NSPS Pay Schedule & Pay Band OR GS-Series-Grade (if applicable):	NSPS Salary Range:

Nature of Action (Check One) – Selecting Supervisor (insert web link to NSPS Managers' Guide)

New Hire

Equivalent of GS step 1 or minimum of pay band or up to 12 percent of selectee's current salary, other job offer, or HPR

13-20 percent increase above selectee's current salary, other validated job offer or HPR

Above 20 percent increase above selectee's current salary, other validated job offer or HPR

Promotion

6 – 12 percent increase

13 – 20 percent increase

Above 20 percent increase

Reassignment

Voluntary

No increase

1-5 percent increase

(Employee cannot receive more than 5 percent in a 12-month period when reassignments are voluntary.)

- ↑ Decrease – Amount to be agreed upon with employee, must be at or above the minimum of the pay band
 - ↑ Management Directed
 - ↑ No increase
 - ↑ 1-5 percent increase
(Employee may receive a maximum of 5percent with each reassignment)
 - ↑ Involuntary – for poor performance or misconduct
 - ↑ No decrease
 - ↑ 1-10 percent decrease (one time in a 12-month period) (adverse action)
 - ↑ Reduction in Band
 - ↑ Voluntary
 - ↑ No increase
 - ↑ 1-5 percent increase
(Employee cannot receive more than 5 percent in a 12-month period when reduction in band is voluntary.)
 - ↑ Decrease – state reason for decrease:
-
- ↑ Involuntary - Adverse Action /Performance and/or Misconduct
 - ↑ No decrease
 - ↑ 1-10 percent decrease (cannot fall below the minimum of the employee's pay band and cannot be reduced more than once in a 12-month period)

Note: Provides notional worksheet for use in NSPS salary determination.

E2. ENCLOSURE 2
Sample Worksheet 2

ASSESS THE CANDIDATE’S JOB-RELATED EXPERIENCE, TRAINING, AND SKILL/COMPETENCY

Indicate the Candidate’s:

Relevant education: _____

Years of Relevant Experience: _____

List Relevant Training (Licences, Certifications, etc.): _____

Place an “X” in the Appropriate Level of Job-Related Experience, Education, Training, and Skill Levels/Competencies of the Candidate. Consider the full range of the Candidate’s breadth, depth, and scope of relevant job duties, responsibilities, and complexity.

Candidate’s Employment History Indicates	Education	Training	Competencies (Knowledge, Skills, Abilities)	Breadth, Depth, and Scope of Relevant Job Experience
Minimum position levels				
Exceeds Minimum position levels				
Prior Direct Experience, Can “Hit the ground running”				
Possesses Unique Skills Critical to Unit/Agency/ Department				

Note: Provides notional worksheet for use in NSPS salary determination.

E2. ENCLOSURE 2
Sample Worksheet 3

SALARY INFORMATION: Candidate's Current Salary, Internal Salary Analyses,
Proposed Salary

Complete the entire Worksheet before determining the appropriate "Proposed Salary" to ensure a thorough comparison with all relevant pay-setting factors. This must be completed only when approval is required ABOVE the selecting official.

Internal Candidate's Current Salary	Internal Salary Data of Incumbent(s) in Same or Similar Position(s)	PROPOSED SALARY (including Local Market Supplement)
<p>Total Annual Salary: _____</p> <p>(Includes Base Salary + Locality/Geographic Pay; Exclude Bonuses, Awards, Lump-Sums Amounts)</p> <p>Years of Relevant Experience: _____</p>	<p>Avg. Salary: _____</p> <p>Number of Incumbents: _____</p> <p>Highest Salary: _____</p> <p>Avg. Years in Position: _____</p>	<p>New NSPS Salary: _____</p> <p>Percent Difference: _____% (from Current Salary)</p> <p>Is Salary Offer Within: - Unit/Org/Dept Salary Budget? Yes _____ No _____</p>

<p>External, Non-Federal, New-Hire Candidates Only</p> <p>Prior to Committing to a Proposed Salary, Factor in the “Total Remuneration Perspective” and/or the use of any Recruitment or Relocation Incentive.</p>	<p>Was the “Total Remuneration Perspective” Considered and Emphasized, Especially the Value of FEHB, Leave Programs, etc?</p> <p>Yes _____</p> <p>No _____</p> <p>If This Salary Offer Includes any Recruitment or Relocation Incentive, Indicate the Amount(s):</p> <ul style="list-style-type: none"> - Recruitment \$ _____ - Relocation \$ _____ - Total \$ _____
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Note: Provides notional worksheet for use in NSPS salary determination.

E2. ENCLOSURE 2
Sample Worksheet 4

COMPLETE IF PROPOSED SALARY REQUIRES APPROVAL ABOVE THE
 AUTHORIZED MANAGEMENT OFFICIAL

Check only those pay factors that were considered in reaching this pay decision and provide appropriate justification.

Pay Factors	Notation on Salary Determination
Critical Agency Business Need	
Current Salary/Salary History	
Relevant Work Experience	
Education Levels	
Training	
Competencies	
Use of Any/All of the "3 R's"	
Other (Describe)	

Approval Process:

Authorized Management Official: _____ Date _____

Second Level Approval _____ Date _____

Third Level Approval _____ Date _____

Coordinated with:

Human Resources Official _____ Date _____

Note: Provides notional worksheet for use in NSPS salary determination.