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DEPARTMENT OF THE NAVY
THE NATIONAL SECURITY PERSONNEL SYSTEM
CIVILIAN HUMAN RESOURCES MANUAL

SUBCHAPTER 9XX.X

COMPENSATION

TABLE OF CONTENTS

<u>Sections</u>	<u>Page(s)</u>
1. Purpose	2
2. Definitions	2
3. Policy	2
4. Responsibilities	3
5. Compensation Strategy	4
6. General Administration	5
7. Selecting Pay Rates	7
8. Pay Retention	16
9. DON Interns and Trainees Under NSPS	18
10. Authority for Pay Setting	21
11. Recruitment, Relocation, and Retention Incentives	22
12. Compliance with Freedom of Information Act (FOIA) and the Privacy Act	22
13. Premium Pay	22
14. Pay for Duty Involving Physical Hardship or Hazard	22
15. Severance Pay	23
16. Action	24

DRAFT

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SUBCHAPTER 9XX.X

PAY ADMINISTRATION

- References:
- (a) Title 5, U.S.C.
 - (b) Title 5 CFR
 - (c) DoDI 1400.25, "DoD Civilian Personnel Management System"
 - (d) NSPS, A Manager's Guide to Establishing Pay For Employees in NSPS Spiral 1.1
 - (e) OSD memo of 24 May 2005, Subj: Implementation of Recruitment, Relocation, and Retention Incentives
 - (f) DON Student Loan Repayment Plan

1. Purpose. References (a) through (c) establish the basic regulatory requirements for pay administration under the National Security Personnel System (NSPS). Reference (d) sets interim pay setting policy for all organizations implementing NSPS Spiral 1.1. This subchapter establishes guidance and assigns responsibility for pay administration within the Department of the Navy (DON). Use of this section must be made in conjunction with reference to applicable United States Code (U.S.C.), Code of Federal Regulations (CFR), and DoD regulatory cites for specific application. This section applies to each employee covered by NSPS Spiral 1.1.

2. Definitions. Definitions outlined in SC1930 of reference (c) apply in the use of this subchapter.

3. Policy. The purpose of the NSPS is to strengthen the contribution of human resources management in supporting the missions of specific operating units of the DoD. To accomplish this goal, NSPS introduces certain changes in personnel management systems that include: greater delegation of human resources authority to management; simplifying the current position classification system for greater flexibility; establishing a pay-for-performance management and rewards system that will improve individual and organizational performance; offering greater pay setting flexibility; improving recruiting and examining to attract highly qualified candidates; and getting new hires aboard faster. It is the DON policy that market data will drive the pay range for an occupation, a group

DRAFT

of similar positions, or even an individual position for pay setting purposes. Use of all available compensation tools are encouraged to attract and retain skilled civilian human resources necessary for the accomplishment of the DON's many and diverse missions.

This subchapter will be used in conjunction with references (c) and (d).

4. Responsibilities

a. The Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN(M&RA)) is responsible for the issuance of pay administration policy in the DON.

b. The Deputy Assistant Secretary of the Navy (Civilian Human Resources) (DASN(CHR)) is responsible for the management and administration of the pay administration program in the DON and the issuance of directives on specific pay administration matters.

c. The Director, Office of Civilian Human Resources (OCHR) will interpret changing statutory and regulatory guidance as it is received and prepare implementing guidance as applicable.

d. The Chief of Naval Operations (CNO), the Commandant of the Marine Corps (CMC), the Assistant for Administration, the Under Secretary of the Navy (AAUSN), and the heads of Echelon 1 and 2 commands are responsible for implementing this policy within their respective organizations.

e. Directors of Civilian Personnel Programs (DCPP) will ensure that the policies and procedures in pay administration matters within their respective commands are in compliance with this instruction.

f. Command Compensation Boards (or equivalent review body) will monitor overall command compensation practices for effectiveness, equity, and affordability. Each Echelon I and II Command will establish one or more Compensation Boards or equivalent for this purpose.

g. Directors of Human Resources Service Centers (HRSCs) and Human Resources Offices (HROs) will ensure that the policies and procedures in pay administration matters are in compliance with this instruction.

DRAFT

5. Compensation Strategy. A compensation strategy defines the basic directions that an organization has chosen with regard to compensation and benefits employees receive in return for their effort and ideas at the workplace. It is the set of choices the organization has made between "what" and "what not" to do based on the options before it.

Under NSPS, portions of the compensation strategy are ready built into the system. For example, NSPS will embrace market sensitive pay, use pay bands, incorporate pay-for-performance over seniority pay, and favor lateral advancement over more numerable promotions. However, NSPS provides flexibilities or choices to organizations concerning compensation. For example:

- whether performance will be rewarded based on organization, team, or individual performance;
- how much funds to apply to performance pay.

The decisions organizations make concerning these choices will complete the overall compensation strategy for their organization.

All organizations have a compensation strategy whether written or unwritten, deliberate or ad hoc. Even when those who develop a strategy do not realize they have done so, through a series of pay decisions, a compensation strategy emerges. The benefit of a deliberately established compensation strategy is that it offers an organization the ability to:

- evaluate all the employment needs of the organization up front,
- determine which requirements have the highest priority, and
- determine which of the compensation tools or combination of compensation tools available will receive the most emphasis based on the unique requirements, culture, and budget of that organization.

A deliberately established compensation strategy, allows management to better fulfill their responsibility of ensuring:

(a) that the right people get the right pay for achieving objectives in the right way, and

(b) that they understand and are able to communicate how the pay system works and do so in ethical and fair ways.

DRAFT

A deliberate compensation strategy will:

- identify the basic choices management will make with regard to the flexibilities available,
- enable management to prioritize its needs for skills within available funds, and
- help management to identify and assess the cumulative impact of its pay choices on equal employment opportunity within its organization.

On the other hand, a compensation strategy that evolves from a series of individual pay decisions may inadvertently result in an adverse disparate impact among employees.

Echelon 1 and 2 commands may supplement this subchapter as necessary.

6. General Administration

a. Salary Ranges. The NSPS compensation architecture (as described in reference (c)) consists of four Career Groups, each of which contains one or more pay schedules segmented into pay bands. Each pay band represents a rate range with minimum and maximum rates between which employees whose positions are assigned to that pay band are paid.

At the time DoD implements NSPS, pay band rate ranges generally will correspond to the rate ranges for the General Schedule (GS) grades grouped into each pay band.

b. Annual Rate Adjustments. The Secretary of Defense (SECDEF) or designee, in coordination with the Office of Personnel Management (OPM), will establish a method to adjust pay band rate ranges. In the interim, the Department will make annual adjustments to the pay band rate ranges using the Employment Cost Index (ECI) and the GS as reference points. New rate ranges for all pay schedules will be effective the first pay period beginning in January of each year. New or revised ranges may also be issued with effective dates other than January, at the Department's discretion, in response to specific labor market, occupational, or other demands.

Employee eligibility for salary increases due to rate range adjustments will be in accordance with SC1930.8.1.1.3. of reference (c).

c. Local Market Supplements (LMS). Pay band rate ranges

DRAFT

may be supplemented in appropriate circumstances by LMS. The SECDEF or designee, subject to 5 CFR 9901.105(d)(3), has sole and exclusive discretion to set or adjust, as needed, LMS.

The LMS are additional payments to employees in specified local market areas, occupations, and/or pay bands. They are established in response to labor market conditions that are not fully addressed by pay band rate ranges. These supplements will be expressed as a percentage of base salary and will be set and adjusted as indicated in SC 1930.8.1.2.1. of reference (c).

The condition under which an employee is eligible to receive a LMS is found under SC1930.8.1.2. of reference (c). The LMS applicable to an employee is determined by the employee's occupation, pay band, and official worksite (see SC1930.8.1.2. of reference (c)).

The OCHR shall approve and forward requests to the Under Secretary of Defense(Personnel & Readiness)(USD(P&R)) to implement new or adjust existing occupation-specific LMS to address anticipated or existing recruitment and retention problems.

Requests to implement new or adjust existing occupation-specific LMS shall be submitted by the DCPD for their respective organization or activity to OCHR, Employee Relations and Labor Relations Division. The organization or activity will work with their servicing HRO or HRSC to ensure that the request specifies the occupation(s) and pay band(s) covered, the geographic area in which the supplement applies, and the effective date, and that coordination with other DON activities in the area who would be affected by the LMS request has been made.

The request shall address staffing problems caused by –

- (1) significantly higher non-Federal pay rates than those payable by the Federal Government within the area, location, or occupational group involved;
- (2) the remoteness of the area or location involved;
- (3) the undesirability of the working conditions or nature of the work involved; or
- (4) any other circumstances deemed appropriate.

DRAFT

The HRO will submit the request to the applicable DCPD for review and endorsement.

d. Within-Grade Steps. The step increases inherent in the GS system are discontinued under NSPS. Advancing an employee's salary through the band will occur through the pay-for-performance system described in more detail in reference (c). Otherwise, salaries may be affected as a result of reassignment or promotion actions as described below.

e. Determining Rates of Pay. To determine pay entitlements, the adjusted salary (basic pay + LMS) will be used. The adjusted salary does not include the use of differentials for the purpose of setting pay.

7. Selecting Pay Rates.

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 DoD works towards refining its approach to establish and adjust the salary range minimums based on national labor market forces and aligning these factors to a DoD compensation philosophy, reference (d) will be used in the interim to make pay setting determinations.

While a selecting official determines and authorizes a pay action, that official cannot promise an employee any specific pay rate. Consistent with references (a) and (b), the appointing official, as defined at section 9, or their designated staff members take formal action to set the proper rate of pay in accordance with the personnel action taken.

a. Setting Pay for New Hires

When determining starting salary the manager will:

(1) Collect background information that is necessary to make the pay decision (e.g., candidate's current salary, experience, and qualifications).

(2) complete the pay setting worksheet.

(3) determine an appropriate base salary.

(4) seek necessary reviews and approvals.

DRAFT

An employee's pay will be set within the minimum and maximum rate ranges of his or her assigned pay band, unless exceptions described in SC1930.6.11. or SC1930.11.10. of reference (c) apply.

Documentation for the new hire's pay rate determination shall be completed and maintained by the authorized management official. The pay setting worksheet contained in reference (d) shall be used for documentation purposes.

The manager should follow seven steps when establishing a base salary recommendation for a new hire (or rehire).

Step 1: Collect Background Information

To determine the appropriate new hire base pay, the manager will first need to collect background information on the candidate and the position. The manager should:

Determine the pay band of the new position. Determine the pay band assignment of the position. Locate the pay band minimum and maximum for the current year.

Obtain the candidate's current pay level. Before making a salary determination, it is often valuable to understand the candidate's current salary and future expectations. If necessary, the current salary level can be validated by obtaining a copy of the candidate's most recent pay stub or W-2 statement.

Identify any other job offers that the candidate has received. To understand the competitiveness of a job offer, it is helpful to determine whether the candidate has any other job offers – and their associated salary levels. To validate the information provided by the candidate, the manager may ask for copies of offer letters or equivalent (although the candidate may not always be willing to share this information).

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

Assess current budget status to determine available funds.

Some of this information can be collected directly from the applicant. The manager may ask the HRO to assist in obtaining other information.

DRAFT

Step 2: Complete Pay Setting Worksheet

A pay setting checklist and worksheet (reference (d)) have been developed to help managers determine starting salary. The checklist outlines the key considerations that should be reviewed when setting base pay.

By assessing a candidate on key considerations, the worksheet will help the manager determine where in the pay band a new hire's pay should fall.

The table below is provided to assist to define pay setting considerations. Each of the considerations listed in the table should be evaluated when making a pay recommendation.

Considerations	Definitions of Considerations
Criticality of Skills	Importance of the required skills and responsibilities to this organization's and the DON's success.
Degree of Difficulty to Fill Vacancy	Availability of quality candidates (those with the desired skills and experience) to fill the position. Positions with a limited qualified applicant pool may indicate a shortage of labor and may be more difficult to fill.
Degree of Directly Related Work Experience Versus That of Peers	The degree of superior qualifications possessed by the candidate (job-related experience or education) compared to the qualifications or job-related experience or education of other employees (typically the immediate work group) who perform the same or highly similar jobs.
Skills versus Job Requirements	The degree to which the candidate meets some or all of the skills desired for the position.
Breadth of Skills versus That of Peers	The candidate's skills (the degree to which the candidate meets some or all of the skills desired for the position) compared to the skills of other employees (typically in the immediate work group) who perform the same or highly similar jobs.

DRAFT

Current Pay Level Within Pay Band	The candidate's current pay (base salary excluding local market supplement (if applicable) compared to the pay band of the position (where does the candidate's pay fall in the pay band - near the bottom, in the middle, or toward the top of the range?).
Other Salary Offers Compared to Pay Band	Other (verifiable, if possible) salary offers already extended to the candidate (base salary excluding LMS if applicable) compared to the pay band of the position.

Step 3: Determine Base Salary

Since every candidate has strengths and weaknesses, it is common for prospective employees to receive different assessments for different considerations.

Consider Local Market Supplement. Before finalizing his/her base salary recommendation, the manager should also consider the impact of the LMS on his/her offer. The LMS is paid in addition to base pay.

The actual salary of a new hire will be the recommended base pay PLUS the LMS that is associated with his or her work location or occupation. The base pay recommendation must be within the pay band. Base pay PLUS LMS may be greater than the pay band maximum.

Before finalizing the base salary recommendation, the manager should review the pay setting checklist to assess the impact of the LMS.

Consider Entrance on Duty Date. A new hire must be in an NSPS position and approved performance plan for 90 days within a performance year in order to be eligible for performance-based payout. The performance year normally ends 30 September. Therefore, when bringing a new hire on board between the last day of the appraisal period and the effective date of the annual payout (end of the first full pay period in January of the following year), the manager should take into consideration the fact that the employee will not be eligible for a performance based payout in the first year.

DRAFT

Consultation with Human Resources (HR). The manager may ask a representative from the servicing HRO for assistance in completing the worksheet, ensuring that the candidate's starting salary meets the core compensation guidelines, and providing advice about ensuring internal equity. The HRO representative should review the salaries of like employees (pay band, skills, and responsibilities) to ensure that the new hire's salary is in line.

Step 4: Seek Approvals

Once the manager has determined a recommended starting base pay, s/he shall obtain the necessary approvals required by the command or staff office.

The HRO representative shall ensure that all necessary approvals have been obtained before forwarding the action for processing.

Step 5: Paperwork is submitted to the HRO

Upon approval of the recommended starting salary, it is important to document the supporting pay setting worksheet information in the employee's personnel folder. The manager will forward copies of these materials to the servicing HRO for forwarding to the HRSC.

The completed worksheet has the manager's assessment listed on each applicable consideration. The HRO representative shall ensure that the manager has indicated any considerations that were weighted more heavily than others. The worksheet summarizes the manager's assessment and recommendation, particularly if there are extenuating circumstances that were taken into consideration when s/he developed the salary recommendation. The manager will also maintain a copy of the worksheet for organizational documentation purposes.

Step 6: HRO Review

Pay determination responsibility has been delegated to managers as described at section 7, above. However, the HRO representative must review the documentation provided. If the HRO representative believes that the documentation provided does not support the recommended salary, s/he should consult with the manager to address those concerns. Every reasonable attempt will be made to jointly resolve pay setting concerns. Activity senior level managers have the ultimate authority, responsibility, and

DRAFT

accountability for making pay determinations and for ensuring that each conforms to established guidance.

Step 7: Extending Offers

All approvals must be obtained before a final or firm offer can be extended to an applicant. Offers will be communicated in accordance with established staffing policies after all reviews and approvals are completed. HR (typically the HRSC) will extend formal job offers in accordance with local procedures.

b. Reassignments. A reassignment occurs when an employee moves, voluntarily or involuntarily, to a different position within his/her pay band or to a position in a comparable pay band on either a temporary or permanent basis. Typically, pay setting for a reassignment action results in no change in basic pay. Exceptions to the normal circumstance follow.

(1) Pay will increase when an employee is reassigned from a geographic to an occupational based LMS in the same or different locale.

(2) When an employee is reassigned (voluntarily or involuntarily) between locality areas, pay is set on the appropriate LMS. Total compensation includes basic pay plus the LMS for the new duty location, unless the individual is entitled to an occupational based LMS that is more beneficial.

In accordance with SC1930.10.4. of reference (c), an employee may receive a discretionary increase up to 5 percent to basic pay upon reassignment. An employee who is reassigned through reduction in force (RIF) procedures, however, is not eligible for an increase to basic pay, nor a reduction in pay.

A reassignment pay increase should meet the following criteria:

(a) The position must be considered critical to the mission of the organization.

(b) The position must be considered hard-to-fill based on previous recruitment efforts, perceived undesirability of the position, or other factors that would demonstrate difficulty in filling the position with a well-qualified candidate in the absence of a reassignment pay increase. Or,

(c) If proposed for a specific employee, the employee must be considered well qualified for the position and must possess

DRAFT

critical skills that: are not prevalent in the rest of the organization; must be applied immediately; and cannot be obtained in the absence of a reassignment pay increase. This provision may include employees on formal career-broadening positions.

The designated management official(s) must approve all reassignment pay increases as applicable. An approval must be obtained before an offer of a reassignment pay increase can be made to the recipient.

The SC1930.10.4.1.1. of reference (c) specifies that there are no limits to the number of times an employee may reassign; however, an employee may only receive up to a 5 percent cumulative increase to base salary as the result of a voluntary non-competitive action (excluding promotions) in a 12-month period, unless an exception to the 12-month limitation is approved by an authorized management official. Within the DON, the authorized management official in these situations must be least one level above the requesting official.

The pay setting worksheet (reference (d)) described above will be used to explain and document how the selected employee meets the criteria for receipt of a reassignment pay increase. Upon approval of the recommended salary, the manager will forward these materials to the servicing HRO for forwarding to the HRSC. The management official shall also maintain a copy for documentation purposes.

Upon receipt, the HRO representative shall review the documentation provided. If the HRO representative believes that documentation provided does not support the recommended salary, s/he should consult with the manager to address those concerns. If after consultation the HRO representative strongly believes that the documentation is still not in line with the established pay, s/he should elevate concerns to their manager. This process will not be used if the documentation supports the recommended salary but the HR representative simply disagrees with the amount. Every reasonable attempt will be made to jointly resolve pay setting concerns. Activity senior-level managers have the ultimate authority, responsibility, and accountability for making pay determinations and for ensuring that each conforms to established guidance.

On a quarterly basis, organizations and/or activities should review all approved reassignment pay increases to monitor overall use and trends.

DRAFT

c. Promotions. Inherent under NSPS is increased management flexibility and discretion in setting the amount of promotion increases. Upon promotion (as defined in SC1930.10.5. of reference (c)), an employee will receive an increase of 6 percent unless a higher increase is necessary to raise the employee's salary to the minimum salary of the new band. In no situation may an employee's salary be established lower than the minimum salary established for the new band.

Managers may authorize increases higher than 6 percent. The authorized management official may approve an increase of up to 20 percent, but may not exceed the maximum rate of the new rate range. Factors that may be considered in setting the amount will include, but are not limited to:

(1) The employee's directly related experience; the employee's current salary;

(2) The relationship to salaries of other similarly qualified employees; and the critical nature of the position.

A management official above the requesting official must approve an increase greater than 20 percent, unless the increase is needed to set the employee's pay at the minimum rate of the newly assigned pay band.

The employee's basic pay (without LMS (if any)) will be used in determining the amount of the promotion increase and in setting the employee's adjusted pay in the higher band.

Documentation, based on criteria cited above, for determinations of promotion pay increases greater than 6 percent shall be forwarded to the HRO for forwarding to the HRSC. The pay setting worksheet will be used for documentation purposes.

The HRO must ensure that all required approvals have been obtained prior to forwarding promotion actions to the HRSC for processing. The appointing official shall also maintain that documentation.

The pay setting worksheet is only used for promotion pay increases greater than 6 percent. No worksheet is required for standard promotion actions described above.

d. Reduction-in-Pay Band. A reduction-in-pay band occurs when an employee moves, voluntarily or involuntarily, to a

DRAFT

position in a lower pay band. In NSPS, employees may be eligible for an increase to basic pay upon reduction-in-pay band as described in reference (c). An employee who is reduced in band through reduction-in-force (RIF) procedures is not eligible for an increase to basic pay.

When an employee voluntarily moves to a lower pay band, the authorized management official may decrease or increase the employee's pay, but must set the employee's pay within the assigned pay band. 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). This 5 percent increase is discretionary, and factors used to consider setting the amount will include, but are not limited to: the employee's directly related experience; the employee's current salary; the relationship to salaries of other similarly qualified employees; and other pertinent factors.

There are no limits to the number of times an employee may be voluntarily reduced in band; however, an employee may only receive up to a 5 percent cumulative increase to base pay as the result of a non-competitive action in a 12-month period, unless an exception to the 5 percent limitation is approved. As with reassignment actions, a designated management official above the requesting official must approve an exception to the 12-month limit. The pay setting worksheet shall be used in the same manner as for all other pay setting actions to document increases in pay.

When an employee is involuntarily moved to a lower pay band through adverse action procedures (as a result of poor performance or misconduct), the authorized management official may reduce the employee's rate of basic pay by up to 10 percent. The reduction cannot cause an employee's basic pay to fall below the minimum rate of the employee's new pay band or exceed 10 percent unless a larger reduction is needed to place the employee at the maximum rate of the lower band. An employee's pay may not be reduced more than once in a 12-month period based on unacceptable performance, conduct, or both.

e. Between Pay Systems. When an employee moves in or out from the NSPS pay system, pay is set using the appropriate pay setting directives for the pay system the employee is moving to. Upon placement into the GS or Federal Wage System, consider whether the employee is also due a within-grade-increase under the directives of that pay system.

DRAFT

When an employee moves from NSPS to a position under another alternative personnel system (DoD labs, for example), pay is set in accordance with the pay setting provisions outlined in the applicable Federal Register for that system. The applicable Federal Register and related operating procedures outline specific authorities to set pay for employees who enter that alternative system.

f. Within Grade Increase (WGI) Adjustment. A DoD employee who is placed in an NSPS position through the DoD Priority Placement Program or Reemployment Priority List is entitled to the WGI adjustment described in SC300.6.7. of reference (c).

g. Expiration or Termination of a Temporary Promotion. Upon expiration or termination of a temporary promotion, the employee's pay will be set at the same rate the employee received prior to the temporary promotion, with appropriate adjustments for pay increases (i.e., rate range increases, performance payout, etc.) that occurred during the time the employee was assigned to the new position.

h. Expiration or Termination of a Temporary Reassignment. Upon expiration or termination of a temporary reassignment which resulted in a pay increase, the employee's pay will be set at the same rate the employee received prior to the temporary reassignment, with appropriate adjustments for pay increases (i.e., rate range increases, performance payouts, etc.) that occurred during the time the employee was assigned to the new position.

i. Failure to Successfully Complete an In-Service (i.e. supervisory) Probationary Period. An employee who fails to complete an in-service probationary period will be returned to a position and rate of pay comparable to the position and rate of pay he or she held before the probationary period, with appropriate adjustments for any pay increases (i.e., rate range increases, performance payout, etc.) that may have occurred during the time the employee was assigned to the position.

8. Pay retention

Pay retention prevents a reduction in basic pay that would otherwise occur by temporarily preserving the employee's former rate of basic pay when this rate exceeds the maximum rate of the employee's new pay band.

Pay retention will be granted in the manner prescribed under

DRAFT

SC1930.11. of reference (c). Under the NSPS, an employee on retained pay who is re-promoted to the pay band (or a comparable band) from which reduced is not automatically entitled to have his/her pay set in accordance with the promotion rules described in SC1930.10.5. of reference (c).

The DON, however, shall carry out the following procedure to determine the basic pay entitlement for employees on pay retention when re-promoted to the pay band (or a comparable band) from which reduced.

If the employee's existing payable rate of basic pay before promotion is a retained rate, apply the standard promotion rules described in SC1930.10.5. of reference (c) to the maximum base rate of pay for the pay band from which promoted. If the payable rate of basic pay after promotion determined under SC1930.10.5. is greater than the employee's existing retained rate, the employee is entitled to that payable rate.

If the existing retained rate is greater than the rate determined under SC1930.10.5., the retained rate is used to set pay within the rate range for the position after promotion. If the retained rate exceeds the range maximum after promotion, the employee continues on pay retention.

Otherwise, in accordance with SC1930.11.7. of reference (c), an employee who is promoted to a higher pay band than the one from which he or she was demoted will be covered by the promotion rules described in SC1930.10.5. The employee's retained rate of basic pay will be used when calculating the 6 percent (or higher) increase.

Upon determination of the basic promotion entitlement, managers may authorize higher increases. The authorized management official may approve an increase of up to 20 percent of the employee's retained rate of pay, but may not exceed the maximum rate of the new rate range. As in regular promotion actions, factors that may be considered in setting the amount will include, but are not limited to:

(a) the employee's directly related experience; the employee's current salary;

(b) the relationship to salaries of other similarly qualified employees; and

(c) the critical nature of the position.

DRAFT

A management official above the requesting official must approve an increase greater than 20 percent, unless the increase is needed to set the employee's pay at the minimum rate of the newly assigned pay band.

The employee's basic pay (without local market supplement (if any)) will be used in determining the amount of the promotion increase and in setting the employee's adjusted pay in the higher band.

Documentation, based on criteria cited above, for determinations of promotion pay increases greater than 6 percent or retained rate entitlement shall be forwarded to the HRO. The pay setting worksheet will be used for documentation purposes.

The HRO must ensure that all required approvals have been obtained prior to forwarding promotion actions for processing. The HRSC shall maintain that documentation.

The pay setting worksheet is only used for promotion pay increases greater than the basic promotion entitlement. No worksheet is required for standard promotion actions described above.

9. DON Interns and Trainees Under NSPS

Intern and trainee positions may be established within the following career groups and pay schedules. Positions will be classified in Pay Band 1, Entry/Developmental Work in:

(a) Standard Career Group - Professional/Analytical Pay Schedule

(b) Scientific and Engineering Career Group - Professional Pay Schedule

(c) Medical Career Group - Professional Pay Schedule

(d) Investigative and Protective Services Career Group - Investigative Pay Schedule

A newly hired employee in a training program may have his/her pay set anywhere within pay band 1. When setting a new employee's pay, a manager must take into consideration the candidate's education and grade point average, directly related work experience, qualifications of the individual, labor market, scarcity of candidates, other job offers the candidate may have

DRAFT

received, and the potential increase in pay as the employee is moved through the pay band, etc. All pay decisions will be fully documented and made a matter of record. The pay setting worksheet will be used for documentation purposes.

Interns are assigned work designed to provide the competencies, skills, and experience that will prepare them to perform work at pay band level 2 (full-performance/journey level). Pay Band 1 is not considered full-performance/journey level. Employees who have acquired the experience required to perform at the journeyman level will be promoted and assigned to positions in Pay Band 2. Covered employees will remain in Pay Band level 1 until they complete all the requirements in their training plan or graduate from the intern program, and show the potential to perform at the full performance/journey level of the occupation.

a. Increasing an Employee's Pay in Pay Band 1. The designated authorizing management official may approve a rating official's recommendation to increase an employee's base salary commensurate with assignment of more complex developmental work within pay band 1 using the Accelerated Compensation for Development Positions (ACDP) in accordance with SC1930.9.10. of reference (c). The ACDP is an increase to an employee's base salary, payment in bonuses, or a combination of these that may be provided to employees participating in predefined DON developmental programs in pay band 1.

The decision to grant the ACDP is entirely at the discretion of management. Employees should have achieved an overall summary rating of level 3 or higher in the achievement of specified training requirements including competencies, completion of scheduled rotational assignments, etc., to be eligible for the ACDP. The ACDP payment is in addition to the annual performance payout and should be consistent with merit systems principles.

b. ACDP OPTIONS

(1) Supervisors may recommend increases from 6 percent to 20 percent in base salary. Historically, developmental promotions under the GS have ranged from 14 percent to 17 percent.

(2) To establish the ACDP monetary value, management will 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

DRAFT

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.

(3) Combination of both.

c. Setting for Pay Promotions. An authorized management official may approve a promotion from pay band 1 to pay band 2 for an intern or trainee who has achieved the desired training objectives and has acquired the experience required to perform at the journeyman level. For promotion, an employee's base salary may be increased from 6 percent up to 20 percent, with the desired range between 6 percent and 12 percent and not to exceed the maximum rate of pay band 2. Any increase higher than 20 percent must be based on specific factors that warrant such an increase. Such factors may include the competencies achieved, employees in the unit performing similar type work, expected contribution to the mission, etc. A higher-level manager than the authorized management official recommending the increase will approve an increase to an employee's salary greater than 20 percent. All pay decisions that increase pay higher than 6 percent must be fully documented using the pay setting worksheet (reference (d)) and made a matter of record.

d. Performance Management. Interns will follow the standard NSPS appraisal period of October 1 through September 30 each year. There will be one rating of record for each rating cycle although there may be more than one increase to the intern's base salary as a result of increases under the ACDP. The ACDP payment is in addition to the annual performance payout. The decision to grant the ACDP is entirely at the discretion of management. The conditions for payment of the ACDP should be consistent with merit systems principles. Heads of activities will develop local procedures for determining.

The ACDP is awarded to recognize that the employee has acquired the set of predefined job-related competencies in a timely manner through prescribed training, rotational assignments, and on-the-job experience, which demonstrate successful performance advancement. The employee's supervisor must document in writing that the employee has completed the training and job assignments required in his/her performance plan, or if not completed

DRAFT

through no fault of the employee, when the objectives will be completed and if an ACDP increase is recommended or should be delayed. Employees may be awarded the ACDP at any time during the appraisal period or in conjunction with the annual appraisal payout.

e. Aligning Performance Expectations and Training Requirements with Organizational Strategic Goals.

Supervisors will establish employee performance objectives that directly align to the organization's strategic goals and mission. Performance objectives for interns will consist of the master intern training plan and any on-the-job training experiences planned for the fiscal year. When communicating performance objectives to interns, supervisors will fully explain the relationship between an intern's performance objectives and training requirements to achieving organizational goals and objectives and ultimately on the mission accomplishment.

f. Unsuccessful Performance.

An intern or trainee (i.e., Level 1) with a current rating of Unsuccessful is not eligible to receive a pay increase associated with a rate range adjustment, local market supplement or performance payout. If the intern is in a probationary period, serious consideration must be given to the suitability of the employee for continued Government employment. If the employee is not in a probationary period, serious consideration must be given to determine if the employee should be allowed to remain in the internship position.

10. Authority for Pay Setting. A management official determines and approves use of organizational funds for requested pay actions. Authority to formally set pay, however, rests with appointing officials, typically a Code 50 representative at the HRSC. The appointing official is the officer with the authority to certify the standard form (SF)-52 or the SF-50. While the manager will maintain required documentation for all applicable pay actions, the appointing official is responsible to provide said documentation, which supported the certification and processing of the pay action. Unless obvious regulatory discrepancies, it is not intended that the HRSC will challenge the pay determination since the documentation forwarded with the pay action request provides the vetted authorization and required approvals.

DRAFT

11. Recruitment, Relocation, and Retention Incentives

Management officials are authorized to use a variety of incentives to attract, recruit, and retain critical personnel for hard-to-fill-positions. The incentives available may include, but are not limited to, recruitment and retention bonuses, relocation, and student loan repayment. The proper uses of these incentives are covered under references (c), (d) and (e).

These payments are designed to provide a monetary incentive for an individual or group to accept employment or remain employed in the DON in a current position(s). These incentives shall be considered when making pay setting decisions.

12. Compliance with Freedom of Information Act (FOIA) and the Privacy Act

Because documentation of every pay setting action may be subject to public release, each FOIA or Privacy Act request will be treated individually. Release-ability depends on the established routine uses of the records, and there are exceptions to the Privacy Act for Equal Employment Opportunity, grievance, or similar processes. When documenting decisions, managers should keep in mind that documents should be written with clarity and specificity.

13. Premium Pay. Premium pay is an entitlement to civilian employees who perform their scheduled duties on overtime, night shifts, Sundays, holidays, standby duty and administratively uncontrollable work schedules. The SC1930.13. - SC1930.25. of reference (c) prescribes the manner in which employees covered by the Fair Labor Standards Act (FLSA) and exempted from FLSA receive premium pay.

14. Pay for Duty Involving Physical Hardship or Hazard. The DON shall pay differentials for duty involving unusual physical hardship or hazard to employees by applying occupational safety and health standards consistent with the permissible exposure limit (PEL) promulgated by the Secretary of Labor under the Occupational Safety and Health Act of 1970 as published in title 29, Code of Federal Regulations, Subtitle B, Chapter XVII or, in the absence of a PEL issued by the Secretary of Labor, threshold exposure criteria promulgated by the USD(P&R) or his designee. SC300.20. of reference (c) establishes the approved hazard categories and associated differentials.

DRAFT

Payment of these differentials is made in accordance with SC300.20.2.1. of reference (c).

Payment of hazard pay differential must comply with SC1930.25. of reference (c). Requests to establish new categories and/or rates shall be made in accordance to SC1930.25.2.2. of reference (c) and submitted by the HRO through the applicable DCPD to OCHR. Upon approval, OCHR will endorse and forward the request to USD (P&R).

15. Severance Pay. Under 5 U.S.C. 5595 and 5 CFR 550.701 - 550.714, severance pay is authorized to an involuntarily separated employee provided the employee did not refuse an offer to a position that is (1) in the same commuting area, (2) in the same agency, and (3) no more than two grades lower than the employee's current grade level. In addition, the employee must have been employed for at least 12 continuous months, and cannot be eligible for an immediate annuity as a Federal employee or as a retired member of the armed forces. The employee also cannot be receiving any type of injury compensation benefits.

Under the severance pay provisions a Reasonable Offer means the offer of a position that meets all the following conditions:

(a) The offer is in writing;

(b) The employee meets established qualification requirements; and

(c) The offered position is

(1) in the employee's agency, including an agency to which the employee is transferred with his or her function in a transfer of functions between agencies;

(2) within the employee's commuting area, unless geographic mobility is a condition of employment;

(3) of equal or greater tenure and with the same work schedule (part-time or full-time); and

(4) not lower than two grade or pay levels below the employee's current grade or pay level, without consideration of grade or pay retention under 5 CFR 536 or other authority. In movements between pay schedules or pay systems, the representative rate of the offered position must not be lower than the representative rate of the grade or pay level that is two grades below the grade of the current position on the same pay schedule as the current position.

DRAFT

The new pay regulations issued in May of 2005 to implement section 301 of the Federal Workforce Flexibility Act of 2004 (Public Law 108-411, October 30, 2004), revised the definition of representative rate used for severance pay determinations when determining what is a "reasonable offer".

The new definition at 5 CFR 536.103 states in item (2) under the definition of "Representative rate": "For the purpose of comparing grades or levels of work in making reasonable offer determinations when one of the grades or levels of work is not under a covered pay system and after applying any applicable geographic conversion rules under section 536.105(b) for positions with different worksites--(iii) The maximum payable rate of basic pay that applies to the grade or level of work in the case of positions not covered by (2)(i) or (ii) [GS or FWS] of this definition. In the case of a position with a single rate under such a schedule, the single rate of basic pay for that position is the representative rate."

Under NSPS a "pay band" equates to "pay level". When an employee is offered a position that is not more than two pay bands below his or her position in the same pay schedule, this would be a reasonable offer for severance pay purposes. For example, for employees in the YA, YD, YH, and YK pay schedules, any offer within the same pay schedule would be a reasonable offer, because no pay band on those schedules is more than two bands below the highest pay band on the schedule.

For employees who are being offered a position in another pay schedule, a determination will first need to be made as to what would be two pay bands lower in their current schedule. Then the maximum rate of that pay band is compared to the maximum rate of the pay band in the pay schedule assigned to the position being offered. If the maximum rate in the offered position is higher, it is a reasonable offer for severance pay purposes. If not, the offer is not reasonable and the employee would be entitled to severance pay if he/she declined the offer.

16. Action. Commanders, Commanding Officers, Heads of Commands and activities, managers and supervisors with NSPS responsibilities shall take necessary actions to implement the provisions outlined in this subchapter.