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Part III

Department of Defense

Science and Technology Reinvention Laboratory Personnel Management Demonstration Project, Department of the Navy (DON), Space and Naval Warfare Systems Center (SSC), SSC Atlantic and SSC Pacific; Notice

DEPARTMENT OF DEFENSE

Office of the Secretary

Science and Technology Reinvention Laboratory Personnel Management Demonstration Project, Department of the Navy (DON), Space and Naval Warfare Systems Center (SSC), SSC Atlantic and SSC Pacific

AGENCY: Office of the Deputy Under Secretary of Defense (Civilian Personnel Policy) (DUSD (CPP)), Department of Defense (DoD).

ACTION: Notice of proposal to design and implement a personnel management demonstration project.

SUMMARY: Section 342(b) of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 1995, Public Law (Pub. L.) 103–337 (10 U.S.C. 2358 note), as amended by section 1109 of NDAA for FY 2000, Public Law 106–65, and section 1114 of NDAA for FY 2001, Public Law 106–398, authorizes the Secretary of Defense to conduct personnel demonstration projects at DoD laboratories designated as Science and Technology Reinvention Laboratories (STRLs). The above-cited legislation authorizes DoD to conduct demonstration projects to determine whether a specified change in personnel management policies or procedures would result in improved Federal personnel management. Section 1105 of the NDAA for FY 2010, Public Law 111–84, 123 Stat. 2486, October 28, 2009, designates additional DoD laboratories as STRLs for the purpose of designing and implementing personnel management demonstration projects for conversion of employees from the personnel system which applied on October 28, 2009. The SSC Atlantic and SSC Pacific are listed in subsection 1105(a) of NDAA for FY 2010 as two of the newly designated STRLs. These two STRLs will be the participants in the demonstration project proposal described in this **Federal Register** notice (FRN).

DATES: The SSC Atlantic and SSC Pacific demonstration project proposal may not be implemented until a 30-day comment period is provided, comments addressed, and a final **Federal Register** notice published. To be considered, written comments must be submitted on or before September 23, 2010. Implementation of this demonstration project, once approved, will begin no earlier than February 1, 2011, and no later than April 28, 2011.

ADDRESSES: Send comments on or before the comment due date by mail to Ms. Betty A. Duffield, CPMS–PSSC, Suite B–200, 1400 Key Boulevard, Arlington, VA 22209–5144; by fax to (703) 696–5462; or by e-mail to *Betty.Duffield@cpms.osd.mil.*

FOR FURTHER INFORMATION CONTACT:

SSC Atlantic: Mr. Erick Fry, SSC Atlantic STRL Transition Project Lead, SSC Atlantic, P.O. Box 190022, North Charleston, SC 29419–9022: or via e-mail: *Erick.fry@navy.mil.*

SSC Pacific: Mr. Michael McMillan, SSC Pacific STRL Transition Project Lead, Space and Naval Warfare Systems Center Pacific, 53560 Hull Street, San Diego, CA 92152–5001; or via e-mail: *Michael.mcmillan1@navy.mil.*

SUPPLEMENTARY INFORMATION:

1. Background

SSC Atlantic and SSC Pacific are in a unique position relative to most DoD STRL laboratories. They previously participated in the development of and operated under the China Lake/Naval Ocean Systems Center demonstration project before being converted to the National Security Personnel System (NSPS). As a direct result of these personnel system experiences, SSC Atlantic and SSC Pacific have the benefit of being in earlier personnel systems designed to correct and alleviate shortfalls related to flexibilities in hiring, compensating, and retaining employees while assessing performance and its results in a dynamic environment. Given this exposure, SSC Atlantic and SSC Pacific consider STRL conversion an ideal evolutionary opportunity in employee management, and further intend to incorporate the most effective philosophies, methods, practices, and procedures from both legacy systems, as well as the experiences of other DoD STRL projects.

The Centers' organizational experience indicates that the contribution-based personnel management and compensation methodology affords the best opportunity to appropriately evaluate and compensate employees, while emphasizing the employees' contributions towards organizational goals and objectives.

SSC Atlantic and SSC Pacific must be able to compete with the private sector for the best talent, and be able to make job offers in a timely manner with the attendant compensation that attracts high-quality employees. Once these employees are hired, it is necessary to have the means to appropriately reward and incentivize their contribution to ensure that the creative and motivational process is continually renewed. Compensation must be directly linked to the levels of individual contributions to the organization. High contributors must be rewarded both to encourage their continued contributions and to increase the probability of their retention. Similarly, lower contributing individuals should receive less compensation than high contributors and unacceptable performance must be addressed by appropriate corrective measures, *e.g.,* an improvement plan, demotion, or removal. Compensation must also be appropriate to the position held and its responsibilities relative to the organizational goals.

The Systems Centers will also take advantage of flexibilities that will simplify and speed classification and staffing actions for employees, such as competitive examining, expanded details and temporary promotions, and modified term appointments.

2. Overview

The NDAA for FY 2010 not only designated new STRLs but also repealed the National Security Personnel System (NSPS) mandating conversion of NSPS covered employees to their former personnel system or one that would have applied absent the NSPS. A number of SSC Atlantic and SSC Pacific employees are covered by the NSPS and must be converted to another personnel system. Section 1105 of NDAA for FY 2010 stipulates the STRLs designated in subsection (a) of section 1105 may not implement any personnel system, other than a personnel system under an appropriate demonstration project as defined in section 342(b) of Public Law 103–337, as amended, without prior congressional authorization. In addition, any conversion under the provisions of section 1105 shall not adversely affect any employee with respect to pay or any other term or condition of employment; shall be consistent with title 5 United States Code (U.S.C.) 4703(f); and shall be completed within 18 months after enactment of NDAA for FY 2010. Therefore, since SSC Atlantic and SSC Pacific are both designated STRLs by section 1105 of NDAA for FY 2010 and have NSPS covered employees, they must convert, at a minimum, their NSPS covered employees to a personnel management demonstration project before the end of April 2011.

3. Access to Flexibilities of Other STRLs

Flexibilities published in this **Federal Register** shall be available for use by the STRLs previously enumerated in section 9902(c)(2) of title 5, United States Code, which are now designated in section 1105 of the NDAA for FY 2010, Public Law 111–84, 123 Stat. 2486, October 28, 2009, if they wish to adopt them in

accordance with DoD Instruction (DoDI) 1400.37; pages 73248 to 73252 of volume 73, **Federal Register**; and after the fulfilling of any collective bargaining obligations.

Dated: August 18, 2010.

Mitchell S. Bryman,

Alternate OSD Federal Register Liaison Officer, Department of Defense.

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I. Introduction

A. Purpose

The goal of this personnel demonstration project is to implement a personnel management system incorporating the practices from existing STRL and other personnel management systems best suited to the specific needs of SSC Atlantic and SSC Pacific. As the Navy's leader in Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR), SSC Atlantic and SSC Pacific must be able to attract, hire, and retain the best scientists, engineers, business, and support personnel in the labor market. The organization's human resources management authorities, policies, and practices must have the flexibility needed to respond quickly to changes in mission, organizational constraints, workload, and market conditions. Unless specifically stated otherwise, the Technical Directors/Commanding Officers of SSC Atlantic and SSC Pacific may delegate their authority to effectively implement the provisions of this notice. Any such delegations, including details of implementation, will be documented by local business rules and/or implementing instructions.

Many aspects of a demonstration project are experimental. Modifications may be made from time to time as experience is gained, results are analyzed, and conclusions are reached on how the system is working. The provisions of this project plan will not be modified, or extended to individuals or groups of employees not included in the project plan without the approval of the DUSD(CPP). The provisions of DoDI 1400.37 are to be followed for any modifications, adoptions, or changes to this demonstration project plan.

B. Expected Benefits

In order to remain the DON leader in C4ISR, SSC Atlantic and SSC Pacific must be able to compete with the private sector for the most talented, technically proficient candidates, and must have in place a system that fosters their development, enhances their performance and experience, and provides a strong retention incentive.

The SSC STRL demonstration project must enable and enhance:

1. The ability to attract highly qualified scientific, technical, business,

and support employees in today's competitive environment;

2. The ability to select personnel and make job offers in a timely and efficient manner, with the attendant compensation that attracts high-quality, in-demand employees;

3. Improved employee satisfaction with pay setting and adjustment, recognition, and career advancement opportunities;

4. Human Resource (HR) flexibilities needed to staff, shape, and adjust to evolving requirements associated with sustaining a quality workforce for the future;

5. Increased retention of high-level contributors; and

6. Simpler and more cost effective HR management processes.

To effectively meet the above expectations, the SSC STRL demonstration project has identified and established in this notice those features and flexibilities that provide the mechanisms to achieve its objectives. Those features and flexibilities alone, however, will not ensure success.

The nature of the SSC STRL and its ambitious workforce goals will require human resources support at an enhanced level. A traditional process-oriented and reactive construct will serve neither the mission nor the management needs of the two organizations. A primary emphasis of the SSC demonstration project is its streamlined hiring, sophisticated contribution-based compensation system, talent acquisition/retention, and professional human capital planning and execution. Accordingly, successful execution of that vision includes a human resources service delivery model that is highly proactive, expertly skilled in analytical tools, and fully capable of engaging as a strategic partner and trusted agent of a modern multi-faceted defense laboratory.

C. Participating Organizations, Employees, and Union Representation

Both SSC Atlantic and SSC Pacific will participate in the project. The primary sites of SSC Atlantic and SSC Pacific are in two major geographic locations, Charleston, SC, and San Diego, CA respectively, but the organizations employ personnel at more than two dozen locations worldwide. Locations are diverse in employment profiles and size, ranging from several thousand personnel, to a single embedded employee. Both major SSC sites are engaged in the full spectrum of research, development, test and evaluation, engineering, and fleet support.

Both SSC Atlantic and SSC Pacific are predominantly Navy Working Capital Fund organizations. Instead of receiving congressionally appropriated funds, operations are funded by dollars received from other government agencies on a fee-for-service/break-even basis. In order to fully meet naval requirements and successfully assist in the execution of the Navy's mission, SSC Atlantic and SSC Pacific must maximize management effectiveness and efficiency in order to control expenditures, which support a cost competitive position as compared with other government agencies.

SSC Atlantic's and SSC Pacific's STRL personnel management demonstration project is intended to govern all SSC Atlantic and SSC Pacific employees with the following exceptions: Bargaining Unit employees (as stipulated in the paragraph below), Federal Wage System employees, Senior Executive Service (SES), Senior Level (SL), and Scientific and Professional (ST) personnel.

SSC Atlantic's and SSC Pacific's human capital complement includes a small number of employees (under 150 total) that are represented by exclusive bargaining units. Prior to including any employees in bargaining units in the STRL demonstration project, SSC Atlantic and SSC Pacific will fulfill their obligation to consult and/or negotiate with these labor organizations in accordance with 5 U.S.C. 4703(f) and 7117, as appropriate. Figure 1–1 identifies SSC Atlantic and SSC Pacific employees by major geographic location.

D. Project Overview

In response to the authority granted by Congress to develop a personnel management demonstration project, SSC Atlantic and SSC Pacific chartered a Transition Team tasked with the design and implementation of the new demonstration project plan. The joint team is responsible for developing all associated deliverables, proposals, and implementation details. The Transition Team developed its initial concept as a result of information-seeking and assistance visits at the NRL, Office of Naval Research, and Naval Sea Systems Command, Surface Warfare Center, Dahlgren Division, as well as from consultative sessions with numerous other STRL laboratory representatives across the DoD. The Transition Team continues to solicit and receive information and advice from the DUSD(CPP), DoD Civilian Personnel Management Service, and a number of organizations with ongoing demonstration projects. Information and suggestions have been solicited from SSC Atlantic and SSC Pacific employees through an ongoing series of interviews, briefings, and small-group meetings.

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Figure 1-1. Employee Distribution by Geographic Location

Location	State	Employees	Bargaining Unit Members
MOBILE	AL	1	
MANAMA	BAHRAI	1	
SAN DIEGO	CA	3767	
MONTEREY	CA	2	
TWENTY NINE PALMS	CA	4	
PASADENA	CA	1	
NEW LONDON	CT	8	
COLORADO SPRINGS	CO	9	
WASHINGTON	DC	163	
PANAMA	FL	94	
TAMPA	FL	48	
KINGS BAY	GA	6	
WARNER ROBINS	GA	4	
STUTTGART	GER	37	
BARRIGADA	GUAM	39	2
HONOLULU	HI	314	
KAPOLEI	HI	1	
LAFAYETTE	IN	1	
RIGBY	ID	1	
NAPLES	ITALY	4	
SIGONELLA	ITALY	1	
YOKOSUKA	JAPAN	36	
YOKOTA AFB	JAPAN	1	
OKINAWA / SASEBO / ZUKERAN	JAPAN	6	
SEOUL	KOREA	1	
NEW ORLEANS	LA	187	
BATH	ME	1	
ABERDEEN/INDIAN HD/LEXINGTON	MD	3	
ANNAPOLIS/FT MEADE/NMIC	MD	4	
PATUXENT RIVER/SUITLAND	MD	24	
MINNEAPOLIS	MN	1	
ST LOUIS	MO	1	
STENNIS SPACE	MS	2	
LEJEUNE/FAYETVILLE/FT.BRAGG/M	NC	17	
LA MOURE	ND	1	
NASHUA	NH	2	
ALBUQUERQUE/KIRTLAND AFB	NM	2	
WRIGHT PATTERSON AFB	OH	1	
PHILADELPHIA	PA	95	
LESTER/NEWTON/PITTSBURGH	PA	4	
NEWPORT/NAVAL BASE	RI	2	
CHARLESTON/GREENVILLE/SHAW	SC	2092	
LACKLAND AFB	TX	2	
LONDON	UK	2	
NORFOLK/ VA BEACH/CHESAPEAKE	VA	494	144
ARLINGTN/CHANTILLY/CHECK/FALL	VA	20	
SEATTLE	WA	10	
MARINETTE	WI	1	
TOTAL		7518	146
Data Valid 02/02/10			

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II. Methodology

A. Project Design

There are four fundamental elements of the SSC STRL personnel management system. The fundamentals are (1) hiring and staffing flexibilities, (2) simplified classification, (3) pay banding, and (4) contribution-based compensation and assessment. The hiring and staffing flexibilities are being implemented in order to better recruit, hire, and retain the most capable, qualified, and competent workforce in the job market today. Simplified classification is being implemented to streamline the job classification process, simplify the effects of administrative processes on personnel, and allow for more flexibility in making job reassignments. The pay banding structure will create five career paths with multiple pay bands within each career path representing the phases of career progression that are typical for the respective careers. This banding structure will enable managers to more appropriately reward and retain a diverse workforce using principles of pay equity and career progression. The contribution-based compensation system is characterized by an assessment of an employee's contribution to the organization and an appropriate pay allocation predicated on the assessed level of contribution. The contribution-based compensation and assessment is being implemented to more appropriately recognize and

reward the employees' overall efforts and results.

While much of the demonstration project will be applied uniformly across both Systems Centers, there are decisions that will be delegated to the respective Systems Centers so that the needs and cultures of those organizations may be taken into account. Decisions at the local level will be made through established governance boards set up by the appropriate Center Technical Director or Commanding Officer.

B. Personnel System Changes

1. Hiring and Appointment Authorities

a. Expanded Detail Authority

SSC Atlantic and SSC Pacific will have an Expanded Detail Authority providing the ability to: (1) Effect details up to one year to specified positions at the same or similar level without the current 120-day renewal requirement specified at 5 U.S.C. 3341; and (2) effect details to a higher level position up to 1 year within a 24-month period without competition. Details to higher level positions beyond one year in a 24-month period require approval of the Technical Director/Commanding Officer and are subject to competitive procedures. The specifics of these authorities will be stipulated by local business rules, policies, or procedures as organizational experience dictates.

b. Non-Citizen Hiring

Where Executive Orders or other regulations limit hiring non-citizens to the excepted service, both SSC Atlantic and SSC Pacific will have the authority to approve the hiring of non-citizens into competitive service positions when there are no qualified U.S. citizens, and the candidate meets all applicable immigration and security requirements. In order to make a determination that there are no qualified candidates, the position will be advertised extensively using paid advertisements in venues such as major newspapers, scientific journals, and electronic media as well as through "normal" recruiting methods. If a non-citizen candidate is the only qualified candidate for the position, the candidate may be appointed. The selection is subject to approval by the SSC Atlantic and SSC Pacific Technical Director/Commanding Officer. This authority will not be delegated further.

c. Extended Probationary/Trial Period

(1) *Initial Probationary Period.* Candidates hired under the demonstration project into positions classified to the Science and Engineering and Administrative Specialist/Professional occupational families (the nature of whose work requires the manager to have more than one year to assess the employee's job performance) will serve a three-year probationary/trial period. Personnel assigned to positions classified to the Science and Engineering Technical/Technician and General Support occupational families will serve a one-year probationary/trial period.

(2) *Supervisory Probationary Period.* Personnel assigned for the first time to supervisory/managerial positions which have a career path pay plan indicator of NM will serve a one-year supervisory probationary period. The one-year supervisory/managerial probationary period may run concurrently with the required initial probationary period for the occupational family to which an employee's position is classified.

(3) *Transitional Probationary Periods.* Any personnel entering the demonstration project from another Federal government personnel management system, who have served an initial or supervisory probationary period under that system, will be deemed to have met the SSC STRL probationary period requirements. Personnel transitioning into the SSC STRL demonstration project who have begun, but have not yet completed an initial or supervisory probationary period under another Federal government system, will have met the probationary requirements of SSC STRL when they have completed the terms of the initial and/or supervisory probationary periods under which they were hired or placed.

(4) *Termination of Initial Probationary Period Employees.* Initial probationary employees may be terminated when they fail to demonstrate proper conduct, technical competency, and/or acceptable performance for continued employment, and for conditions arising before employment. When a supervisor decides to terminate an employee during the initial probationary period because his/her work performance or conduct is unacceptable, the supervisor shall terminate the employee's services by written notification stating the reasons for termination and the effective date of the action. The information in the notice shall, at a minimum, consist of the supervisor's conclusions as to the inadequacies of the employee's performance or conduct, or those conditions arising before employment that support the termination.

(5) *Termination of a Supervisory Probationary Period.* The supervisory probationary period may be terminated when supervisors fail to demonstrate proper conduct, technical competency, and/or acceptable performance for continued assignment as a supervisor, and for conditions arising before supervisory assignment. When a supervisory probationary period is terminated by the supervisor (the manager) of the supervisor in question the manager shall terminate the supervisory assignment by written notification stating the reasons for supervisory assignment termination and the effective date of the action. The information in the notice shall, at a minimum, consist of the manager's conclusions as to the inadequacies of the supervisor's performance or conduct, or those conditions arising before supervisory assignment that support the termination of the assignment.

(6) All initial and supervisory probationary period requirements will be outlined in local business rules, policies, or procedures. Preference eligibles will maintain their rights under applicable law and regulation in both the competitive and excepted service.

d. Expanded Term Appointments

The Systems Centers perform engineering and scientific work that often has project durations of three to six years. The current four-year limitation on term appointments, as described in 5 CFR part 316, imposes a burden on the Centers by forcing the termination of some term employees prior to completion of projects they were hired to support. This disrupts the engineering and acquisition process and reduces the Centers' ability to serve their customers. Under the demonstration project, SSC Atlantic and SSC Pacific have the authority to appoint individuals under modified term appointments for a period of more than one year but not more than five years when the need for an employee's services is not predicted to be permanent. These appointments may be extended one additional year for a total of six years. Employees hired under the modified term appointment authority may be eligible for conversion to career or career-conditional appointments in the competitive service. To be converted, the employee must have: (1) Been selected for the term position under competitive procedures, with the announcement specifically stating that the individual(s) selected for the term position(s) may be eligible for conversion to a career or career-conditional appointment at a later date; (2) served a minimum of two years of continuous service in the term position; and (3) have a current contribution score consistent with acceptable contribution/performance criteria as

established by each Systems Center. Applicable probationary periods apply to both temporary and permanent positions.

Employees serving under term appointments at the time of conversion to the SSC STRL demonstration project may be converted to modified term appointments provided they were hired for their current positions under competitive procedures. These employees may be eligible for conversion to career-conditional or career appointments provided they have completed at least two years of continuous service, and are performing at a satisfactory level. Should this criterion not be met, legacy term employees will remain on existing appointments until the not-to-exceed date or until some other terminating event occurs. These appointments may be extended in accordance with the requirements of 5 CFR part 316. The positions under this feature will be defined by local business rules, policies, or procedures.

e. Voluntary Emeritus Program

SSC Atlantic and SSC Pacific will establish a Voluntary Emeritus Program. Under the demonstration project, the Systems Centers' Technical Directors/Commanding Officers have the authority to offer retired or separated employees in Science and Engineering (S&E) or Administrative/Professional occupational families (*see* Appendix B) voluntary assignments (non-paid) in the Centers. This authority may not be further delegated. The Voluntary Emeritus Program ensures continued quality research, mentoring, support, and program management while reducing the overall base pay by allowing higher paid employees to retire with the opportunity to retain a presence in the Center's workplace. The program is beneficial during manpower reductions as senior personnel accept retirement and return to provide valuable on-the-job training or mentoring to less experienced employees. This authority includes employees who have retired or separated from Federal service. Voluntary Emeritus Program assignments are not considered employment by the Federal government, except for purposes of on-the-job injury compensation. Thus, such assignments do not affect an employee's entitlement to retain buyouts or severance payments based on an earlier separation from Federal service.

To be accepted into the Voluntary Emeritus Program, a volunteer must be recommended by a manager within the Centers. Everyone who applies is not automatically entitled to a voluntary assignment. The process must be clearly documented and records retained at the command level in accordance with established business rules, procedures, or processes.

To encourage participation, the volunteer's Federal civilian or military retirement pay will not be affected while serving in a voluntary capacity.

Volunteers are not permitted to monitor contracts on behalf of the government or to participate on any contracts or solicitations where a conflict of interest exists.

An agreement is established between the volunteer and the respective Center and is reviewed by the local legal counsel representative. The agreement must be finalized in advance and shall include as a minimum:

(1) A statement that the voluntary assignment does not constitute an appointment in the Civil Service and is without pay or any other form of compensation;

(2) The volunteer waives any and all claims against the Government because of the voluntary assignment except for purposes of on-the-job injury compensation as provided in 5 U.S.C. 8101(1)(B);

(3) Volunteer's work schedule as needed or requested;

(4) Length of agreement (defined by length of project or time defined by weeks, months, or years);

(5) Support provided by the Center (travel, administrative, office space, supplies);

(6) A provision that states no additional time will be added to a volunteer's service credit for such purposes as retirement, severance pay, and leave as a result of being a member of the Voluntary Emeritus Program;

(7) A provision allowing either party to void the agreement with written notice to the other. (There are no appeal or grievance rights for a volunteer); and

(8) The level of security access required—any security clearance required by the assignment is managed by the appropriate Systems Center while the volunteer is a member of the Voluntary Emeritus Program.

f. Direct Hire Authority for Candidates With Advanced Degrees for Scientific and Engineering Positions

(1) Background

The Systems Centers have an urgent need for direct hire authority to appoint qualified candidates possessing an advanced degree to scientific and engineering positions in competitive and excepted service. The market is extremely competitive with industry and academia for the small supply of highly-qualified and security clearable candidates with a Masters Degree or PhD in science or engineering. There are 35,000 scientists and engineers employed in the DoD laboratories; 27% hold Masters Degrees, while 10% are in possession of a PhD. The Systems Centers employ around 3,308 S&Es; 29% holding Masters Degrees, while 4% are in possession of a PhD. Over the next five years, the Systems Centers plans to hire approximately 400 of the country's best and brightest S&Es just to keep pace with attrition. This number does not reflect the impact of other actions affecting the demand of S&Es in the Systems Centers, *e.g.,* Base Realignment and Closure, in-sourcing, and other initiatives which add to the increased demand for scientific and engineering expertise. Additionally, statistics indicate that the available pool of advanced degree, clearable candidates is substantially diminished by the number of non-U.S. citizens granted degrees by U.S. institutions. For instance, in 2006, 20% of Masters Degrees in science and over 35% of PhDs in science were awarded to temporary residents.

It is expected that this hiring authority, together with streamlined recruitment processes, will be very effective in accelerating the hiring process for candidates possessing a PhD. For instance, under a similar authority in the National Defense Authorization Act for Fiscal Year 2009, section 1108 (Pub. L. 110–417), October 28, 2009, one STRL had fifteen PhD selectees in 2009 for the sixteen vacancies for which they were using this hiring authority. Another STRL, using this expedited hiring authority in calendar year 2009, made thirty firm hiring offers in an average of thirteen days from receipt of paper work in the Human Resources Office. Of these thirty selectees, twenty-three possessed PhDs.

(2) Definitions:

(a) Scientific and engineering positions are defined as all professional positions in scientific and engineering occupations (with a positive education requirement) utilized by the Centers.

(b) An advanced degree is a Master's or higher degree from an accredited college or university in a field of scientific or engineering study directly related to the duties of the position to be filled.

(c) Qualified candidates are defined as candidates who:

i. Meet the minimum standards for the position as published in OPM's operating manual, "Qualification Standards for General Schedule Positions," or the laboratory's

demonstration project qualification standards specific to the position to be filled;

ii. Possess an advanced degree; and

iii. Meet any selective factors.

(d) "Employee" is defined by section 2105 of title 5, U.S.C.

(3) Provisions:

(a) Use of this appointing authority must comply with merit system principles when recruiting and appointing candidates with advanced degrees to covered occupations.

(2) Qualified candidates possessing an advanced degree may be appointed to both competitive and excepted service without regard to the provisions of subchapter 1 of chapter 33 of title 5, United States Code, other than sections 3303, 3321, and 3328 of such title.

(3) The hiring threshold for this authority shall be consistent with DoD policy and legislative language as expressed in any National Defense Authorization Act addressing such.

(4) When completing the personnel action, the following will be given as the authority for the Career-Conditional, Career, Term, Temporary, or special demonstration project appointment authority: Section 1108, NDAA for FY 09.

(5) This authority will be administered by the servicing Human Resource Office and Human Resources Service Center in accordance with the Department of Navy's common business processes, systems and tools.

(6) Evaluation of this hiring authority will include information and data on its use such as numerical limitation, hires made, declinations, how many veterans hired, declinations, difficulties encountered, and/or recognized efficiencies in accordance with established internal business rules, policies, or procedures.

g. Delegated Examining

The Systems Centers need a process that will allow for the rapid filling of vacancies, is less labor intensive, and is responsive to the needs of the Centers.

(1) *Delegated Examining Authority.* The Systems Centers propose to demonstrate a streamlined examining process for both permanent and non-permanent positions. Competitive service positions with SSC ATLANTIC and SSC PACIFIC will be filled through Merit Staffing or under Delegated Examining. This authority will be administered by the applicable servicing Human Resource Office and Human Resources Service Center consistent with veterans' preference and merit principles in accordance with the Department of Navy's common business processes, systems, and tools.

(2) *Description of Examining Process:* The primary change in the examining process to be demonstrated is the elimination of consideration according to the "rule of three." When there are no more than 15 qualified applicants and no preference eligibles, all eligible applicants are immediately referred to the selecting official without rating or ranking. Rating and ranking will be required only when the number of qualified candidates exceeds 15 or there is a mix of preference and non-preference applicants. Statutes and regulations covering veterans' preference will be observed in the selection process and when rating and ranking are required.

h. Distinguished Scholastic Achievement Appointments

SSC Atlantic and SSC Pacific Distinguished Scholastic Achievement Appointment Authority (DSAA) uses an alternative examining process which provides the authority to appoint individuals with undergraduate or graduate degrees through the doctoral level to positions up to the equivalent of GS–12 for positions in the S&E pay bands. This enables both Centers to respond quickly to hiring needs for eminently qualified candidates possessing distinguished scholastic achievements.

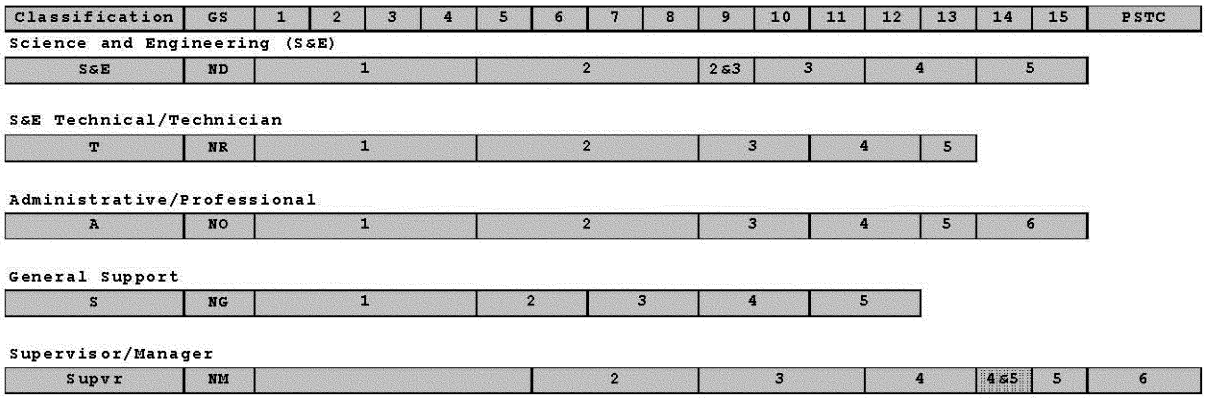
Candidates may be appointed provided they meet the minimum standards for the position as published in OPM's operating manual, "Qualification Standards for General Schedule Positions," and the candidate has a cumulative grade point average of 3.5 (on a 4.0 scale) or better in their field of study (or other equivalent score) or are within the top 10 percent of a university's major school of graduate studies.

Preference eligibles who meet the above criteria will be considered ahead of non-preference eligibles. In making selections, to pass over any preference eligible(s) to select a non-preference eligible requires approval under current objection procedures.

2. Career Path Pay Band Structure

A fundamental element of the Centers' demonstration project is a simplified classification and pay component. Like other STRL demonstration projects, the proposed pay banding approach is tied to the fifteen GS grade levels and the above GS–15 level (discussed in paragraph II.B.2.c), and reduces them into five to six pay bands within a career path (Figure 2–1). GS occupations are further broken down into five separate career paths: Science and Engineering (ND), S&E Technical/Technician (NR), Administrative Specialist/Professional (NO), General Support (NG), and Supervisor/Manager (NM). In the figure below, dotted areas in the ND and NM pay bands are indicative of an overlap in pay, rather than a separate pay band. For example, the ND 2 pay band begins at the equivalent of the GS–5, step 1, and ends at the GS–9, step 10; while the ND 3 band begins at the equivalent of the GS–9, step 1, and ends at the GS–11, step 10.

Figure 2-1. SSC STRL Career Path and Pay Band Structure



SSC STRL will develop new and streamlined career path pay band descriptors that will replace the OPM classification standards. While the SPAWAR pay band descriptors will be based on OPM classification standards, they will be different in that these generic pay band descriptors encompass multiple occupational series and provide maximum flexibility for the organization to assign individuals consistent with the needs of the organization and the individual's qualifications. These generic career path pay band descriptors will include the essential criteria for each pay band within each career path by listing the characteristics of the work, the responsibilities of the position, and the skills required to perform the function. New pay band descriptors will make personnel packages easier to prepare by minimizing writing time and will be a more useful tool for other management functions. Career progression between pay bands will occur by promotion or through seamless pay band movement (paragraph II.B.2.d), and pay progression within pay bands will occur primarily through contribution-based pay.

a. Career Paths

The Systems Centers classification system will be based upon career paths and pay bands. Occupations with similar characteristics (as defined under OPM guidance) will be grouped together into one of five career paths, with pay bands designed to facilitate pay progression. Each career path will be composed of pay bands corresponding to recognized advancement and career progression expected within the occupations. Pay bands will replace individual grades and will not be the same in each career path. The designated career paths are: Science and Engineering (S&E) (ND), S&E Technical/Technician (NR), Administrative Specialist/Professional (NO), General Support (NG), and Supervisor/Manager (NM). Like the other STRL Demonstration projects, the GS classification occupational series would be retained. SSC STRL currently has positions in approximately 156 occupational series in 16 occupational groupings. Titles of the career paths and associated classification occupational series for each path are provided in Appendices A and B respectively. The distribution of the occupational series to career paths reflects only those occupational series which currently exist within the two Systems Centers. Additional occupational series may be added as a result of changes in mission requirements or OPM recognized occupations. These additional occupational series will be placed in the appropriate career path consistent with the established career path definitions.

The Science and Engineering career path includes professional engineering and scientific positions in the physical, biological, psychological (engineering psychology), mathematical, and computer sciences and student positions for training in these disciplines. Specific course work or educational degrees are required for these occupations. Employees with advanced degrees or qualifications may be advanced more rapidly, or hired at higher pay bands than others. Occupational series and their titles included in this career path are listed in Appendices A and B. Five pay bands have been established for the Science and Engineering career path.

The Technical/Technician career path includes the nonprofessional technician positions that support scientific and engineering activities through the application of various skills and techniques in electrical, mechanical, physical science, biology, mathematics, information technology and computer fields, and student positions for training in these disciplines. This career path includes positions such as computer technician, engineering technician, and physical sciences technician. Employees in these positions may or may not require specific course work, and will otherwise progress through bands on the basis of evaluated contribution. Specific series and their titles included in this career path are listed in Appendices A and B. Five pay bands have been established for this career path.

The Administrative Specialist/Professional career path includes the professional or specialist positions in such administrative, technical, and managerial fields as finance, procurement, human resources, information technology, legal, librarianship, public information, safety, social sciences, program and project management, and analysis, and student positions for training in these disciplines. This career path includes legal counsel, management and other analysts, finance, accounting, contract specialists, and information technology managers. Employees in this career path may or may not have specific educational requirements, and will otherwise advance through bands based on evaluated contribution. Series and their titles included in this career path are listed in Appendices A and B. Six pay bands have been established for this career path.

The General Support career path includes the assistant and clerical positions providing support in such fields as budget, finance, supply, human resources; positions providing support through application of typing, clerical, or secretarial knowledge and skills; and student positions for training in these

disciplines. This career path includes mail and correspondence clerks, typists, purchasing, contracting, and legal clerks/assistants, and property disposal technicians. Employees in this career path may or may not have specific educational requirements, and will otherwise advance through bands based on evaluated contribution. Series and titles included in this career path are listed in Appendices A and B. Five pay bands have been established for this career path.

The Supervisor/Manager career path includes employees performing the supervisory functions listed as follows: Assign work to subordinates based on priorities, difficulty of assignment, and the capabilities of employees; provide technical or specialized oversight; develop contribution plans and rate employees; interview candidates for subordinate positions; recommend hiring, promotion, or reassignments; take corrective action, such as warnings and reprimands; identify developmental and training needs of employees; and provide and arrange for needed training. A supervisory position cannot be established on the basis of only one subordinate position. A supervisory position cannot be established on the basis of contractor personnel. The Supervisor/Manager career path can include any series. Placement within the supervisory career path will take into account the level of work of the employees being supervised as well as the level of the non-supervisory duties. Employees in this career path may or may not have specific requirements as established by internal business rules, policies, or procedures, and will otherwise advance through bands based on evaluated contribution. Six pay bands have been established for this career path (this career path omits pay band 1 to maintain numerical parity with other career paths).

b. Career Path Pay Bands and Levels of Responsibility

A fundamental purpose of pay banding is to make the distinctions between levels easier to discern and more meaningful. The wider scope of classification criteria with pay bands provides more flexibility in moving individuals to other positions quickly within the pay band as mission needs dictate. These wider pay ranges provide a better ability to offer more competitive starting salaries to attract candidates to highly specialized positions and appropriate compensation for work results achieved thereby increasing retention. The basis for the demonstration project pay system is each pay band having a base pay that exactly corresponds to base pay of the encompassed GS grade levels. This continued linkage with the GS system will result in adjustments to the pay band base pay ranges through future general pay increases under the GS System. Within each career path, pay bands typically include the following categories of positions: Student trainee and/or entry level, developmental, full performance level, and expert.

With fewer classification grades of difficulty and responsibilities of work than the General Schedule, the level of responsibility reflected in each pay band typically encompasses the responsibilities of two or more GS grades. For example, the responsibilities of a pay band covering work at the full performance level may represent a synthesis of GS–10 and GS–11 responsibilities.

The S&E ND 2 and ND 3 pay bands overlap at the GS–9 level. Some of the engineers and scientists with a Bachelor of Science degree are hired with a starting base salary pay that exceeds the equivalent of a GS–8, step 10. In order to continue to accommodate the current flexibility of our managers to set base pay at this level, a pay band that extends to the GS–9, step 10-equivalent, yet at the same time accommodates classification of entry-level duties at the GS–7 level, is required. Furthermore, master's degree scientists and engineers are hired at the base pay equivalent of a GS–10 or GS–11, but the pay band still needs to accommodate classification of duties at the GS–9 level. In order to do this, both an entry-level pay band that goes up to the GS–9, step 10, and a second level pay band that begins at the GS–9, step 1, are required. The Systems Centers' experience with very wide pay bands for developmental positions was somewhat problematic for managers and supervisors. Due to the inconsistency in application and timing of promotions, there was a wide variation in base pay for employees performing similar functions. In order to overcome this potentially confusing scenario, SSC STRL will implement an additional level in the pay band, as has previously been employed by NAVSEA in other pay bands. NAVSEA introduced the overlapping GS level in their Administrative/Technical NT pay band at the GS–14 equivalent level in both NT 5 and NT 6. For the SSC STRL demonstration project, the overlap at the GS–9 level in the ND 2 and ND 3 pay bands allows more flexibility in adjusting base pay of our employees to an appropriate level, commensurate with contribution.

c. Above GS–15

The pay banding plan for the Supervisor/Manager career path includes a pay band 6 to accommodate classification of professional scientific and engineering positions having duties and responsibilities that exceed the GS–15 classification criteria. This pay band is based on the Above GS–15 position concept found in other STRL personnel management demonstration projects that was created to solve a critical classification problem. The STRLs have positions warranting classification above GS–15 because of their technical expertise requirements including inherent supervisory and managerial responsibilities. However, these positions are not considered to be appropriately classified as Scientific and Professional Positions (STs) because of the degree of supervision and level of managerial responsibilities. Neither are these positions appropriately classified as Senior Executive Service (SES) positions because of their requirement for advanced specialized scientific or engineering expertise and because the positions are not at the level of general managerial authority and impact required for an SES position.

The original Above GS–15 Position concept was to be tested for a five-year period. The number of trial positions was set at 40 with periodic reviews to determine appropriate position requirements. The Above GS–15 Position concept is currently being evaluated by DoD management for its effectiveness; continued applicability to the current STRL scientific, engineering and technology workforce needs; and appropriate allocation of billets based on mission requirements. The degree to which the Centers plan to participate in this concept and develop classification, compensation and performance management policy, guidance, and implementation processes will be based on the final outcome of the DoD evaluation.

d. Seamless Movement to a Higher Pay Band Level

Under the SSC STRL demonstration project, non-competitive movement to a higher pay band may occur via the current accretion of duties process, as determined by local business rules, and in accordance with DoD/DON guidance and regulation; and once a year as a direct result of the Contribution Assessment and Recognition System (CARS) process (*see* paragraph II.B.5), as long as certain specific conditions are met. Movement to pay band 6 of the NM pay plan will be governed by DoD guidance and regulation. A key concept

of the demonstration project is that career growth in a career path may be accomplished by movement through a career path's pay bands by significantly increasing levels of responsibilities, scope of work, and duties providing opportunities for increasing employee contributions toward the organizational mission. An employee's contribution is a reflection of his/her contribution score, which is derived from the employee's performance relative to contribution elements. Because contribution elements are written at progressively higher levels of expected contribution, and equate therefore to work performed at higher pay band levels, higher scores reflect that the employee's contribution is equivalent to the pay band level associated with the score he/she is awarded.

The pay band level of a position may be increased when an employee consistently contributes at the higher pay band level through increased expertise and by performing expanded duties and responsibilities commensurate with the higher pay band's contribution elements. If an employee's contributions consistently enhance and broaden the scope, nature, intent and expectations of the position and are reflective of higher pay band level contribution elements, the classification of the position can be updated accordingly. This form of movement through pay bands in a career path is referred to as a seamless pay band movement and can only happen within the same career path; employees cannot cross over career paths through this process. The criteria is similar to that used in SSC Atlantic's and SSC Pacific's current accretion of duties process and must be met for an employee to move seamlessly to the higher pay band level. For this movement to occur: (1) The employee's current position is absorbed into the reclassified position, with the employee continuing to perform the same basic duties and responsibilities, albeit at a higher level and (2) the employee's current position is reclassified to a higher pay band as a result of additional higher level duties and responsibilities. No additional pay band movement to another higher pay band level is guaranteed. It may take a number of years for contribution levels to increase to the extent a pay band move is warranted, and not all employees will achieve the increased contribution levels required for such moves.

Movement to a higher level pay band may be "triggered" by the CARS process and deferred to the standard accretion schedule or may be carried out following the appraisal cycle as an immediate result of the CARS process. In either case, pay band movement is always at the discretion of the leadership of the Centers and only as a result of direct leadership decision. In no cases is such movement "automatic" on the basis of contribution score-based performance alone.

Any resulting changes in pay bands that occur as a result of the CARS process will be processed and documented with the appropriate personnel action. Management also has the option to fill vacancies throughout the year using various staffing avenues, including details, reassignments, or competitive selection procedures as applicable and/or required for competitive promotions or temporary promotions. Employees may be considered for vacancies at higher pay band positions consistent with the demonstration project competitive selection procedures.

3. Classification

a. Simplified Classification Process

The Systems Centers will create one page generic, pay band descriptors with appropriate titles that also serve as the core of pre-classified position descriptions within the demonstration project. Those descriptions may be further tailored with addenda that provide information on Fair Labor Standards Act (FLSA) coverage, selective placement factors, specialized knowledge/skills/abilities, *etc.* Within the SSC STRL demonstration project, the term "classification of a position" for positions covered by pay banding is defined as the placement of a position in its appropriate career path, occupational series, and pay band based on the application of standards that are referred to as pay band descriptors established at the Systems Center level. Line managers will be meaningfully involved in the classification process to make it more relevant to their organization's needs.

b. Delegation of Classification Authority

The Systems Centers' Technical Directors/Commanding Officers may delegate classification authority to the designated management authority for all positions except those in Science and Engineering pay band 6. Classification authority for Science and Engineering pay band 6 will be consistent with DoD guidance. Requesting supervisors at any level will provide classification recommendations. Support of the applicable Human Resources Organization (HRO) will be available for guidance and recommendations concerning the classification process. Any dispute over the proper classification between a manager and the HRO will be resolved by the Technical Director/Commanding Officer. Those to whom authority is delegated are accountable to the Technical Director/Commanding Officer and are expected to comply with demonstration project guidelines on classification and position management, observe the principle of equal pay for work of equal value, and ensure that position descriptions are current and accurate. All positions must be approved through the appropriate Center chain of command, as established by internal business rules, policies, and procedures.

c. Classification Appeals

An employee may appeal the occupational series, career path, or pay band of his or her position at any time. Classification appeal procedures for employees placed in pay band 6 of the NM career path are governed by DoD and are not affected by the appeal procedures described in this demonstration project. For all other employees, the Classification Appeals to OPM will be replaced by a two-level appeal process modeled after the demonstration project previously approved for the Naval Weapons Center, China Lake, and Naval Ocean Systems Center, San Diego. The two levels of classification appeals are (1) within each Systems Center under guidelines developed by governance boards established, or as otherwise delegated, by each Center's Technical Director/Commanding Officer, and if not resolved locally, (2) at the other Systems Center, *i.e.,* at SSC Pacific for SSC Atlantic appeals and vice versa. Decisions made at the second level of the appeal process are final.

An employee may not appeal the demonstration project classification criteria, the accuracy of the pay band descriptor, or the pay setting criteria; the assignment of occupational series to a career path; the title of a position; the propriety of a base pay schedule; or matters grievable under an administrative or an alternative dispute resolution procedure. The evaluation of a classification appeal under this demonstration project is based upon the demonstration project classification criteria. Case files and final adjudication documentation will be forwarded to the servicing HRO.

d. Simplified Assignment Process

Today's environment of rapid technology development and workforce transition mandates that the organization have maximum flexibility

to assign individuals. Pay banding can be used to address these needs. As a result of the assignment to a particular pay band descriptor, the organization will have maximum flexibility to assign an employee within pay band descriptors consistent with the needs of the organization, the individual's qualifications and rank, and pay band. Subsequent assignments to projects, tasks, or functions anywhere within the organization requiring the same area of expertise and qualifications would not constitute an assignment outside the scope or coverage of the employee's pay band descriptor. Such assignments within the coverage of the generic descriptors are accomplished as realignments and do not constitute a position change. For instance, an employee can be assigned to any project, task, or function requiring similar technical expertise. Likewise, a manager could be assigned to manage any similar function or organization consistent with that individual's qualifications. This flexibility allows broader latitude in assignments and further streamlines the administrative process and system.

4. Pay Setting outside the Contribution Assessment and Recognition System (CARS)

The following definitions and policies will apply to the pay setting of new hires, movement of employees within the demonstration project from one career path or pay band to another, as well as any other pay action outside the CARS.

a. Advanced In-hire Rate

Upon initial assignment into the STRL demonstration project, base pay may be set anywhere within the pay band consistent with the special qualifications of the individual and the unique requirements of the position. These special qualifications may be in the form of education, training, experience, scarcity of qualified candidates, labor market considerations, programmatic urgency, or any combination thereof that is pertinent to the position in which the employee is being placed. Management of base pay approval decisions will be delineated in internal business rules, policies, or procedures. Consideration should be given to the base pay of employees performing similar work within the work unit. This provision applies to any action which places a non-demonstration project employee into the demonstration project, specifically initial hires, transfers, and reinstatements (or rehires). Specific guidelines for application of Advanced In-hire rate will be established in internal business rules, policies or procedures.

b. Promotion

Within the SSC STRL demonstration project career path pay banding system, a promotion will be defined as the movement of an employee from a lower to a higher pay band in the same career path, or from one career path to another wherein the pay band in the new career path has a higher maximum base pay than the pay band from which the employee is moving (seamless pay band movement under the CARS is not considered a promotion under this definition). The minimum base pay increase upon promotion to a higher pay band will be 6% or the minimum base pay of the new pay band, whichever is higher. Promotions will follow Federal Merit Promotion policy that provides for competitive and non-competitive promotions. Promotion pay thresholds may be modified by internal business rules, policies, or procedures as organizational experience dictates. Promotion increases may not result in base pay higher than the maximum base pay of the pay band. Other specific guidelines regarding promotions will be documented in internal business rules, policies, or procedures.

c. Reassignment

A reassignment occurs when an employee moves, voluntarily or involuntarily, to a different position or set of duties within his/her pay band or to a position in a comparable pay band at a comparable level of work, on either a temporary or permanent basis. Under this system, employees may be eligible for an increase to base pay upon temporary or permanent reassignment as described in this section. A decision to increase an employee's base pay under this section will be based upon clear Systems Centers' business rules that will define criteria necessary to justify a base pay increase. Examples of criteria may include, but are not limited to, one or more of the following factors:

(1) A determination that an employee's responsibilities will significantly increase;

(2) Critical mission or business requirements;

(3) Need to advance multi-functional competencies;

(4) Labor market conditions, *e.g.,* availability of candidates and labor market rates;

(5) Reassignment from a nonsupervisory to a supervisory position;

(6) Employee's past and anticipated performance and contribution;

(7) Physical location of position;

(8) Specialized skills, knowledge, or education possessed by the employee in relation to those required by the position; and

(9) Base pay of other employees in the organization performing similar work.

When an employee is reassigned within his/her current pay band or to a comparable pay band, an authorized management official will set base pay at an amount no less than the employee's current base pay and may increase the employee's current base pay by up to five percent. If the employee's current base pay exceeds the maximum of the new pay band, no increase is provided, and the employee's base pay will be set at that maximum base pay rate. There is no limit to the number of times an employee can be reassigned, but local business rules will be established to monitor and control all cases that receive reassignment base pay change to ensure fairness and consistency across the workforce. Reassignment base pay thresholds may be modified or increased by internal business rules, policies, or procedures as organizational experience dictates.

d. Change to Lower Pay Band

Within the SSC STRL demonstration project, a change to a lower pay band will be defined as the movement of an employee from a higher pay band to a lower pay band within the same career path, or from one career path to another where the pay band in the new career path has a lower maximum base pay than the pay band from which the employee is moving. This action may or may not result in a pay reduction; however, an employee's base pay may not exceed the maximum of the assigned pay band unless the employee is entitled to pay retention as described in 5 CFR part 536. In cases where change to a lower pay band is involuntary and accompanied by a reduction in pay, adverse action procedures under 5 CFR part 752 remain unchanged.

e. Locality Pay

All employees will be entitled to the locality pay authorized for their official duty station in accordance with 5 CFR part 531 subpart F. In addition, the locality-adjusted pay of any employee may not exceed the rate for Executive Level IV. Geographic movement within the demonstration project will result in the employee's locality pay being recomputed using the newly applicable locality pay percentage, which may result in a higher or lower locality pay and, thus, a higher or lower adjusted

base pay. This adjustment is not an adverse action.

f. Staffing Supplements

At the time of conversion, the SSC Atlantic and SSC Pacific will not incorporate the use of special salary rates (SSR). If at a later time, SSRs are deemed necessary by SSC Atlantic and SSC Pacific leadership, they will be implemented via a staffing supplement. If implemented, additional internal business rules, policies, and procedures will be established on the use and application of staffing supplements including any limitations. Employees assigned to occupational categories and geographic areas where GS special rates apply may be entitled to a staffing supplement if the maximum adjusted base pay rate for the demonstration band to which the employee is assigned is exceeded by a GS special rate for the employee's occupational category and geographic area. The staffing supplement is added to the base pay, much like locality rates are added to base pay.

The staffing supplement plus the base pay is the staffing supplement adjusted pay. To calculate the staffing supplement a staffing factor must be determined. The staffing factor will be determined by dividing the maximum special rate for the banded grades by the GS unadjusted rate corresponding to that special rate (step 10 of the GS rate for the same grade as the special rate). The employee's staffing supplement is then derived by multiplying the base pay rate by the staffing factor minus one. Therefore, the employee's final staffing supplement adjusted pay equals the base pay rate plus the staffing supplement. The specific formulas are:

Staffing factor = Maximum special rate for the banded grades ÷ GS unadjusted rate corresponding to that special rate

Staffing supplement = Base pay rate * (staffing factor − 1)

Staffing supplement adjusted pay = base pay rate + staffing supplement

For newly hired employees into the demonstration project basic pay will be determined in accordance with section II.B.4.a. (Advanced In-hire Rate). Any applicable staffing supplement will be calculated after base pay is determined. If a staffing supplement has been authorized by Systems Center leadership, any GS or special rate schedule adjustment will require re-computing the staffing supplement. Employees receiving a staffing supplement remain entitled to an underlying locality rate, which may over time supersede the need for a staffing supplement. If OPM discontinues or decreases a special rate schedule, pay retention provisions will be applied. Upon geographic movement of employees, the applicability and amount of any staffing supplement will be re-determined. Any resulting reduction in pay will not be considered an adverse action or a basis for pay retention.

An established base pay rate plus the staffing supplement will be considered adjusted base pay for the same purposes as a locality rate under 5 CFR 531.610, *i.e.,* for purposes of retirement, life insurance, premium pay, severance pay, and advances in pay. It will also be used to compute worker's compensation payments and lump-sum payments for accrued and accumulated annual leave.

g. Other Provisions

(1) *Grade and Pay Retention.* The new system will eliminate retained grade but will preserve retained pay in accordance with 5 CFR part 536. Former NSPS employees retaining a rate that exceeds the limits or conditions imposed by 5 CFR part 536 will retain that pay until it falls back within those limits or conditions or until the employee's eligibility is lost or the retained pay is terminated in accordance with 5 CFR 536.308.

(2) *Highest Previous Rate.* Employees in the demonstration project may have their base/basic pay set consistent with the highest previous rate provisions at 5 CFR 531.221 through 223. The use of highest previous rate will be governed by local pay setting policies.

(3) *Recruitment, Retention, and Relocation Incentives.* The demonstration project may continue to employ these incentives, as described in 5 CFR part 575, and provide internal policy, guidance, and/or internal procedures for utilizing the incentives as necessary.

(4) *Qualification Standards for Demonstration Project Positions.* OPM's "Qualification Standards for General Schedule Positions" will be used to determine qualifications for demonstration project positions except with minor modifications to address application of OPM qualifications in a pay banding environment.

h. Distinguished Contribution Allowance (DCA)

SSC Atlantic and SSC Pacific will implement a Distinguished Contribution Allowance, a temporary monetary allowance up to 25 percent of base pay, which, when added to an employee's rate of base pay, may not exceed the rate of base pay for Executive Level IV. It is paid on either a bi-weekly basis concurrent with scheduled pay days or as a lump sum following completion of a designated contribution period, or combination of these, at the discretion of the Technical Director/Commanding Officer of the appropriate System Center. It is not base pay for any purpose, *e.g.,* retirement, life insurance, severance pay, promotion, or any other payment or benefit calculated as a percentage of base pay. The DCA will be available to certain employees whose present contributions are worthy of scores found at a higher career level and whose level of contribution is expected to continue at the higher career level for at least one year.

Award of the DCA rather than a change to a higher career level will generally be appropriate for employees under the following circumstances: (1) Employees have reached the top of their target career levels; (2) when it is not certain that the higher level contributions will continue indefinitely (*e.g.,* a special project expected to be of one- to five-year duration); (3) when no further promotion or compensation opportunities are available, but in all situations, when current market conditions compensate similar contributions at a greater rate in private industry and academia than the organization is able to do under normal compensation conditions. To be eligible for DCA, employees must meet the criteria below:

(1) Employees in the S&E, Technical, Administrative Professional, General, and Supervisor/Manager Career Tracks are eligible for the DCA if their contribution to the organization is deemed worthy, as determined by the appropriate Center Technical Director/Commanding Officer.

(2) Employees may receive a DCA for up to five years. The DCA authorization will be reviewed and reauthorized as necessary, but at least annually at the time of the CARS appraisal through nomination by the pay pool manager and approval by the appropriate Technical Director/Commanding Officer.

(3) Monetary payment may be up to 25 percent of base pay.

(4) Nominees are required to sign a statement indicating they understand that the DCA is a temporary allowance; it is not a part of base pay for any purpose; it is subject to review at any time, but at least on an annual basis, and the reduction or termination of the DCA is not appealable or grievable.

All other details regarding nomination, termination, reduction, allocation, and budget determination will be stipulated by internal business rules, policies, or procedures approved

by the applicable Center Technical Director/Commanding Officer.

i. Pay Differential for Supervisory Functions

SSC Atlantic and SSC Pacific will establish a pay differential to be provided at the discretion of the appropriate Center Technical Director or assigned delegates to incentivize and reward personnel performing supervisory functions but the functions do not meet all the specific criteria to be classified to the formal supervisory career path, or the functions are temporary in nature, or the functions are otherwise considered not eligible for supervisory career path pay band classification. Pay differential-eligible positions will be further defined and managed by internal business rules, policies, or procedures. A pay differential is a cash incentive that may range up to 10 percent of the employee's base rate of pay. It is paid on a pay period basis and is not included as part of the employee's base rate of pay. The pay differential must be terminated if the employee is removed from the designated position/duties (and is not placed in a position with equivalent duties/responsibilities), regardless of cause, or who initiates removal. All personnel actions involving a pay differential will require a statement signed by the employee acknowledging that the differential is not part of base pay for any purpose, and may be terminated or reduced as dictated by fiscal limitations, changes in assignment or scope of work, or by the appropriate Center Technical Director/Commanding Officer. Positions, titles, duties and responsibilities which are eligible for supervisory differential, as well as standards for differential awards will be defined in internal business rules, policies, or procedures. The termination or reduction of the differential is not an adverse action and is not subject to appeal or grievance.

j. Accelerated Compensation for Developmental Positions

SSC Atlantic and SSC Pacific will implement Accelerated Compensation for Developmental Positions (ACDP) to facilitate applicability to a compensation-based assessment approach. Accelerated Compensation for Developmental Positions (ACDP) is an increase to base pay that may be provided to employees participating in Center training programs or in other developmental capacities as determined by Center policy. ACDP recognizes growth and development in the acquisition of job related competencies combined with successful contribution to the organization. The use of ACDP is limited to: (1) Employees in a developmental pay band of a non-supervisory pay plan who are in developmental or trainee level positions (Developmental/trainee positions will be defined by local business rules, policies, or procedures.); and (2) employees in positions which are assigned to the SCEP.

Standards by which ACDP increases are provided and development criteria by which additional base pay increases may be given will be established and documented in internal business rules, policies, or procedures. The amount of the ACDP increase generally will not exceed 20 percent of an employee's base pay. The decision to grant an ACDP exceeding 20 percent of an employee's base pay must be made on a case-by-case basis and approved by the appropriate Center Technical Director/Commanding Officer or their delegates as established by internal business rules, policies, or procedures. The amount of the ACDP increase may not cause the employee's base pay to exceed the top of the employee's pay band or that set by internal business rules, policies, or procedures. An ACDP increase may not be granted unless an employee is in a pay and duty status under the SSC STRL demonstration project on the effective date of the increase.

k. Educational Base Pay Adjustment

SSC Atlantic and SSC Pacific will establish an educational base pay adjustment which is separate from other incentive pay(s) and may not exceed the top of the employee's assigned pay band. The educational base pay adjustment may be used to adjust the base pay of individuals who have acquired a level of mission-related education that would otherwise make the employee qualified for an appointment at a higher level and would be used in lieu of a new appointment. For example, this authority may be used to adjust the base pay of employees who are participating in a graduate level Student Career Experience Program (SCEP) or employees who have obtained an advanced degree, *e.g.,* a PhD in a field related to the work of their position or the mission of their organization.

l. Expanded Development Opportunity

(1) SSC Atlantic and SSC Pacific will establish an Expanded Development Opportunities Program which will cover all demonstration project employees. An expanded developmental opportunity provides possibilities such as (1) long-term training, (2) one-year work experiences in an industrial setting via the Relations With Industry Program, (3) one-year work experiences in laboratories of allied nations via the Science and Engineer Exchange Program, (4) rotational job assignments within both SSC Atlantic and SSC Pacific, (5) developmental assignments in higher headquarters within the DON and DoD, (6) self-directed study via correspondence courses and at local colleges and universities, (7) details within SSC Atlantic and SSC Pacific and to other Federal agencies, (8) Intergovernmental Personnel Act Program Agreements, and (9) sabbaticals.

Each developmental opportunity period should benefit the organization, while increasing the employee's individual effectiveness as well. Various learning or uncompensated developmental work experiences may be considered, such as advanced academic teaching or research and sabbaticals. An expanded developmental opportunity period will not result in loss of or reduction in base pay, leave to which the employee is otherwise entitled, or credit for time or service. Input for performance rating purposes will be obtained from the gaining supervisor to ensure a rating of record is on file and, if warranted, a contribution award and/or bonus and retention years' credit for RIF purposes is documented.

Expanded Development Opportunities Program openings will be announced as opportunities arise. Instructions for application and the selection criteria will be included in the announcement. Final selection/approval for participation in the program will be made by activity Commanding Officers/Technical Directors. The position of employees on an expanded developmental opportunity may be backfilled by temporary assignment of another employee(s) or temporary redistribution of work. However, that position or its equivalent must be made available to the employee returning from the expanded developmental opportunity.

An employee accepting an Expanded Developmental Opportunity must sign a continuing service agreement up to three times the length of the assignment with the service obligation to the respective Systems Center organization. If the employee voluntarily leaves the organization before the service obligation is completed, the employee is liable for repayment unless the service agreement or the repayment is waived by the SSC Atlantic or SSC Pacific Technical Director/Commanding Officer.

(2) Critical Skills Training

(a) The Commanding Officers/Technical Directors have the authority to approve academic degree training consistent with 5 U.S.C. 4107. Training is an essential component of an organization that requires continuous acquisition of advanced and specialized knowledge. Degree training is also a critical tool for recruiting and retaining employees with or requiring critical skills.

(b) Each academic degree training program in its entirety can be approved based upon a complete individual degree study program plan; it will ensure continuous acquisition of advanced specialized knowledge essential to the organization and enhance our ability to recruit and retain personnel critical to the present and future requirements of the organization. Degree or certificate payment may not be authorized where it would result in a tax liability for the employee without the employee's express and written consent. Any variance from this policy must be rigorously determined and documented. Guidelines will be developed to ensure competitive approval of degree or certificate payment and that such decisions are fully documented. Employees approved for degree training must sign a service obligation agreement to continue service in the respective Systems Center for a period three times the length of the training period commencing after the completion of the entire degree program. If an employee voluntarily leaves the Systems Center before the service obligation is completed, he/she is liable for repayment of expenses incurred by the SSC STRL that are related to the critical skills training. Expenses do not include salary costs. The Commanding Officers/Technical Directors have the authority to waive this requirement. Criteria for such waivers will be addressed in the operating procedures.

(c) Student Career Experience Program (SCEP) Service Agreement. The extended repayment period also applies to employees under the SCEP who have received tuition assistance. They will be required to sign a service agreement up to three times the length of the academic training period or periods (semesters, trimesters, or quarters). In addition, the Commanding Officers/Technical Directors of the Systems Centers may approve relocation incentives for new SCEP students; and relocation incentives to SCEP students whose worksite is in a different geographic location than that of the college enrolled.

m. Awards

To provide additional flexibility in motivating and rewarding individuals and groups, some portion of the performance award budget will be reserved for special acts and other categories as they occur. Awards may include, but are not limited to, special achievements, patents, inventions, suggestions, on-the-spot, and time-off. The funds available to be used for awards are separately funded within the constraints of the organization's overall award budget. While not directly linked to CARS, this additional flexibility is important to encourage outstanding accomplishments and innovation in accomplishing the diverse mission of the Centers. Additionally, to foster and encourage teamwork among its employees, organizations may give group awards. Under the SSC STRL demonstration project, a team leader or supervisor may allocate a sum of money to a team for outstanding performance, and the team may decide the individual distribution of the total dollars among themselves, with any disputes being resolved by the award allocator. The appropriate Center Technical Director/Commanding Officer will have the authority to grant special achievement awards to covered employees of up to $25,000.

n. Retention Incentives

The employment of retention incentives will be in accordance with 5 CFR 575, and under the singular authority of each Center Technical Director/Commanding Officer and will be governed by internal business rules, policies, or procedures.

5. Performance/Contribution Management Principles

The philosophical base of this demonstration project is that employees are valued and trusted and are the organization's most critical assets. Accordingly, the primary objectives of the SSC STRL demonstration project are to: Develop employees to meet the changing needs of the organization; help employees achieve their career goals; improve contribution in current positions; retain high performers; and improve communication with customers, colleagues, managers, and employees. The system focuses on continuous contribution improvement and minimizes administrative requirements.

a. Performance Development Assistance

At the heart of the performance-contribution system is the concept of providing organizational resources to support the development process. While the design of these resources will be delegated to each Systems Center, they will typically consist of performance development assistance, specific to each pay pool, for employees or supervisors requiring developmental support. These resources will act as a support system to identify or help provide for the needs of employees and supervisors in the development process.

Performance development assistance will be available to facilitate communications around expectations and needs and help supervisors and employees seek agreement throughout all aspects of the performance development process. Should performance problems arise, these resources will be particularly useful in diagnosing issues impacting performance, *e.g.,* employee skills, attitudes and motivation, clarity of job expectations, systemic issues, access to information and resources, and relationships with co-workers and supervisor. Additional support may take the form of identifying options for addressing these issues, *e.g.,* development opportunities, tools or equipment to support improved performance, and/or reassignment of the employee to a position that better matches his/her capabilities and interests. Referrals may also be made to other beneficial resources/services and systemic or organizational issues may be examined. Supervisors are expected to utilize performance development assistance in order to prevent and alleviate performance problems. Employees may also seek performance development assistance to help in correcting self identified performance deficiencies, development planning to enhance their career opportunities consistent with the needs of the organization, and facilitating communication and feedback with their supervisors, *etc.*

b. Two-Level Performance Rating System

Employee performance ratings will be documented annually. The system employs a two-level performance rating system: "acceptable" and "unacceptable" performance. "Acceptable" performance is defined as "performance that fulfills the requirements for which the position exists." Basic performance standards will be established for each contribution element; however, a baseline standard of performance from which element-specific performance standards are derived is provided in Appendix C. This baseline is intended to represent the methodology on which performance will be evaluated for all employees, and may be modified as organizational

experience with the demonstration project dictates. A formal determination of unacceptable performance is made only if the employee does not meet the requirements detailed in a Performance Improvement Plan (PIP) (*see* paragraph II.B.5.f). No performance-related adverse action will be initiated against an STRL employee under title 5 U.S.C. chapter 43 until a formal PIP has been completed and an employee's performance has been found to be unacceptable. Nothing in this section will preclude a performance-related adverse action under title 5 U.S.C. chapter 75.

c. Establishing Contribution Expectations

Clear, mutually understood contribution expectations that are linked to organizational goals, strategies, and values are fundamental to successful individual and organizational performance. The outcome of mutually understood contribution expectations is clear communication of the products and/or services to be delivered by the employee(s), and the success criteria against which those outputs will be assessed. Documentation of outputs and success criteria is required to facilitate mutual understanding of contribution expectations.

The most effective means of creating a common understanding is through a process in which the supervisor and employee discuss requirements and establish contribution goals and expectations. Documentation of contribution expectations will be done annually, at a minimum, at the beginning of the evaluation cycle. Employees and supervisors are expected to actively participate in these discussions to seek clarity regarding expectations and identify potential obstacles to meeting goals. In addition, employees should explain to the extent possible what they need from their supervisor to support goal accomplishment. More frequent task specific discussions of expectations may be appropriate. In cases where work is accomplished by a team, team discussions regarding goals and expectations may be appropriate. Expectations for individual contributions to the team goals, however, should always be clearly specified.

Documentation of contribution expectations is a helpful mechanism for ensuring clarity of understanding and providing a focus for later discussions on progress and developmental needs. In addition to the yearly documentation of contribution expectations, documentation of expectations is required within 30 days of when an employee begins a new or substantially different job.

It is important that employees understand what is expected in order to receive a base pay increase. Supervisors will interpret organizational criteria for their employees to clarify how it applies to their work and have periodic assessment discussions with employees to prevent surprise decisions at the time of payout. In addition, supervisors will document their payout recommendation decisions and discuss their decision rationale with employees.

d. On-Going Contribution Dialogue

To facilitate contribution development, employees and supervisors will engage in on-going dialogue. Ideally this dialogue will occur as part of the day-to-day interactions for the purpose of ensuring a common understanding of expectations, reviewing whether expectations are being met, providing support in identifying resources or solving problems, providing coaching on complex or sensitive issues, providing information to increase the understanding of the project context, and keeping the supervisor informed of progress. In addition to this on-going interaction, however, more formal dialogues will occur focused on reviewing progress, discussing customer feedback, exploring process improvements that could remove obstacles to effective performance, and identifying developmental needs to support continual improvement and career growth. At a minimum, the employee and supervisor will meet twice annually—once at mid-year and again at the end of the contribution evaluation period. Documentation of these discussions and resulting plans to support the continuous improvement of individual contribution and organizational performance will be accomplished as described in each organization's internal business rules, policies, or procedures.

e. Feedback from Multiple Sources

The primary purpose of feedback in CARS is to provide employees with information regarding how well the results of their performance is meeting customer requirements in order to help the employees continually improve their contribution to the organization. This feedback provides input to the review and continuous improvement planning discussed as part of the on-going dialogue component.

The responsibility for employee development and continuous improvement is jointly held between the supervisor and employee. They are expected to work together to identify internal and external customers and to define and implement a process by which the employee can regularly receive feedback. A variety of mechanisms may be appropriate, such as customer surveys, process measures which track customer requirements, and discussions with customers. Supervisors are expected to facilitate this process and work with employees to interpret the feedback and establish improvement goals.

Managers and supervisors are also expected to obtain feedback from their customers, including their employees, and to use that feedback as a basis for establishing their own personal and organizational performance development goals.

f. Performance Improvement Plan (PIP)

When an employee has continued performance difficulties, as evidenced by the employee's repeated failure to perform even at the basic performance level specified for all employees, the supervisor will develop a formal PIP to support the employee in resolving performance problems. Performance development assistance may be an integral part of this effort. Supervisors may request assistance in preventing or alleviating performance problems before the need for formal action arises. When there is an indication that the results of an employee's performance are consistently failing to meet customer and organizational requirements, supervisors are expected to provide performance development assistance to analyze the causes of the difficulty and develop an approach for resolving it. Development of a formal PIP is indicated if and when it is determined that the employee's performance is lagging, as evidenced by the employee's repeated failure to perform even at the basic performance level specified for all employees and informal intervention has not been successful in correcting the problem. Use of the performance development assistance is expected throughout the period of the PIP in an attempt to facilitate a solution to the problem. The PIP must be written and will clearly document organizational expectations for successful job performance, specify accountability, identify developmental resources to correct any skill deficiencies, define the time frame of the PIP, specify organizational support that will be provided and how performance results will be monitored. In addition, the PIP will clearly specify potential consequences if performance does not improve to an acceptable level. Discussions between the supervisor and

employee will occur during the time frame of the PIP to review progress; these discussions must be documented. Unacceptable performance may ultimately be addressed via adverse action procedures available in 5 U.S.C. chapter 43 or 5 U.S.C. chapter 75.

Following the PIP, if an employee's performance is found to be "unacceptable," one of three actions will be taken: (1) Removal from the Federal service, (2) placement in a lower pay band (demotion) with or without a corresponding reduction in pay, or (3) reduction in pay while remaining in the same pay band. Following any base pay reduction, the objective is to restore performance, produce acceptable results, and maintain base pay commensurate with contribution. A plan will be established to maximize the opportunity for success in the assignment by clearly identifying performance expectations and defining a plan to achieve them within an appropriate time frame, not to exceed 12 months. Typically, PIPs should be complete prior to or within 90 days after the end of an appraisal period. If a PIP is not completed in that timeframe the Technical Director/Commanding Officer may grant an additional 90 day extension. Ratings of record and any contribution scores and associated payouts following a PIP that completed after the appraisal period will be made retroactive to the end of the appraisal period. Formal and informal performance guidance will always be made available. If and when performance improves during the period, some or all of the reduced base pay may be restored. Such restoration is not retroactive and is separate and apart from incentive pay.

For the demotion actions, the employee may be moved to a lower pay band within the most appropriate career path, and the employee's new base pay cannot exceed the top of the lower pay band. Within the SSC STRL demonstration project, a change to a lower band without a reduction in pay would not be considered an adverse action and would not be appealable through a statutory appeals process.

6. Contribution Assessment and Recognition System (CARS)

SSC Atlantic and SSC Pacific plan to model a contribution-based system similar to that in use at the NAVSEA Warfare Center's Dahlgren Division and NRL's Contribution-based Compensation System (CCS) models, with some specific modifications designed to integrate elements of each system. SSC Atlantic and SSC Pacific will conduct a careful financial review prior to demonstration project implementation and will make minor adjustments as needed within the specific budgetary guidelines of the NAVSEA contribution-based system procedures.

The purpose of the CARS is to provide an effective means for evaluating and compensating the SSC Atlantic and SSC Pacific workforces. It will enhance and increase fairness and consistency in the appraisal process, facilitate natural career progression for employees, and provide an understandable basis for career progression by linking contribution to compensation determinations.

Supervisors will conduct an annual review of each employee's base pay and contribution in order to decide how base pay should be adjusted to reflect the employee's contribution to the organization. The adjustment may be made as a continuing increase to base pay and/or as a one-time cash bonus. The philosophical foundation for contribution-based pay is described below:

One of the outcomes of pay banding, defined here as any base pay range that includes the base pay range of two or more GS grades, is an expanded range of base pay progression opportunities for employees consistent with proper classification of duties. Contribution-based pay is awarded to personnel based on the combination of their contribution and their current base pay. With this comes the necessity to ensure that pay decisions are consistent with the needs and values of the organization. At the same time, they should be seen as fair and equitable. While the SSC STRL demonstration project provides discretion for SSC Atlantic and SSC Pacific to substantially define the criteria and process for managing contribution-based pay, it is appropriate that there be general project wide principles that provide a policy framework for organizational decisions. The following are those principles.

(a) PRINCIPLE: "The organization succeeds through the collective contributions of personnel in all occupations."

SSC Atlantic and SSC Pacific perform critical missions for the Navy in support of national defense. These missions require the collective efforts of all personnel. While certain positions and occupations are highly visible, it is the entirety of the organization operating as a collective team toward the same goals that enables the Centers to excel. In that regard, no occupational groups under this demonstration project will be excluded from opportunities for contribution-based pay and bonuses, incentive awards, or other forms of reward or recognition. Further, all personnel whose performance is deemed "acceptable" in an annual SSC STRL demonstration project performance rating can participate in contribution assessment and recognition. Amounts and time intervals will be set by SSC Atlantic and SSC Pacific.

(b) PRINCIPLE: "Base pay should be commensurate with value of contribution to the organization."

There should be relative base pay equity among personnel whose contributions to the organization are of equal value. Consistent with this principle, base pay increases should be commensurate with contribution. It follows that as an individual's base pay increases, there is a corresponding increase in expected level of contribution to the organization.

Typically, when a person is hired or promoted to a higher pay band, and base pay is at or near the lower end of that band, there are expected successive increases in base pay toward the mid-range of the corresponding pay band. This base pay growth is reflective of the expected learning curve upon entering a new position and the corresponding increase in contribution commensurate with increasing experience. Pay progression through the mid- range occurs with progressively higher levels of contribution. Beyond that, increasingly higher levels of contribution are expected for base pay to correspondingly increase through the upper range of the pay band.

a. Rating and Contribution Assessment Process

(1) Eligibility

All employees whose performance is determined to be acceptable in an annual performance rating can participate in contribution assessment and recognition. Employees receiving an unacceptable rating are ineligible for participation in contribution assessment and recognition. Additionally, the annual General Pay Increase (GPI) will be denied for those with a current rating of "unacceptable."

(2) Contribution-based Pay Pool

Payments under the Contribution-based Pay System are made from the contribution-based pay pool. Each Systems Center will have authority to manage the contribution-based pay allocation derived from the base pay of employees in that Center that are participating in this demonstration project. Within the contribution-based pay pool, there are separate funds for

base pay increases and bonus payments. The contribution-based pay pool is not used to fund promotions between pay bands. Pay pool panels or managers may reduce or deny the next annual GPI for employees whose contributions are in the "contribution significantly below expectations" category. Such reduction or denial may not place an employee in the "contribution above expectations" category. The employees on retained pay in the demonstration project will receive base pay adjustments in accordance with 5 U.S.C. 5363 and 5 CFR part 536. An employee receiving retained pay is not eligible for a Contribution Base Pay Increase, but may be eligible for a Contribution Bonus.

The contribution-based pay pool will be operated within the parameters of the overall finance system governing the Systems Centers. As a predominately Navy Working Capital Fund (NWCF) activity, SSC Atlantic and SSC Pacific operate on a fee-for-service/break-even basis within the Department of Defense. Under NWCF, the Centers provide reimbursable services for their customers and receive payments based on published stabilized rates. The Assistant Secretary of the Navy for Financial Management and Comptroller oversees the establishment of these stabilized rates through reviews of Biannual Financial Management Budget submissions, which are highly visible at all Command levels. This funding process imposes a discipline in controlling costs.

The size of the base pay fund is based on appropriate factors, including the following:

(a) Historical spending for base pay increase (prior China Lake/Naval Ocean Systems Center demonstration project C Points Fund);

(b) Labor market conditions and the need to recruit and retain a skilled workforce to meet the business needs of the organization; and

(c) The fiscal condition of the organization.

The size of the bonus fund will be based on appropriate factors, including the following:

(a) Historical spending for Bonuses (prior China Lake/Naval Ocean Systems Center demonstration project B Points Fund);

(b) The organization's fiscal condition and financial strategies; and

(c) Employee retention rates.

The decision process for defining the size of the contribution-based pay pool and the funds within that pool will be established at the Systems Center level.

(3) Contribution Assessment and Recognition System (CARS)

CARS combines performance appraisal and contribution assessment into a single annual process. At the end of each appraisal period, base pay adjustment decisions are made based on each employee's actual contribution to the organization's mission during the period and the employee's current base pay. A separate but related function is also accomplished by determining if an employee's performance fulfills the requirements for which the position was established. Supervisory officials recommend scores to reflect each employee's contribution, considering both how well the employee is performing and at what level the employee is contributing. Often the two considerations are inseparable. The performance planning and rating portions of the demonstration project's appraisal process constitute a performance appraisal program which complies with 5 CFR part 430 and the DoD Performance Management System, except where waivers have been approved. Performance-related actions initiated prior to implementation of the demonstration project (under DON performance management regulations) shall continue to be processed in accordance with the provisions of the appropriate system.

Supervisors will use CARS to measure employee contributions. CARS employs standardized contribution elements that represent contribution areas for all employees. Each employee in the SSC STRL demonstration project will have four basic contribution elements defined in Appendix D. The four basic elements may be further differentiated, or additional elements derived for specific job functions as demonstration project experience dictates.

Each contribution element will be broken down into specific target language, designed to capture the contribution of the jobs in each pay band of each career path. For each element, this more detailed guidance will assist in distinguishing levels of contribution within a specific pay band and ultimately serve as guidance for managers and supervisors relative to an employee's contribution. Base pay adjustments are based on a comparison of the employee's actual level of contribution and current base pay to an expected level of contribution for typical employees in a pay band and corresponding base pay range.

A sample chart showing detailed language for the Technical Contribution Element in the Scientific and Engineering career path (ND) is provided in Appendix E. This example, representative of a single contribution element in one career path, is intended to demonstrate the model, methodology, and approach to evaluating employee contribution. Currently written at the highest contribution standard for the contribution elements, specific language and target level may be adjusted with demonstration project experience, and based on further modifications to contribution elements themselves.

The CARS process will be carried out by supervisors and pay pools in order to facilitate equity and consistency across the organization. Contribution assessments and base pay adjustments may be recommended by the supervisor and must be approved by the appropriate pay pool manager after being validated by the respective pay pool panel, which will consist of supervisory officials or other individuals who are familiar with the organization's work and the contributions of its employees.

The first official appraisal cycle under SSC STRL will be the 2011–2012 appraisal cycle, commencing with transition out of NSPS in March 2011 (as dictated by OCHR). Both SSC Atlantic and SSC Pacific expect to have their evaluation year run from July 1–June 30, and expect to conduct the annual payout no later than October of each year. The first SSC STRL appraisal cycle is expected to commence from March 2011–June 2012 (after which the cycle will revert to 1 July 2012–30 June 2013), with pay adjustments being effective no later than the first full pay period in October 2012, and each year thereinafter. Dates of rating and evaluation cycles may be modified as organizational experience dictates.

(4) Contribution Expectations and Element Weighting

Supervisors and/or managers may decide that some contribution elements are more important than others relative to the applicability of the individual employee's function or that some do not apply at all to the effective accomplishment of the organization's mission. In such instances, element weights may be established in increments of 5% including a weight of zero which renders the element not applicable to a given employee's position. These supervisor-recommended weights should be reviewed by a higher level supervisor. Contribution elements and any supplemental criteria will be assigned and agreed to by the employee and their supervisor. In cases of disagreement between employee and supervisor, the higher level supervisor will finalize

element weighting and any supplemental criteria.

(5) Assessment

The appraisal period will generally be one year, with a minimum appraisal period of 90 days. At the beginning of the appraisal period, upon an employee's arrival at either Systems Center, or into a new position, the following information will be communicated to employees so that they are informed of the basis on which their performance and contributions will be assessed: their career path and pay band; applicable contribution elements, element details, element weights, any established supplemental criteria, and basic acceptable performance standards. This communication will be documented and retained in accordance with internal business rules, policies, or procedures. The communication of information described by this paragraph constitutes performance planning as required by 5 CFR 430.206(b).

At each mid-year assessment and the end of the appraisal period, employees will have the opportunity to provide input describing their contributions. Standard operating procedures will provide guidance for supervisors, pay pools and employees on the requirement, content and format of their annual supervisory and employee contribution assessments, and on other types of information about employee contributions which should be developed and considered by supervisors. This will include procedures for capturing contribution information regarding employees who serve on details, who change positions during the appraisal period, who are new to the Systems Center, and other such circumstances.

If an employee changes positions before the final 90 days of the appraisal period, feedback will be provided by the losing supervisor to the gaining supervisor. If an employee changes positions within the demonstration project during the final 90 days of the appraisal period, the losing supervisor will conduct a performance rating and recommend a contribution score at the time the employee moves to the new position. All employees who have worked 90 days or more by the end of the appraisal period will receive a performance rating of record and a contribution score. For employees currently under a formal PIP at the end of the appraisal period, their rating may be delayed up to 90 days to allow for completion of the PIP. Employees who report to SSC Atlantic or SSC Pacific, during the last 90 days of the appraisal period, will receive a presumed rating of "acceptable," but will not be eligible for a contribution assessment. These employees mentioned above who are not appraised under CARS will not be eligible for base pay increases or bonus awards, but will be given full GPI and locality increases. For other position changes within the last 90 days, the rating and contribution assessment will be conducted in accordance with local business rules, policies, and procedures.

Contributions will be assessed consistent with the organization's policy and criteria as reflected in the written guidance for all employees except those not meeting the minimum 90-day performance threshold or those receiving an unacceptable rating. Supervisors will then review any available employee input and the contribution elements to recommend an appropriate contribution score for each employee. Recommendations on appropriate base pay increases and/or bonuses, both amount and type, will be made based on the employee's contribution score and current base pay in accordance with organizational guidance. These recommendations will be reviewed by the second-level supervisor. Decisions regarding approval/disapproval of recommendations will be made at the organizational level to which authority has been delegated to manage the pay pool.

The pay pool panel will meet to compare scores, make appropriate adjustments, and approve/determine the final base pay adjustment for each employee. Final approval of contribution scores, summary ratings and base pay/bonus award decisions will rest with the pay pool manager (unless higher level approval is requested or deemed necessary). Supervisors will communicate the ratings, scores, and base pay adjustment and/or bonus award to each employee, in accordance with timeline and guidance determined by internal business rules, policies, or procedures.

(6) Normal Pay Range (NPR)—Base Pay versus Contribution

The NPR is defined as a numerical range of base pay corresponding to a related range of contribution scores in which the ideal combination of contribution score and base pay falls within that expected range. The mathematical output follows a directly proportional relationship between contribution score and base pay for each career path and pay band centered around a Normal Pay Line, on which a minimum contribution score directly corresponds to the minimum base pay of the pay band and a maximum contribution score corresponds to the maximum base pay of the pay band. By this methodology a base pay equal to 50% of the maximum base pay in a specific pay band would correspond roughly to a contribution score of 50% (±x %) of the maximum score possible in order to fall within the NPR.

A sample Normal Pay Range/Contribution Chart is represented in Appendix F. This example is intended to demonstrate the methodology, model and approach to be used in determining the relationship between employee contribution and current salary, and will further be used to assist in determining future compensation adjustments. Certain specifics, including contribution element score range (0–10 in this example), the NPR (as defined by the normal pay line, and both sets of upper and lower "rails"), and associated nomenclature ("zone" labeling/designation) may be adjusted by the demonstration project in accordance with normal salary growth, as well as organizational experience with the contribution system.

CARS assumes a relationship between the assessed contribution of the employee and an expected range of base pay commensurate with an employee's contribution score. Employees whose contribution scores are higher than the expected level of contribution for their base pay are considered to have "contribution above expectations," while employees whose contribution scores are lower than the expected level of contribution for their base pay are considered to have "contribution below expectations." All other cases are considered "appropriately compensated" or within the "contribution as expected" category. Each year the boundaries for the NPR plus the minimum and maximum rate of base pay for each pay band will be adjusted by the amount of the GPI increase granted to the Federal civilian workforce as applied in the GS increase.

b. Compensation Decision Process

(1) Employee Compensation

Employee compensation can be established, adjusted, and/or augmented in a variety of ways, including general pay increases, base pay increases, locality pay increases, contribution and incentive awards, and promotions. Under the SSC STRL demonstration project, SSC Atlantic and SSC Pacific will distribute the budget authority from the sources listed above into five categories:

(a) General pay increases (not part of contribution-based pay pool funds);

(b) Locality pay increases (not part of contribution-based pay pool funds);

(c) Continuing base pay increases;

(d) Contribution bonuses; and

(e) Incentive awards (not part of contribution-based pay pool funds).

From these categories, two annual personnel actions will be authorized based primarily on employees' contributions, relative to the NPR. Continuing base pay and contribution bonuses typically become effective no later than October following each appraisal cycle. General Pay Increases (dependent on employee's contribution score in relationship to the NPR) and Locality Pay adjustments will be issued at the same time they are issued for the greater Federal workforce. Payout dates may be redefined as organizational experience is gained.

In general, the goal of CARS is to pay in a manner such that base pay is consistent with employee contribution. A basic matrix of compensation eligibility vs. placement relative to NPR is provided in Appendix G. More detailed industry and organizational-based guidance is being developed to provide industry and organizationally-based guidance for specific compensation recommendations to pay pool management. This data will change as market, and organizational experience dictates. All contribution-based pay pool amounts, and consequently payouts, will be in terms of dollars.

After the annual appraisal process has been completed and the employees' contribution scores, and base pay adjustments and/or contribution awards have been initially assigned by the appropriate supervisory authority, the pay pool manager, in consultation with the pay pool panel or other pay pool supervisory and staff officials, will finalize/approve the base pay increases, portions of the GPI, and contribution bonuses. Internal policies will provide guidance to assist pay pool managers in making payout determinations. In most cases, the pay pool manager will approve contribution-based continuing pay changes and bonuses. In some cases; however, approval of a higher level official will be required.

(2) General Pay Increases

General pay increase budget authority will be available as derived under 5 U.S.C. 5303 or similar authority. Pay pool panels or managers may reduce or deny the annual GPI for employees whose contributions are in the "contribution significantly below expectations" category. Such reduction or denial may not place an employee in the "contribution above expectations" category.

(3) Base Pay Increases

Base pay increases will normally be granted to employees whose contribution places them in the "contribution as expected" or "contribution above expectations" categories. In general, the level of continuing base pay increase should correspond to the level of contribution relative to the normal pay range for the career path and pay band. In other words, contribution above the level of the established pay range should result in a corresponding increase in base pay. The following limitations apply in that a base pay increase should not place any employee's:

(a) Base pay in the "contribution below expectations" category;

(b) Adjusted base pay in excess of Executive Level IV;

(c) Base pay in excess of the maximum rate of base pay for the individual's pay band (unless the employee is being concurrently advanced to a higher pay band). Continuing base pay increase guidance will be outlined in internal business rules.

Each Systems Center's base pay increase category will be set each year at or near 2.4 percent of their individual total base pay rates. The 2.4 percent figure will be adjusted as necessary to facilitate the most efficient business operations.

The amount of budget authority available to each pay pool will be determined annually by the appropriate Center Technical Director/Commanding Officer. Factors to be considered by the Technical Director/Commanding Officer in determining annual budget authority may include market salaries, mission priorities, and organizational growth. Because statistical variations will occur in year-to-year personnel growth, any unexpended base pay increase allocation may be transferred to the contribution-bonus category.

(4) Contribution Bonus Awards

Authority for contribution bonuses (lump-sum payments recognizing significant contributions not adequately recognized through a base pay increase) will be initially available to pay pools as a straight 1.0 percent of the total of employees' base pay. The percentage rate may be adjusted in future years of the demonstration project. In addition, unexpended bonus dollars may be used to augment the category of base pay increases budget authority. Generally, bonuses will be granted to those employees whose contributions place them in the "contribution as expected," or in the "contribution above expectations," category. Internal business rules will provide guidance to pay pool managers in establishing and applying criteria and contribution-based bonus award limits to determine significant contributions which warrant awards.

Much of the terminology used above is consistent with both performance, and contribution-based evaluation and compensation. Use of terms such as "elements" and categories of "contribution above expectations" or "contribution below expectations" are to provide the direct linkage between the SSC STRL demonstration project, and those systems from which it has evolved. As SSC STRL is implemented, language associated with these areas may be modified in order to facilitate workforce understanding and acceptance of contribution theory, as well as to effectively integrate annual performance requirements with contribution evaluation. Any such changes in terms or associated language will not change the essential meaning of performance/objective/contribution theory.

c. Reconsideration of Rating and Scoring Decisions

Employees will have the opportunity to request reconsideration of their ratings of record and/or assessed contribution scores. In this way, SSC Atlantic and SSC Pacific believe that contribution assessment disputes will be focused on the substantive and relevant contribution issues, which in turn guide base pay and bonus decisions. While the specific purpose of the reconsideration dispute is for employees to address concerns about such decisions, the process is also intended to facilitate communication and understanding between employees and supervisors/managers concerning contributions and their impact on pay decisions. In addition, the process seeks to identify possible systemic problems that need to be addressed. In that regard, reconsideration is considered a positive and integral component of an effective contribution-based pay system by providing a mechanism to support continuous improvement. Accordingly, employees will not be discouraged from requesting reconsideration, nor will they be subjected to reprisal or stigma. The specific process for reconsideration will be defined at the Systems Center level. That process will include, but will not necessarily be limited to, the following characteristics: It should be administratively streamlined; provide expedited resolution; maintain

appropriate confidentiality; be fair and impartial; address assertions of harmful error involving issues of process and procedure; and ensure that management rating and scoring decisions reflect reasonableness in judgment in evaluating applicable criteria. Harmful error is defined as: Error by the Systems Center in the application of its procedures which, in the absence or cure of the error, might have caused the Systems Center to reach a conclusion different than the one reached. The burden is upon the appellant to show that based upon the record as a whole the error was harmful, *i.e.,* caused substantial harm or prejudice to his/her rights.

SSC Atlantic and SSC Pacific will employ an appeal process in which the employee desiring reconsideration appeals directly to the organization's Technical Director/Commanding Officer or delegate. Prior to this consolidated appeal process, employees will be encouraged to seek informal reconsideration with first-, second- or third-level supervisors. The formal consolidated process will eliminate costly and staggered review processes, and will provide the employees timely and high-level appeal decisions by a senior third party. The Technical Director/Commanding Officer's ruling is final. If an employee's rating or contribution score is changed during the reconsideration process, the new score will be applied to the compensation adjustment process. The following are not considered appealable under the reconsideration process: compensation decisions such as receipt, non-receipt, or amount of general increase, base pay increase, and bonus.

Appeals that contain allegations that a performance rating was based on prohibited action(s) that are subject to formal review and adjudication by a third party may not be processed through the reconsideration process, but instead may be processed by the employee through the applicable third party process. Such third parties include, but are not limited to: the Merit Systems Protection Board (MSPB), the Office of Special Counsel (OSC), the Office of Personnel Management (OPM), the Federal Labor Relations Authority (FLRA), and the Equal Employment Opportunity Commission (EEOC).

7. Reduction-in-Force (RIF)

Flexible and responsive alternatives are needed to restructure an organization in a short period of time. The proposed RIF system will have a single round of competition to replace the "two round" process. Once the position to be abolished has been identified, the incumbent of that position may "displace" another employee when the incumbent has a higher retention standing and meets OPM and agency qualification standards for the position occupied by the employee with a lower standing. Retention standing is based on tenure, veterans' preference, and RIF Service Computation Date (SCD) as adjusted by the employee's contribution scores. Adjustments applied and RIF procedures will be specified in internal business rules, policies, or procedures, and will be consistent across all pay bands and career paths. An employee rated as unacceptable during the 12-month period preceding the effective date of a RIF may only displace an employee rated unacceptable during that same period.

5 CFR 351.702 will serve as the criteria to determine employee qualification in RIF placement. The displaced individual may similarly displace other employees. If/when there is no position in which an employee can be placed by this process or assigned to a vacant position, that employee will be separated. Displacement is limited to one pay band below the employee's present level. A preference eligible employee with a compensable service connected disability of 30 percent or more may displace up to two pay bands (or the equivalent of five GS grades) below the employee's present level. The new system will eliminate retained grade but will preserve retained pay in accordance with 5 CFR part 536. The competitive area may be determined by career paths, business units, product lines, organizational units, funding lines, occupational series, competency, geographic location or a combination of these elements, and must include all STRL demonstration project employees within the defined competitive area. All positions included in the demonstration project within an activity at a specific geographic location will be considered a separate competitive area. RIFs are conducted by the DON Human Resources Service Centers.

8. Conversion From NSPS Into the Demonstration Project

a. Placement Into Demonstration Project Pay Plans and Pay Bands From NSPS

The employee's NSPS occupational series, pay plan, pay band, and supervisory code will be considered upon converting into the demonstration project as follows:

(1) Determine the Appropriate Demonstration Project Pay Plan. Employees will be converted into a pay plan based on the occupational series of their position. For supervisors, conversion to that pay plan will be without regard to the occupational series. In cases where the employee is assigned to a NSPS-unique occupational series, a corresponding OPM occupational series must be identified using OPM GS classification standards and guidance to determine the proper demonstration project pay plan.

(2) Determine the Appropriate Pay Band. The appropriate pay band will be determined primarily by classifying each employee's position using the applicable classification standards for the Demo project. Relevant background information such as GS conversion grade, grade/level held previously, *etc.,* may be an indicator of the level of classification review required.

b. Pay Upon Conversion

Conversion from NSPS into the demonstration project will be accomplished with full employee pay protection. Adverse action provisions will not apply to the conversion action. In accordance with section 1113(c)(1) of NDAA for 2010, which prohibits a loss of or decrease in pay upon transition from NSPS, employees converting to the demonstration project will retain the adjusted base salary (as defined in 5 CFR 9901.304) from their NSPS permanent position at the time the position converts or have base pay adjusted to correspond to the base pay of the pay band minimum to which they are converting. Upon conversion, the retained NSPS adjusted salary may not exceed Level IV of the Executive Schedule plus 5 percent. If the employee's base/basic pay exceeds the maximum rate for his or her assigned demonstration project pay band, the employee will be placed on indefinite pay retention until an event, as described in 5 CFR 536.308, results in a loss of eligibility for or termination of pay retention. Increases to the retained rate after conversion will be in accordance with applicable regulations; however, for any NSPS employee whose retained rate exceeds EX–IV upon conversion, any adjustment to the retained rate in accordance with applicable pay retention regulations may not cause the employee's adjusted pay to exceed EX–IV plus 5 percent.

Employees who were covered by an NSPS targeted local market supplement (TLMS) prior to conversion to the demonstration project will no longer be covered by a TLMS. Instead they may receive a locality or, if applicable similar supplement (*e.g.,* a staffing supplement), whichever is greater, or pay retention, if applicable. The

adjusted base pay upon conversion will not change.

Once converted, employees may receive other adjustments and/or differentials if applicable, as described in this regulation or an implementing issuance.

(1) *Fair Labor Standards Act (FLSA) Status.* Since FLSA provisions were not waived under NSPS and duties do not change upon conversion to the demonstration project, the FLSA status determination will remain the same upon conversion. Employees will be converted to the demonstration project with the same FLSA status they had under NSPS.

(2) *Transition Equity.* During the first 12 months following conversion to the demonstration project, management may approve certain adjustments within the pay band for pay equity reasons stemming from conversion. For example, if an employee would have been otherwise promoted but demonstration project pay band placement no longer provides the opportunity for a promotion, a pay equity adjustment may be authorized provided the adjustment does not cause the employee's base pay to exceed the maximum rate of his or her assigned pay band and the employee's contribution warrants an adjustment. The decision to grant a pay equity adjustment is at the sole discretion of management and is not subject to employee appeal procedures.

During the first 12 months following conversion, management may approve an adjustment of not more than 10 percent, provided the adjustment does not cause the employee's base pay to exceed the maximum rate of his or her assigned pay band and the employee's contribution warrants an adjustment, to mitigate compensation inequities that may be caused by artifacts of the process of conversion into STRL pay bands.

c. Pay Band Retention

Employees converting from NSPS to the demonstration project will not be granted pay band retention based on the pay band formerly assigned to their NSPS position.

d. Converting Employees on NSPS Term and Temporary Appointments

Employees serving under term appointments at the time of conversion to the demonstration project will be converted to modified term appointments provided they were hired for their current positions under competitive procedures. These employees will be eligible for conversion to career or career-conditional appointments in the competitive service provided they:

(1) Have served two years of continuous service in the term position;

(2) Were selected for the term position under competitive procedures; and

(3) Are performing at a satisfactory level.

Converted term employees who do not meet these criteria may continue on their term appointment up to the not-to-exceed date established under NSPS. Extensions of term appointments after conversion may be granted in accordance with 5 CFR part 316, subpart D.

Employees serving under temporary appointments under NSPS when their organization converts to the demonstration project will be converted and may continue on their temporary appointment up to the not-to-exceed date established under NSPS. Extensions of temporary appointments after conversion may be granted in accordance with 5 CFR 213.104 for excepted service employees and 5 CFR part 316, subpart D, for competitive service employees.

e. Probationary Periods

(1) *Initial Probationary Period.* NSPS employees who have completed an initial probationary period prior to conversion from NSPS will not be required to serve a new or extended initial probationary period. NSPS employees who are serving an initial probationary period upon conversion from NSPS will serve the time remaining on their initial probationary period.

(2) *Supervisory Probationary Period.* NSPS employees who have completed a supervisory probationary period prior to conversion from NSPS will not be required to serve a new or extended supervisory probationary period. NSPS employees who are serving a supervisory probationary period upon conversion from NSPS will serve the time remaining on their supervisory probationary period.

9. Conversion From Other Personnel Systems

Employees who enter this demonstration project from other personnel systems (*e.g.,* Defense Civilian Intelligence Personnel System, DoD Civilian Acquisition Workforce Demonstration Project, or other STRLs) due to a reorganization, mandatory conversion, Base Closure and Realignment Commission decision, or other directed action will be converted into the SSC STRL demonstration project via movement of their positions using an 890 Nature of Action Code. Employees' positions will be classified based upon the position classification criteria under the laboratory demonstration project rules and their pay, upon conversion, maintained under applicable pay setting rules.

10. Movement Out of the SSC STRL Demonstration Project

a. Termination of Coverage under the SSC STRL Demonstration Project Pay Plans.

In the event employees' coverage under the SSC STRL demonstration project pay plans is terminated, employees move with their demonstration project position to another system applicable to SSC STRL employees. The grade of their demonstration project position in the new system will be based upon the position classification criteria of the gaining system. Employees when converted to their positions classified under the new system will be eligible for pay retention under 5 CFR part 536, if applicable.

b. Determining a GS-equivalent Grade and GS-equivalent Rate of Pay for Pay Setting Purposes when an SSC Employee's Coverage by a Demonstration Project Pay Plan Terminates or the Employee Voluntarily Exits the SSC STRL Demonstration Project.

If a demonstration project employee is moving to a GS or other pay system position, the following procedures will be used to translate the employee's project pay band to a GS-equivalent grade and the employee's project base pay to the GS-equivalent rate of pay for pay setting purposes. The equivalent GS grade and GS rate of pay must be determined before movement out of the demonstration project and any accompanying geographic movement, promotion, or other simultaneous action. For lateral reassignments, the equivalent GS grade and rate will become the employee's converted GS grade and rate after leaving the demonstration project (before any other action). For transfers, promotions, and other actions, the converted GS grade and rate will be used in applying any GS pay administration rules applicable in connection with the employee's movement out of the project (*e.g.,* promotion rules, highest previous rate rules, pay retention rules), as if the GS converted grade and rate were actually in effect immediately before the employee left the demonstration project.

(1) Equivalent GS-Grade-Setting Provisions

An employee in a pay band corresponding to a single GS grade is

provided that grade as the GS-equivalent grade. An employee in a pay band corresponding to two or more grades is determined to have a GS-equivalent grade corresponding to one of those grades according to the following rules:

(a) The employee's adjusted base pay under the demonstration project (including any locality payment or staffing supplement) is compared with step 4 rates in the highest applicable GS rate range. For this purpose, a GS rate range includes a rate in:

i. The GS base schedule;

ii. The locality rate schedule for the locality pay area in which the position is located; or

iii. The appropriate special rate schedule for the employee's occupational series, as applicable.

If the series is a two-grade interval series, only odd-numbered grades are considered below GS–11.

(b) If the employee's adjusted base pay under the demonstration project equals or exceeds the applicable step 4 adjusted base pay rate of the highest GS grade in the band, the employee is converted to that grade.

(c) If the employee's adjusted base pay under the demonstration project is lower than the applicable step 4 adjusted base pay rate of the highest grade, the adjusted base pay under the demonstration project is compared with the step 4 adjusted base pay rate of the second highest grade in the employee's pay band. If the employee's adjusted base pay under the demonstration project equals or exceeds the step 4 adjusted base pay rate of the second highest grade, the employee is converted to that grade.

(d) This process is repeated for each successively lower grade in the band until a grade is found in which the employee's adjusted base pay under the demonstration project rate equals or exceeds the applicable step 4 adjusted base pay rate of the grade. The employee is then converted at that grade. If the employee's adjusted base pay is below the step 4 adjusted base pay rate of the lowest grade in the band, the employee is converted to the lowest grade.

(e) Exception: An employee will not be provided a lower grade than the grade held by the employee immediately preceding a conversion, lateral reassignment, or lateral transfer into the project, unless since that time the employee has either undergone a reduction in band or a reduction within the same pay band due to unacceptable performance.

(2) Equivalent GS-Rate-of-Pay-Setting Provisions

An employee's pay within the converted GS grade is set by converting the employee's demonstration project rates of pay to GS rates of pay in accordance with the following rules:

(a) The pay conversion is done before any geographic movement or other pay-related action that coincides with the employee's movement or conversion out of the demonstration project.

(b) An employee's adjusted base pay under the demonstration project (*i.e.,* including any locality payment or staffing supplement) is converted to a GS adjusted base pay rate on the highest applicable GS rate range for the converted GS grade. For this purpose, a GS rate range includes a rate range in:

i. The GS base schedule,

ii. An applicable locality rate schedule, or

iii. An applicable special rate schedule.

(c) If the highest applicable GS rate range is a locality pay rate range, the employee's adjusted base pay under the demonstration project is converted to a GS locality rate of pay. If this rate falls between two steps in the locality-adjusted schedule, the rate must be set at the higher step. The converted GS unadjusted rate of base pay would be the GS base rate corresponding to the converted GS locality rate (*i.e.,* same step position).

(d) If the highest applicable GS rate range is a special rate range, the employee's adjusted base pay under the demonstration project is converted to a special rate. If this rate falls between two steps in the special rate schedule, the rate must be set at the higher step. The converted GS unadjusted rate of base pay will be the GS rate corresponding to the converted special rate (*i.e.,* same step position).

(3) Employees With Pay Retention

If an employee is receiving a retained rate under the demonstration project, the employee's GS-equivalent grade is the highest grade encompassed in his or her pay band level. Demonstration project operating procedures will outline the methodology for determining the GS-equivalent pay rate for an employee retaining a rate under the demonstration project.

III. SSC STRL Demonstration Project Duration

Section 342 of the National Defense Authorization Act for fiscal year 1995 (Pub. L. 103–337) does not require a mandatory expiration date for this demonstration project. The project evaluation plan addresses how each intervention will be comprehensively evaluated for at least the first 5 years of the demonstration project. Major changes and modifications to the interventions would be made using the provisions of DoDI 1400.37.

At the five-year point, the entire demonstration will be reexamined for either: (a) Permanent implementation, (b) modification and another test period, or (c) termination of the project.

IV. SSC STRL Demonstration Project Evaluation Plan

Consistent with guidance from DoD, SSC Atlantic and SSC Pacific propose utilizing the same evaluation plan as is being used by existing Demonstration Projects. Accordingly, standard language for Evaluation Plan, Evaluation, and Method of Data Collection (sections V.B., V.C, and V.D., respectively) provided by DoD is used in this document to describe SSC Atlantic's and SSC Pacific's plans and procedures for the demonstration project evaluation. The use of parallel evaluation methodologies will facilitate comparisons across demonstration projects to derive higher-order conclusions about the benefits, challenges, and overall effectiveness of these programs.

A. Overview

Chapter 47 of 5 U.S.C. requires that an evaluation be performed to measure the effectiveness of the proposed laboratory demonstration project, and its impact on improving public management. A comprehensive evaluation plan for the entire laboratory demonstration program, originally covering 24 DoD laboratories, was developed by a joint OPM/DoD Evaluation Committee in 1995. This plan was submitted to the Office of Defense Research & Engineering and was subsequently approved (*see* Proposed Plan for Evaluation of the Department of Defense S&T Laboratory Demonstration Program, Office of Merit Systems Oversight and Effectiveness, June 1995). The main purpose of the evaluation is to determine whether the waivers granted result in a more effective personnel system and improvements in ultimate outcomes (*i.e.,* laboratory effectiveness, mission accomplishment, and customer satisfaction). In March 1996, the Director of Defense Research & Engineering (DDR&E), who is responsible for laboratory management, entered into an agreement with OPM's Personnel Resources and Development Center (PRDC) to conduct the external evaluation of the project from FY1996 to FY2001. The Centers will make

arrangements for the continued evaluation of the project beyond the PRDC evaluation period and throughout the life of the demonstration project so as to fulfill the requirements of 5 U.S.C. chapter 47.

B. Evaluation Model

Appendix C shows an intervention model for the evaluation of the demonstration project. The model is designated to evaluate two levels of organizational performance: Intermediate and ultimate outcomes. The intermediate outcomes are defined as the results from specific personnel system changes and the associated waivers of law and regulation expected to improve human resource (HR) management (*i.e.,* cost, quality, and timeliness). The ultimate outcomes are determined through improved organizational performance, mission accomplishment, and customer satisfaction. Although it is not possible to establish a direct causal link between changes in the HR management system and organizational effectiveness, it is hypothesized that the new HR system will contribute to improved organizational effectiveness.

Organizational performance measures established by the organization will be used to evaluate the impact of a new HR system on the ultimate outcomes. The evaluation of the new HR system for any given organization will take into account the influence of three factors on organizational performance: Context, degree of implementation, and support of implementation. The context factor refers to the impact which intervening variables (*e.g.,* downsizing, changes in mission, or the economy) can have on the effectiveness of the program. The degree of implementation considers the extent to which the:

(1) HR changes are given a fair trial period;

(2) Changes are implemented; and

(3) Changes conform to the HR interventions as planned.

The support of implementation factor accounts for the impact that factors such as training, internal regulations and automated support systems have on the support available for program implementation. The support for program implementation factor can also be affected by the personal characteristics (*e.g.,* attitudes) of individuals who are implementing the program.

The degree to which the project is implemented and operated will be tracked to ensure that the evaluation results reflect the project as it was intended. Data will be collected to measure changes in both intermediate and ultimate outcomes, as well as any unintended outcomes, which may happen as a result of any organizational change. In addition, the evaluation will track the impact of the project and its interventions on veterans and other protected groups, the Merit Systems Principles, and the Prohibited Personnel Practices. Additional measures may be added to the model in the event that changes or modifications are made to the demonstration plan.

The intervention model at Appendix H will be used to measure the effectiveness of the personnel system interventions implemented. The intervention model specifies each personnel system change or "intervention" that will be measured and shows:

(1) The expected effects of the intervention,

(2) The corresponding measures, and

(3) The data sources for obtaining the measures.

Although the model makes predictions about the outcomes of specific interventions, causal attributions about the full impact of specific interventions will not always be possible for several reasons. For example, many of the initiatives are expected to interact with each other and contribute to the same outcomes. In addition, the impact of changes in the HR system may be mitigated by context variables (*e.g.,* the job market, legislation, and internal support systems) or support factors (*e.g.,* training and automation support systems).

C. Evaluation

A modified quasi-experimental design will be used for the evaluation of the STRL Personnel Demonstration Program. Because most of the eligible laboratories are participating in the program, a title 5 U.S.C. comparison group will be compiled from the Central Personnel Data File (CPDF). This comparison group will consist of workforce data from Government-wide research organizations in civilian Federal agencies with missions and job series matching those in the DoD laboratories. This comparison group will be used primarily in the analysis of pay banding costs and turnover rates.

D. Method of Data Collection

Data from several sources will be used in the evaluation. Information from existing management information systems and from personnel office records will be supplemented with perceptual survey data from employees to assess the effectiveness and perception of the project. The multiple sources of data collection will provide a more complete picture as to how the interventions are working. The information gathered from one source will serve to validate information obtained through another source. In so doing, the confidence of overall findings will be strengthened as the different collection methods substantiate each other.

Both quantitative and qualitative data will be used when evaluating outcomes. The following data will be collected:

(1) Workforce data;

(2) Personnel office data;

(3) Employee attitude surveys;

(4) Focus group data;

(5) Local site historian logs and implementation information;

(6) Customer satisfaction surveys; and

(7) Core measures of organizational performance.

The evaluation effort will consist of two phases, formative and summative evaluation, covering at least five years to permit inter- and intra-organizational estimates of effectiveness. The formative evaluation phase will include baseline data collection and analysis, implementation evaluation, and interim assessments. The formal reports and interim assessments will provide information on the accuracy of project operation, and current information on impact of the project on veterans and protected groups, Merit System Principles, and Prohibited Personnel Practices. The summative evaluation will focus on an overall assessment of project outcomes after five years. The final report will provide information on how well the HR system changes achieved the desired goals, which interventions were most effective, and whether the results can be generalized to other Federal installations.

V. Demonstration Project Costs

SSC Atlantic and SSC Pacific will model their demonstration project on existing Demonstration Projects, but must assume some expanded demonstration project costs, as detailed below.

Current cost estimates associated with implementing the SSC Atlantic and SSC Pacific demonstration project are shown in Figure 3–1. These include possible automation of training and project evaluation systems. The automation and training costs are startup costs. Transition costs are one-time costs. Costs for project evaluation will be ongoing for at least 5 years.

Figure 3-1. Projected Implementation Costs (Then Year Dollars)

	FY10	FY 11	FY 12	FY 13	FY 14
Software Development & Automation	$200K	$600K	$100K	$75K	$75K
Software Hosting & Sustainment	$100K	$175K	$175K	175K	175K
Training Development & Workforce Training	$400K	$2.8M	$350K	$75K	$75K
Project Evaluation	$0	$0	$50K	$100K	$50K
STRL Transition	$350K	$350K	$0	$0	$0
STRL Sustainment / Management	$0	$0K	$200K	$200K	$200K
TOTALS	$1.050M	$3.925M	$875K	$625K	$575K

VI. Automation Support

A. General

One of the major goals of the demonstration project is to streamline the personnel processes to increase cost effectiveness. Automation must play an integral role in achieving that goal. Without the necessary automation to support the interventions proposed for the demonstration project, optimal cost benefit cannot be realized. In addition, adequate information to support decisionmaking must be available to managers if line management is to assume greater authority and responsibility for human resources management.

Automation to support the demonstration project is required at the DON and DoD level (in the form of changes to the Defense Civilian Personnel Data System (DCPDS)) to facilitate processing and reporting of demonstration project personnel actions, and may be ultimately required by the Systems Centers to assist in processing of a variety of personnel-related actions in order to facilitate management processes and decisionmaking.

B. Defense Civilian Personnel Data System (DCPDS)

DCPDS is the Department of Defense's authoritative personnel data system and program of record and, as such, will be the system of choice for the STRL labs. The detailed specifications for required changes to DCPDS will be provided in the System Change Request (SCR), Form 804, concurrent with submission of this document.

VII. Project Oversight and Management

A. Oversight and Management

Project oversight and management will be carried out by the Systems Centers' Senior Leadership, composed of the Commanding Officers and Technical Directors of both organizations. They will be assisted initially by the SSC STRL Demonstration Project Implementation Committee, and once established, by the permanent SSC STRL Project Management team.

B. Personnel Administration

All personnel laws, regulations, and guidelines not waived by this plan will remain in effect. Basic employee rights will be safeguarded and merit system principles will be maintained.

C. Modifications

Many aspects of a demonstration project are experimental. Modifications may be made from time to time as experience is gained, results are analyzed, and conclusions are reached on how the new system is working. Modifications would be made in accordance with Department of Defense Instruction (DoDI) 1400.37.

VIII. Required Waivers to Law and Regulation

Public Law 106–398 gave the DoD the authority to experiment with several personnel management innovations. In addition to the authorities granted by the law, the following are waivers of law and regulation that will be necessary for implementation of the demonstration project. In due course, additional laws and regulations may be identified for waiver request.

The following waivers and adaptations of certain title 5 U.S.C. and 5 CFR provisions are required only to the extent that these statutory provisions limit or are inconsistent with the actions contemplated under this demonstration project. Nothing in this plan is intended to preclude the demonstration project from applying, adopting or incorporating any law or OPM, DoD, or DON regulation enacted, adopted, or amended after the effective date of this demonstration project.

A. Waivers to Title 5, U.S.C.

Chapter 5, section 552a: Records. Waive to the extent required to clarify that volunteers under the Voluntary Emeritus Program are considered employees of the Federal government for purposes of this section.

Chapter 31, section 3111: Acceptance of volunteer service. Waived to allow for a Volunteer Emeritus Program in addition to student volunteers.

Chapter 33, section 3317(a): Competitive service, certification from register (in so far as "rule of three" is eliminated under the demonstration project).

Chapter 33, section 3318(a): In so far as "rule of three" is eliminated under the demonstration Project. Veterans' preference provisions remain unchanged.

Chapter 33, section 3321: Competitive Service; Probationary Period. This section waived only to the extent necessary to replace grade with "pay band."

Chapter 33, section 3341: Details. Waived in its entirety.

Chapter 41, section 4108 (a)–(c): Employee Agreements; Service after Training. Waived to the extent necessary to: (1) Provide that the employee's service obligation is to the respective Systems Center organization for the period of the required service; (2) permit the Commanding Officers/ Technical Directors to waive in whole or in part a right of recovery; and (3) require employees under the Student Career Experience Program who have received tuition assistance to sign a service agreement up to three times the length of the training.

Chapter 43, section 4303: Only insofar as it applies to the downward movement between pay bands because of failure to receive base pay increases.

Chapter 43, section 4304(b)(1) and (3): Responsibilities of the OPM. Waived in its entirety to remove the

responsibilities of the OPM with respect to the performance appraisal system.

Chapter 45, section 4502: Limitation of cash awards to $10K. Waived to allow Technical Director/Commanding Officer to award up to $25K.

Chapter 51, section 5101–5112: Purpose, definitions, basis, classification of positions, review, authority—to the extent that white collar employees will be covered by broad banding.

Chapter 53, section 5301; 5302(1), (8), and (9); section 5303; and section 5304: Pay Comparability System. (To the extent necessary to allow demonstration project employees covered by broad banding to be treated as General Schedule employees and to allow basic rates of pay under the demonstration project to be treated as scheduled rates of basic pay.)

Chapter 53, section 5305: Special Pay Authority. Waived in its entirety.

Chapter 53, section 5331–5336: General Schedule Pay Rates. Waived in its entirety.

Chapter 53, section 5362: Grade Retention. Waived in its entirety.

Chapter 53, section 5363: Pay Retention. Waived only to the extent necessary to (1) replace "grade" with "pay band;" (2) allow demonstration Project employees to be treated as General Schedule employees; and (3) provide that pay retention does not apply to reductions in basic pay due solely to the operation of the pay setting rules for geographic movement within the demonstration project. (This waiver does not apply to SL/ST employees unless they move to a GS equivalent position under conditions that trigger entitlement to pay retention.)

Chapter 55, section 5545(d): Related to hazardous duty premium pay (only to the extent necessary to allow demonstration project employees to be treated as General Schedule employees).

Chapter 57, sections 5753, 5754, and 5755: Related to recruitment, relocation, retention payments, and supervisory differential. (These sections waived to the extent necessary to allow: (1) Employees and positions under the Demonstration Project to be treated as employees and positions under the GS; and (2) that management may offer a bonus to incentivize geographic mobility to a SCEP student.)

Chapter 59, section 5941: Allowances based on living costs and conditions of environment; employees stationed outside continental United States or Alaska (Only to the extent necessary to provide that COLA's paid to employees under the demonstration project are paid in accordance with regulations prescribed by the President (as delegated to OPM)).

Chapter 75, sections 7501(1), 7511(a)(1)(A)(ii), and 7511(a)(1)(C)(ii): Adverse Actions—Definitions. Waived to the extent necessary to allow for up to a three-year probationary period and to permit termination during the extended probationary period without using adverse action procedures for those employees serving a probationary period under an initial appointment except for those with veterans' preference.

Chapter 75, section 7512(3); To the extent necessary to (1) replace "grade" with "pay band" and (2) exclude reductions in pay band not accompanied by a reduction in pay taken under Chapter 43.

Chapter 75, section 7512(4): Adverse Action. (Only to the extent necessary to provide that adverse action provisions do not apply to (1) conversions from General Schedule special rates to demonstration project pay and reallocations of demonstration project pay rates within special rate extensions to locality adjusted pay rates due to promotions of general or locality pay increases, as long as the employee's total rate of pay is not reduced; and (2) reductions in basic pay due solely to the operations of the pay setting rules for geographic movement within the demonstration project.)

B. Waivers to Title 5, CFR

Part 300, sections 300.601 through 300.605: Time-in-grade restrictions are eliminated in the demonstration project.

Part 308, sections 308.101 through 308.103: Volunteer service. Waived to allow for a Volunteer Emeritus Program in addition to student volunteers.

Part 315, section 315.801(a), 315.801(b)(1), (c), and (e), and 315.802(a) and (b)(1): Probationary period and Length of probationary period. Waived to the extent necessary to allow for up to a three-year probationary period and to permit termination during the extended probationary period without using adverse action procedures for those employees serving a probationary period under an initial appointment except for those with veterans' preference.

Part 316, sections 316.301, 316.303, and 316.304: Term Employment. These sections are waived to allow modified term appointments as described in this **Federal Register**.

Part 332, section 332.402: "Rule of three" will not be used in the demonstration project. When there are no more than 15 qualified applicants and no preference eligible, all eligible applicants are referred to the selection official without rating or rankings. Statutes and regulations covering veterans' preference are observed in the selection process and when rating and ranking are required.

Part 332, section 332.404: Waived to provide that the order of selection is not limited to highest three eligibles.

Part 335, section 335.103: Agency promotion programs. Waived to the extent necessary to extend the length of details and temporary promotions without requiring competitive procedures or numerous short-term renewals.

Part 337, section 337.101(a): Rating applicants. Waived to the extent necessary to allow referral without rating when there are 15 or fewer qualified candidates and no qualified preference eligibles.

Part 340, subpart A, subpart B, and subpart C: Other than Full-Time Career Employment. These subparts are waived to the extent necessary to allow a Volunteer Emeritus Program.

Part 351, section 351.402(b): Competitive area to the extent that "part of the agency" can be defined by career paths, business units, product lines, organizational units, funding lines, occupational series, competency, and geographic locations.

Part 351, sections 351.403(a) and (b): Competitive levels to the extent that there is no requirement for the establishment of competitive levels in the demonstration project.

Part 351, section 351.404(a) and (b): Retention register to the extent that the requirement to establish separate retention registers by competitive level is eliminated.

Part 351, section 351.501(a)(3): For order of retention, delete "as augmented by credit for performance" under section 351.504.

Part 351, section 351.504: Credit for performance to the extent that the demonstration project eliminates service credit for performance.

Part 351, section 351.504: Performance Credit for RIF, to the extent veteran standing is based on Service Computation Data (SCD), veterans' preference and contribution scores.

Part 351, section 351.601 through 351.608: References to competitive levels are eliminated.

Part 351, section 351.701(b) and (c) Assignment rights (bump and retreat): To the extent that the distinction between bump and retreat is eliminated and the placement of demonstration project employees is restricted to no more than one broad band below the employee's current level, except that for a preference eligible with a

compensable service connected disability of 30 percent or more, the limit is two pay bands (or the equivalent of five General Schedule grades) below the employee's present level.

Part 410, section 410.308(a) and (c) sufficient to allow the Systems Centers to pay for all courses related to an academic degree program approved by the applicable Systems Centers' Technical Director/Commanding Officer.

Part 410, section 410.309: Agreements to continue in service. Waived to the extent necessary to allow the applicable Systems Centers' Technical Director/Commanding Officer to determine requirements related to continued service agreements, including employees under the Student Career Experience Program who have received tuition assistance.

Part 430, Subpart B: Performance appraisal for General Schedule, Prevailing Rate and certain other employees: Employees under the demonstration project will not be subject to the requirements of this subpart.

Part 430, section 430.208(a)(1) and (2): Rating Performance. Waived to allow presumptive ratings for new employees hired 90 days or less before the end of the appraisal cycle or for other situations not providing adequate time for an appraisal.

Part 432: Only insofar as it applies to the downward movement between pay bands because of failure to receive base pay increases. Also modified to delete reference to critical element. For employees who are reduced in pay band without a reduction in pay, sections 432.105 and 432.106(a) do not apply.

Part 432, section 432.104 and 432.105: Proposing and Taking Action Based on Unacceptable Performance: Insofar as references to "critical elements" are deleted and adding that the employee may be "reduced in grade or pay or removed" if performance does not improve to acceptable levels after a reasonable opportunity.

Part 451, subpart A, section 451.103(c)(2): Waived with respect to performance awards under the SPAWAR CARS and Distinguished Contribution Allowance.

Part 511, section 511.201: To the extent that White Collar positions are covered by broad banding.

Part 511, subpart A: General Provisions and subpart B: Coverage of the GS. Waived to the extent necessary to allow for the demonstration project classification system and pay banding structure.

Part 511, section 511.601: Applicability of regulations. Classification appeals modified to the extent that white collar positions established under the project plan, although specifically excluded from title 5 CFR, are covered by the classification appeal process outlined in this FRN section III.B.5., as amended below.

Part 511, section 511.603(a): Right to appeal. Waived to the extent necessary to substitute pay band for grade.

Part 511, section 511.607(b): Non-Appealable Issues. Add to the list of issues that are neither appealable nor reviewable, the assignment of series under the project plan to appropriate occupational families and the demonstration project classification criteria.

Part 530, subpart C: Special Rate Schedules for Recruitment and Retention. Waived in its entirety to allow for staffing supplements.

Part 531, Subparts B, D, and E: Determining the Rate of Basic Pay, Within-Grade Increases and Quality Step Increases. (Except that the provisions relating to highest previous rate under § 531.202 and 531.203 are waived only to the extent necessary to work in a broad banding system.)

Part 531, subpart F: Locality-Based Comparability Adjustments. (This waiver applies only to the extent necessary to allow demonstration project employees covered by broad banding, except, to be treated as General Schedule employees; and to allow basic rates of pay under the demonstration project to be treated as scheduled annual rates of pay. This waiver does not apply to FWS employees.)

Part 531, subpart B: Determining Rate of Basic Pay. Waived to the extent necessary to allow for pay setting and pay for performance/contribution under the provisions of the demonstration project.

Part 531, subparts D and E: Within-Grade Increases and Quality Step Increases. Waived in its entirety.

Part 531, subpart F: Locality-Based Comparability Payments. Waived to the extent necessary to allow demonstration project employees to be treated as GS employees and base rates of pay under the demonstration project to be treated as scheduled annual rates of pay.

Part 536: All provisions pertaining to grade retention. Waived in their entirety.

Part 536, section 536.104: Pay Retention. Waived only to the extent necessary to (1) replace "grade" with "pay band"; (2) allow demonstration project employees to be treated as General Schedule employees; and (3) provide that pay retention does not apply to reductions in basic pay due solely to the operation of the pay setting rules for geographic movement within the demonstration project. (This waiver does not apply to SL/ST employees unless they move to a GS equivalent position under conditions that trigger entitlement to pay retention.)

Part 550, section 550.703: Severance Pay, definition of "reasonable offer" waived by replacing "two grade or pay levels" with "one pay band" and "grade or pay level" with "pay band."

Part 550, section 550.902, definition of "employee": Hazardous Duty Pay. (Only to the extent necessary to treat demonstration project employees covered by broad banding as General Schedule employees.)

Part 575, Subparts A, B, and C: Recruitment Bonuses, Relocation Bonuses, Retention Allowances, and Supervisory Differentials. Waived only to the extent necessary to allow (1) employees and positions under the demonstration project covered by broad banding to be treated as employees and positions under the General Schedule; (2) relocation incentives to new SCEP students; and (3) relocation incentives to SCEP students whose worksite is in a different geographic location than that of the college enrolled.

Part 575, Subpart D: Waive in its entirety.

Part 591, Subpart B: Cost-of-Living Allowances and Post Differential-Non-foreign Areas. (To the extent necessary to allow demonstration project employees covered by broad banding to be treated as employees under the General Schedule.)

Part 752, sections 752.101, 752.201, 752.301 and 752.401: Principal statutory requirements and Coverage. Waived to the extent necessary to allow for up to a three-year probationary period and to permit termination during the extended probationary period without using adverse action procedures for those employees serving a probationary period under an initial appointment except for those with veterans' preference.

Part 752, sections 752.401(a)(3): Reduction in grade and pay (but only to the extent necessary to exclude reductions in pay band not accompanied by a reduction in pay) and 752.401(a)(4) (but only to the extent necessary to exclude conversions from a General Schedule special rate to demonstration project pay that do not result in a reduction in the employee's total rate of pay).

Part 752: section 752.401(a)(4): Adverse Action. (Only to the extent necessary to provide that adverse action provisions do not apply to—(1) conversions from General Schedule special rates or NSPS Targeted Local

Market Supplements to demonstration project pay and reallocations of demonstration project pay rates within special rate extensions to locality adjusted pay rates due to promotions or general or locality pay increases, as long as the employee's total rate of pay is not reduced; and (2) reductions in basic pay due solely to the operation of the pay setting rules for geographic movement within the demonstration project.

IX. Appendices

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Appendix A: STRL Demonstration Project Series

SSC STRL Demonstration Project Inclusive Series			
Series		Series	
0018	Safety and Occupational Health Management Series	0896	Industrial Engineering
0019	Safety Technician Series	0899	Student Trainee (Engineering)
0020	Community Planning Series	0904	Law Clerk Series
0021	Community Planning Technician	0905	General Attorney Series
0028	Environmental Protection Specialist Series	0950	Paralegal Specialist Series
0029	Environmental Protection Technician	0986	Legal Assistance
0080	Security Administration Series	1001	General Arts and Info Series
0086	Security Technician	1021	Office Drafting Series
0101	Social Science	1035	Public Affairs Series
0132	Intelligence Series	1040	Language Specialist Series
0134	Intelligence Technician	1060	Photography Series
0170	History Series	1071	Audiovisual Production Series
0180	Psychology Series	1082	Writing and Editing Series
0181	Psychology Technician	1083	Technical Writing and Editing Series
0184	Sociology Series	1084	Visual Information Series
0201	Human Resources Management	1087	Editorial Assistance Series
0203	Human Resources assistance	1101	Business
0260	Equal Employment Opportunity Series	1102	Contracting Series
0301	Misc. Administration & Program Series	1103	Industrial Property Management Series
0302	Messenger Series	1105	Purchasing Series
0303	Misc. Clerk and Assistant Series	1106	Procurement Clerical and Technician Series
0304	Information Receptionist Series	1107	Property Disposal Clerical and Technician Series
0305	Mail and File Series	1150	Industrial Specialist Series
0309	Correspondence Clerk Series	1152	Production Control Series
0312	Stenographer	1221	Patent Advisor Series
0318	Secretary Series	1222	Patent Attorney Series
0322	Clerk-Typist Series	1301	General Physical Science
0326	Office Automation Clerical and Assistance Series	1306	Health Physics
0335	Computer Clerk and Assistant Series	1310	Physics
0340	Program Manager	1311	Physical Science Technician
0341	Administrative Officer Series	1313	Geophysics
0342	Support Services Administration Series	1320	Chemistry
0343	Management and Program Analysis Series	1321	Metallurgy
0344	Management & Program Clerical and Assistance Series	1330	Astronomy and Space Science
0346	Logistics Management Series	1340	Meteorology
0350	Equipment Operator Series	1341	Meteorological Technician
0356	Data Transcriber Series	1350	Geology
0361	Equal Opportunity Assistance Series	1360	Oceanography
0390	Telecommunications Processing Series	1370	Cartography
0391	Telecommunications Processing Series	1386	Photographic Technology
0392	General Telecommunication Series	1410	Librarian Series
0394	Communications Clerical Series	1411	Library Technician Series
0399	General Analysis/Office Support Student	1412	Technical Information Services Series
0401	Trainee STND	1515	Operations Research
0403	Microbiology	1520	Mathematics
0404	Biological Science Technician Series	1521	Mathematics Technician Series
0408	Ecology	1529	Mathematical Statistics
0410	Zoology	1531	Statistical Assistant Series
0413	Physiology	1550	Computer Science Series
0501	Financial Administration and Budget Group	1599	Student Trainee (Mathematics and Statistics)
0503	Financial Clerical and Technician	1601	Equipment, Facilities, and Services
0505	Financial Management Series	1640	Facility Operations Services
0510	Accounting	1670	Equipment Services
0511	Auditing	1712	Training Instruction Series
0525	Accounting Technician	1750	Instructional System Series
0540	Voucher Examining	1801	General Inspection, Investigation, Enforcement, and Compliance
0544	Civilian Pay	1810	General Investigation
0560	Budget Analysis	1811	Criminal Investigation
0561	Budget Clerical and Assistance	1910	Quality Assurance Series
0599	Finance Student Trainee	2001	General Supply Series
0701	Veterinary Medical Science Series	2003	Supply Program Management Series
0801	General Engineering and Architecture	2005	Supply Clerical and Technician Series
0802	Engineering, Technical	2010	Inventory Management Series
0803	Safety Engineering	2030	Distribution Facilities and Storage Management Series
0806	Materials Engineering	2032	Packaging Series
0807	Landscape Architecture	2050	Supply Cataloging Specialist
0808	Architecture	2101	Transportation Specialist
0809	Construction Control Technical	2102	Transportation Industry Analysis Series
0810	Civil Engineering	2130	Traffic Management Series
0819	Environmental Engineering	2135	Transportatiton Loss and Damage Claims Examiner
0830	Mechanical Engineering	2150	Transportation Specialist
0840	Nuclear Engineering	2152	Air Traffic Assistance Series
0850	Electrical Engineering	0332	Computer Operator
0854	Computer Engineering	0335	Computer Technician
0855	Electronics Engineering	2210	Information Technology Management
0856	Electronics Technical	2299	Student Trainee (Information Technology)
0858	Bioengineering and Biomedical Engineering	1099	Information and Arts Student Trainee
0861	Aerospace Engineering	1199	Business Student Trainee
0893	Chemical Engineering		

Appendix B: SSC STRL Demonstration Project Series Distribution

SSC STRL Series Distribution									
Science and Engineering (ND)	0401	0403	0408	0410	0413	0801	0803	0806	0807
	0808	0810	0819	0830	0840	0850	0854	0855	0858
	0861	0893	0896	1301	1306	1310	1313	1320	1321
	1330	1340	1350	1360	1370	1386	1515	1520	1529
	1550	0701	0899	1599	0180	1399			
Administrative / Professional (NO)	0018	0020	0028	0080	0101	0132	0170	0184	
	0201	0260	0301	0340	0341	0342	0343	0346	0391
	0501	0505	0510	0511	0560	0904	0905	0950	1001
	1021	1035	1040	1071	1082	1083	1084	1101	1102
	1103	1150	1221	1222	1410	1412	1601	1640	1670
	1712	1750	1801	1810	1811	1910	2001	2003	2010
	2030	2032	2050	2101	2130	2150	2152	2210	0399
	0599	1099	1199	2299					
S&E Technician (NR)	0404	0802	0809	0856	0895	1311	1341	1521	1531
	0021	1060	1152						
General Support (NG)	0019	0029	0086	0134	0181	0203	0302	0303	0304
	0305	0309	0312	0318	0322	0326	0335	0344	0350
	0356	0361	0390	0392	0394	0503	0525	0540	0544
	0561	0986	1087	1105	1106	1107	1411	2005	2102
	2135	0332	0335						
Supervisor (NM)	All Series								

*NSPS-unique series 2203 & 2204 were directly converted in the SSC STRL Demonstration Project to series 0332 & 0335 (in the General Support Career Path), respectively.

Appendix C: Baseline Performance Standards (Career Path-Independent)

Work is timely, efficient, and of acceptable quality. Flexibility, adaptability, and decisiveness are exercised appropriately. Leadership effectively demonstrates commitment to mission, ethical behavior, and integrity. Interactions show respect for individual differences and diversity. Personal and organizational interactions exhibit and foster cooperation and teamwork. Communications are clear, concise, effective, and at appropriate level. Resources are utilized effectively and efficiently to accomplish the mission. Personal and organizational interactions also enhance customer relations and actively promote rapport with customers.

Appendix D: Core Contribution Elements

Technical: This element measures personal and organizational problem solving results. It is comprised of the following components: Scope/impact, Complexity/difficulty, Independence, and Creativity

Teamwork and Communication: This element measures individual and organizational teamwork and cooperation as well as effectiveness of oral/written communications. It is comprised of the following components: Scope of team effort, Contribution to team, Team effectiveness, Level of interaction (audience), and Communication (oral and written).

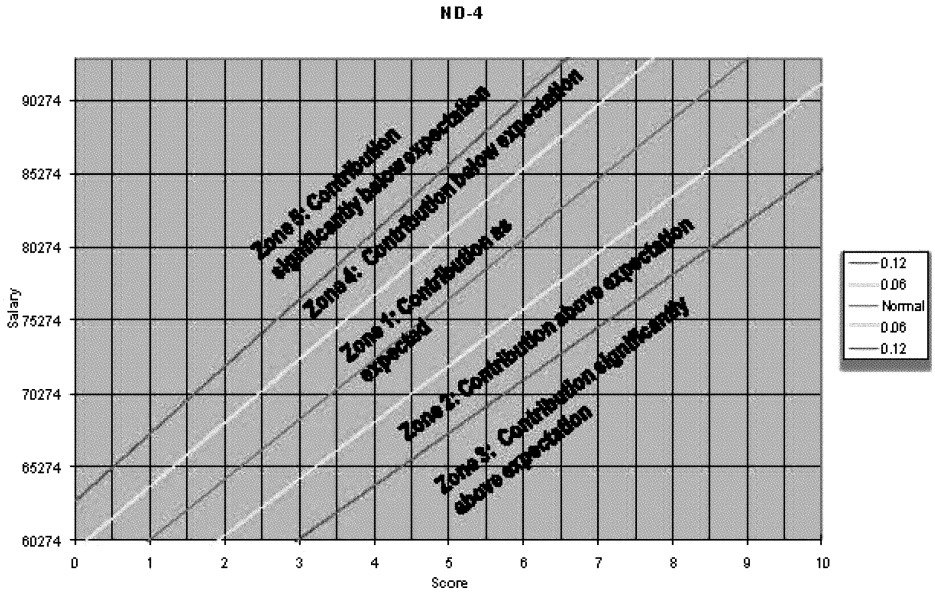
Management: This element measures personal and organizational utilization of resources to accomplish the mission. (Resources include but are not limited to personal time, equipment and facilities, human resources and funds.) This element also measures the effectiveness of personal and organizational interactions with customers, both internal and external. It is comprised of the following components: Scope of resource responsibility, Planning, Execution, Customer interaction level, Customer needs.

Leadership: This element measures individual and organizational leadership. It is comprised of the following components: Scope of leadership influence, Leadership activities, Mentoring/employee development.

Appendix E: Element Detail Example (Technical) for Science & Engineering Career Path (ND)

ELEMENT 1 — TECHNICAL - This element measures personal and organizational problem solving results.						
	GS Equiv	1-4	5-9	9-11	12-13	14-15
	STRL	ND 1	ND 2	ND 3	ND 4	ND 5
BASIC STANDARDS (Applicable accomplishments at all levels): **Work is timely, efficient, of acceptable quality and is performed on a regular basis. Completed work meets project/ program/ function objectives. Flexibility, adaptability, and decisiveness are excercised appropriately.**	Scope/ Impact	Executes routine activities with impact usually limited to the task level	Executes routine activities with impact usually limited to the team or project level	Executes complex activities with impact usually above the team level or at the project level and/or executes activities with visibility external to the organization	Executes multi-dimensional, complex activities with impact usually at a program level external to the command with visibility at the service/agency level and/or is a command-level subject matter expert	Executes multi-dimensional, complex projects with impact external to the command with visibility at the service/agency level or higher and/or is a subject matter expert at a service/agency level or higher
	Complexity/ Difficulty	Performs routine tasks with minimal dependencies, overcoming only minimal obstacles	Performs established tasks with multiple dependencies, analyzes and solves basic problems and overcomes minor obstacles	Performs moderately complex tasks with multiple dependencies, analyzes and solves moderately difficult problems, and overcomes moderately difficult obstacles	Performs complex tasks with multiple dependencies, analyzes and solves difficult problems without precedent, and overcomes and adapts to difficult obstacles	Performs complex tasks with multiple dependencies, analyzes and solves problems without precedent, and overcomes and adapts to difficult obstacles
	Independence	Completes assigned tasks with significant oversight from supervisor or team lead to review work products.	Independently completes assigned tasks, with periodic oversight from supervisor and team lead to review work products.	Independently completes tasks, with minimal oversight from supervisor and team lead with peer-level review of work products.	Independently manages and completes tasks with minimal oversight.	Independently manages and completes tasks without oversight. Work is generally reviewed only for overall effectiveness in representing the activity.
	Creativity	Understands and follows existing processes for routine work.	Initiates new ideas for improving existing processes or products. Identifies processes or products for new or unusual situations.	Independently selects and interprets guidelines, and implements procedures. Initiates new ideas for improving or adapting existing processes or products for new or unusual situations. Performs and documents necessary research, resulting in recommendations.	Develops guidelines and implements procedures. Initiates new ideas for improving or adapting existing processes or products for new or unusual situations. Performs and documents necessary research, and implements resulting recommendations.	Develops ideas which form a basis for technical efforts by others. Creates and implements policies, processes, or products for new or unusual situations.

Appendix F: Sample Pay Range/Contribution Chart (for ND4 Pay Band)



Appendix G: Basic Compensation Matrix

	ZONE 1	ZONE 2	ZONE 3	ZONE 4	ZONE 5
CONTRIBUTION	AS EXPECTED	ABOVE EXPECTATION	SIGNIFICANTLY ABOVE EXPECTATION	BELOW EXPECTATION	SIGNIFICANTLY BELOW EXPECTATION
COMPENSATION					
SALARY ELIGIBLE	YES	YES	YES	NO	NO
BONUS ELIGIBLE	YES	YES	YES	YES (Pay Pool Manager Must Approve)	NO
GPI	FULL	FULL	FULL	FULL	100% 1ST YEAR 50% 2ND YEAR 0% 3RD YEAR

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APPENDIX H—INTERVENTION MODEL

Intervention	Expected effects	Measures	Data sources
1. COMPENSATION			
a. Pay banding	Increased organizational flexibility	Perceived flexibility	Attitude survey.
	Reduced administrative workload, paper work reduction.	Actual/perceived time savings	Personnel office data, PME results, attitude survey.
	Advanced in-hire rates	Starting salaries of banded v. non-banded employees.	Workforce data.
	Slower pay progression at entry levels.	Progression of new hires over time by band, career path.	Workforce data.
	Increased pay potential	Mean salaries by band, group, demographics.	Workforce data.
		Total payroll costs	Personnel office data.
	Increased satisfaction with advancement.	Employee perceptions of advancement.	Attitude survey.
	Increased pay satisfaction	Pay satisfaction, internal/external equity.	Attitude survey.

APPENDIX H—INTERVENTION MODEL—Continued

Intervention	Expected effects	Measures	Data sources
	Improved recruitment	Offer/acceptance ratios; Percent declinations.	Personnel office data.
b. Conversion buy-in	Employee acceptance	Employee perceptions of equity, fairness.	Attitude survey.
		Cost as a percent of payroll	Workforce data.
c. Pay differentials/adjustments.	Increased incentive to accept supervisory/team leader positions.	Perceived motivational power	Attitude survey.
2. CONTRIBUTION MANAGEMENT			
a. Cash awards/bonuses	Reward/motivate performance	Perceived motivational power	Attitude survey.
	To support fair and appropriate distribution of awards.	Amount and number of awards by group, demographics.	Workforce data.
		Perceived fairness of awards	Attitude survey.
		Satisfaction with monetary awards	Attitude survey.
b. Contribution-based pay progression.	Increased pay-contribution link	Perceived pay-contribution link	Attitude survey.
		Perceived fairness of ratings	Attitude survey.
	Improved feedback	Satisfaction with ratings	Attitude survey.
		Employee trust in supervisors	Attitude survey.
		Adequacy of feedback	Attitude survey.
	Decreased turnover of high performers/Increased turnover of low performers.	Turnover by contribution rating scores.	Workforce data.
	Differential pay progression of high/low performers.	Pay progression by contribution scores, career path.	Workforce data.
	Alignment of organizational and individual objectives and results.	Linkage of objectives to strategic plans/goals.	Performance objectives/contribution goals, strategic plans.
	Increased employee involvement in contribution planning and assessment.	Perceived involvement in contribution management.	Attitude survey/focus groups. Personnel regulations.
c. New appraisal process	Reduced administrative burden	Employee and supervisor perceptions of revised procedures.	Attitude survey.
	Improved communication	Perceived fairness of process	Focus groups.
d. Contribution development	Better communication of contribution expectations.	Feedback and coaching procedures used.	Focus groups. Personnel office data.
		Time, funds spent on training by demographics.	
		Training records.	
	Improved satisfaction and quality of workforce.	Perceived workforce quality	Attitude survey.
3. "WHITE COLLAR" CLASSIFICATION			
a. Improved classification systems with generic standards.	Reduction in amount of time and paperwork spent on classification.	Time spent on classification procedures.	Personnel office data.
		Reduction of paperwork/number of personnel actions (classification/promotion).	Personnel office data.
	Ease of use	Managers' perceptions of time savings, ease of use.	Attitude survey.
b. Classification authority delegated to managers.	Increased supervisory authority/accountability.	Perceived authority	Attitude survey.
	Decreased conflict between management and personnel staff.	Number of classification disputes/appeals pre/post.	Personnel records.
		Management satisfaction with service provided by personnel office.	Attitude survey.
	No negative impact on internal pay equity.	Internal pay equity	Attitude survey.
c. Dual career ladder	Increased flexibility to assign employees.	Assignment flexibility	Focus groups, surveys.
	Improved internal mobility	Perceived internal mobility	Attitude survey.
	Increased pay equity	Perceived pay equity	Attitude survey.
	Flatter organization	Supervisory/non-supervisory ratios.	Workforce data. Attitude survey.
	Improved quality of supervisory staff.	employee perceptions of quality or supervisory skill set.	Attitude survey.
4. Modified RIF			
	Minimize loss of high performing employees with needed skills.	Separated employees by demographics, contribution scores.	Workforce data. Attitude survey/focus group.
	Contain cost and disruption	Satisfaction with RIF Process	Attitude survey/focus group.

APPENDIX H—INTERVENTION MODEL—Continued

Intervention	Expected effects	Measures	Data sources
		Cost comparison of traditional vs. Modified RIF.	Personnel office/budget Data.
		Time to conduct RIF—personnel office data.	Personnel office data.
		Number of Appeals/reinstatements.	Personnel office data.
5. Hiring Authority			
a. Delegated Examining	Improved ease and timeliness of hiring process.	Perceived flexibility in authority to hire.	Attitude survey.
	Improved recruitment of employees in shortage categories.	Offer/accept ratios	Personnel office data.
		Percent declinations	Personnel office data.
		Timeliness of job offers	Personnel office data.
		GPAs of new hires, educational levels.	Personnel office data.
	Reduced administrative workload/paperwork reduction.	Actual/perceived skills	Attitude survey.
b. Term Appointment Authority	Increased capability to expand and contract workforce.	Number/percentage of conversions from modified term to permanent appointments.	Workforce data. Personnel office data.
c. Flexible Probationary Period	Expanded employee assessment	Average conversion period to permanent status.	Workforce data. Personnel office data.
		Number/percentage of employees completing probationary period.	Workforce data. Personnel office data.
		Number of separations during probationary period.	Workforce data. Personnel office data.
6. Expanded Development Opportunities			
a. Sabbaticals	Expanded range of professional growth and development.	Number and type of opportunities taken.	Workforce data.
	Application of enhanced knowledge and skills to work product.	Employee and supervisor perceptions.	Attitude survey.
b. Critical Skills Training	Improved organizational effectiveness.	Number and type of training	Personnel office data.
		Placement of employees, skills imbalances corrected.	Personnel office data. Attitude survey.
		Employee and supervisor perceptions.	Attitude survey/focus group.
		Application of knowledge gained from training.	
7. Combination Of All Interventions			
All	Improved organizational effectiveness.	Combination of personnel measures.	All data sources.
	Improved management of workforce.	Employee/Management job satisfaction (intrinsic/extrinsic).	Attitude survey.
	Improved planning	Planning procedures	Strategic planning documents.
		Perceived effectiveness of planning procedures.	Attitude survey.
	Improved cross functional coordination.	Actual/perceived coordination	Organizational charts.
	Increased product success	Customer satisfaction	Customer satisfaction surveys.
	Cost of innovation	Project training/development costs (staff salaries, contract cost, training hours per employee).	Demo project office records. Contract documents.
8. Context:			
Regionalization	Reduced servicing ratios/costs	HR servicing ratios	Personnel office data, workforce data.
		Average cost per employee served.	Personnel office data, workforce data.
	No negative impact on service quality.	Service quality, timeliness	Attitude survey/focus groups.

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