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Science and Technology Reinvention Laboratory (STRL) Personnel Management Demonstration Project, Department of the Navy (DON), Naval Air System Command (NAVAIR), Naval Air Warfare Center, Weapons Division (NAWCWD) and Naval Air Warfare Center, Aircraft Division (NAWCAD); Notice

DEPARTMENT OF DEFENSE

Office of the Secretary

Science and Technology Reinvention Laboratory (STRL) Personnel Management Demonstration Project, Department of the Navy (DON), Naval Air System Command (NAVAIR), Naval Air Warfare Center, Weapons Division (NAWCWD) and Naval Air Warfare Center, Aircraft Division (NAWCAD)

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 NAWCWD and the NAWCAD 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 NAWCWD and NAWCAD 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 October 12, 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:

NAVAIR: Mr. Richard Cracraft, Naval Air Warfare Center, Weapons Division (NAWCWD), Code 730000D, 1 Administration Circle, Building 00464, China Lake, CA 93555–6100.

DoD: Ms. Betty A. Duffield, CPMS–PSSC, Suite B–200, 1400 Key Boulevard, Arlington, VA 22209–5144

SUPPLEMENTARY INFORMATION:

1. Background

Since 1966, many studies of Department of Defense (DoD) laboratories have been conducted on laboratory quality and personnel. Almost all of these studies have recommended improvements in civilian personnel policy, organization, and management. Pursuant to the authority provided in section 342(b) of Public Law 103–337, as amended, a number of DoD STRL personnel demonstration projects were approved. These projects are "generally similar in nature" to the Department of Navy's "China Lake" Personnel Demonstration Project. The terminology, "generally similar in nature," does not imply an emulation of various features, but rather implies a similar opportunity and authority to develop personnel flexibilities that significantly increase the decision authority of laboratory commanders and/or directors. The STRL Personnel Management Demonstration Projects involve broad-banded pay systems and simplified classification; compensation linked to performance, including contribution-based pay; recruitment and staffing changes; and enhanced training and development including critical skills training, Voluntary Emeritus Corps, and sabbaticals.

This demonstration project involves: (1) Two appointment authorities (permanent and modified term); (2) extended probationary period for newly hired employees; (3) pay banding; (4) streamlined delegated examining; (5) modified reduction-in-force (RIF) procedures; (6) simplified job classification; (7) a mission aligned objectives and compensation based appraisal system; (8) market based starting salaries; (9) academic degree and certificate training; (10) sabbaticals; and (11) a Voluntary Emeritus Corps.

2. Overview

The covered organizations transitioned to the National Security Personnel System (NSPS) late in 2008. Subsequently, section 1113 of NDAA for FY 2010, Public Law 111–84,123 Stat. 2486, required all employees to exit NSPS by no later than January 1, 2012. Another section of NDAA for FY 2010, section 1105, identifies NAWCAD and NAWCWD as STRLs and requires them to convert to an STRL demonstration project within 18 months of enactment of NDAA for FY 2010. This FRN provides notice of the proposal to design and implement an STRL demonstration project plan for the covered organizations.

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 1400.37; pages 73248 to 73252 of volume 73, **Federal Register**; and the fulfilling of any collective bargaining obligations.

Dated: September 1, 2010.

Mitchell S. Bryman,

Alternate OSD Federal Register Liaison Officer, Department of Defense.

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I. Executive Summary

NAWCAD is an organization within NAVAIR dedicated to maintaining a center of excellence for fixed- and rotary-wing aircraft and their propulsion systems, avionics systems, training systems, take-off and landing systems, and associated support and equipment including air traffic control and communications and ship/shore/air operations. NAWCAD has three primary locations: Patuxent River, MD; Lakehurst, NJ; and Orlando, FL. These facilities support research, development, test, evaluation, engineering, and fleet support of Navy and Marine Corps air vehicle systems and trainers. NAWCAD is a world leader in Naval aviation whose products and services include: Aircraft, avionics, air-launched weapons, electronic warfare systems, cruise missiles, unmanned aerial vehicles, launch and arresting gear, training equipment and facilities, and all other equipment related to Navy and Marine Corps air power. The mission of the NAWCAD is to be the Navy's principal research, development/test, evaluation, engineering, and fleet support activity for naval aircraft, engines, avionics, aircraft support systems, and ship/shore/air operations. NAWCAD is the steward of the ranges, test facilities, laboratories, and aircraft necessary to support the Fleet's acquisition requirements.

NAWCWD is an organization within NAVAIR dedicated to maintaining a center of excellence in weapons development for the DON. NAWCWD has two locations: China Lake, CA hosting the land test range and Point Mugu, CA hosting the sea test range. NAWCWD is a world leader in Research, Development, Acquisition, Test, and Evaluation (RDA, T&E) of guided missiles, advanced weapons and systems, complex software integration on tactical aircraft, energetic materials, and subsystems. It is also a Center of Excellence for weapons and armaments and live-fire survivability testing. The mission of the NAWCWD is to provide Navy and Marine Corps warriors with effective, affordable, integrated warfare systems, and lifecycle support to ensure battlespace dominance. The NAWCWD is the steward of the ranges, test facilities, and laboratories necessary to support the Fleet's acquisition requirements.

The goal of this demonstration project is to enhance and sustain the quality and professionalism of the covered organizations' workforces through improvements in the efficiency and effectiveness of the human resource system. The project interventions will strive to achieve the best workforce for the mission, adjust the workforce for change, and improve workforce satisfaction. This demonstration project is built on the concepts, and uses much of the same language, as the other STRL demonstration projects already in place in DoD and is guided by 25 years of experience in operating the Navy's "China Lake," demonstration project. The results of the project will be evaluated within five years of implementation.

II. Introduction

A. Purpose

The purpose of the project is to demonstrate that the effectiveness of DoD STRLs can be enhanced by expanding opportunities available to employees and by allowing greater managerial control over personnel functions through a more responsive and flexible personnel system. Federal laboratories need more efficient, cost effective, and timely processes and methods to acquire and retain a highly creative, productive, educated, and trained workforce. This project, in its entirety, attempts to improve employees' opportunities and provide managers, at the lowest practical level, the authority, control, and flexibility needed to achieve the highest quality

organization and hold them accountable for the proper exercise of this authority within the framework of an improved personnel management system.

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 ODUSD(CPP). The provisions of DoDI 1400.37 are to be followed for any modifications, adoptions, or changes to this demonstration project plan.

B. Problems With the Present System

The current Civil Service General Schedule (GS) system has existed in essentially the same form since 1949. Work is classified into one of fifteen overlapping pay ranges that correspond with the fifteen grades. Base pay is set at one of those fifteen grades and the ten interim steps within each grade. The Classification Act of 1949 rigidly defines types of work by occupational series and grade, with very precise qualifications for each job. This system does not quickly or easily respond to new ways of designing work and changes in the work itself.

The performance management model that has existed since the passage of the Civil Service Reform Act in 1980 has come under extreme criticism. Employees frequently report there is inadequate communication of performance expectations and feedback on performance. There are perceived inaccuracies in performance ratings with general agreement that the ratings are inflated and often unevenly distributed by grade, occupation and geographic location.

The present reduction-in-force (RIF) process is unresponsive to requirements for work force restructuring and requires enhancement to provide better retention of the highest performing employees with mission appropriate skills.

The need to change the current hiring system is essential as the covered organizations must be able to recruit and retain scientific, engineering, acquisition, skilled technical, and other professional, administrative, and support employees. The covered organizations 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 bonuses and incentives to attract high quality employees.

Current limitations on training, retraining, and otherwise developing employees make it difficult to correct skill imbalances and to prepare current employees for new lines of work to meet changing missions and emerging technologies.

C. Changes Required/Expected Benefits

1. The primary benefit expected from this demonstration project is greater organizational effectiveness through increased employee satisfaction. The Department of the Navy "China Lake" and NIST demonstration projects produced impressive statistics on increased job satisfaction and quality of employees versus that for the Federal workforce in general. This project will demonstrate that a human resource system tailored to the mission and needs of the covered organizations' workforce will facilitate increased:

a. Quality in the workforce and resultant products,

b. Timeliness of key personnel processes,

c. Retention of "excellent performers,"

d. Success in recruitment of personnel with critical skills,

e. Management authority and accountability,

f. Satisfaction of customers, and

g. Workforce satisfaction with the personnel management system.

2. An evaluation model was developed for the Director of Defense, Research and Engineering (DDR&E) in conjunction with STRLs, service representatives, and the Office of Personnel Management (OPM). The model, as modified in this plan, will measure the effectiveness of this demonstration project and will be used to measure the results of specific personnel system changes.

D. Participating Organizations

NAWCAD and NAWCWD are organizations within the NAVAIR and are composed of five business units located at five diverse major geographic locations. The locations are: Lakehurst, NJ, Patuxent River, MD; Orlando, FL; China Lake, CA; and Pt. Mugu, CA. Additionally there are employees in a variety of other geographic locations shown in Appendix A. It should be noted that sites with fewer than 10 people may change. Successor organizations will continue coverage in the demonstration project.

E. Participating Employees and Union Representation

This demonstration project will cover approximately 8,400 NAWCAD and NAWCWD civilian employees under title 5 U.S.C. in the occupations listed in Appendix B. The project plan does not cover members of the Senior Executive Service (SES), Scientific and Professional (ST) employees, Federal Wage System (FWS) employees, employees presently covered by the Defense Civilian Intelligence Personnel System (DCIPS), or DON centrally funded interns.

The details and provisions covered under this Personnel Management Demonstration Project do not apply to any bargaining unit within NAWCAD or NAWCWD until a mutual agreement is reached between the STRL organization and the applicable exclusive representative. This demonstration project will not cover any bargaining unit members at implementation. If there is interest on the part of any of NAWCAD's or NAWCWD's bargaining units at any of their sites in participating in the NAWCAD or NAWCWD STRL demonstration project, negotiations would begin after publication of this **Federal Register** notice. The covered STRL organizations will fulfill their obligation to consult and/or negotiate with all labor organizations in accordance with 5 U.S.C. 4703(f) and 7117, as applicable.

F. Project Design

An overarching objective in the project design has been the development of a personnel system that provides a maximum opportunity for adaptability to meet the variety of requirements of organizations engaged in missions ranging from RDA, T&E of guided missiles, advanced weapons and systems, complex software integration on tactical aircraft, energetic materials and subsystems to fixed- and rotary-wing aircraft and their propulsion systems, avionics systems, training systems, take-off and landing systems, associated support and equipment including air traffic control and communications, and ship/shore/air operations. This demonstration project is built upon the successes of the many demonstration projects that have preceded it and adapts many of the provisions and features that have been shown to be successful in these other STRL demonstration projects to the NAWCAD and NAWCWD organizations.

G. Personnel Management Board

1. The covered organizations will create a Personnel Management Board to oversee and monitor the fair, equitable, and consistent implementation of the provisions of the demonstration project to include establishment of internal controls and accountability. Members of the board are senior leaders appointed by the Executive Directors of the covered organizations. As needed, ad

hoc members will serve in an advisory capacity to the Board.

2. The board will execute the following:

a. Establish policies and issue guidance on the composition of pay pools in accordance with the guidelines of this proposal and internal procedures;

b. Review operation of pay pools and provide guidance to Pay Pool Managers;

c. Oversee disputes in pay pool issues;

d. Establish policies and issue guidance on the formulation and execution of the civilian pay budget;

e. Establish policies and issue guidance on the awards pools;

f. Establish policies and issue guidance on hiring and promotion base pay as well as exceptions to pay-for-performance base pay increases;

g. Establish policies and issue guidance on classification review and oversight, monitoring and adjusting classification practices and deciding board classification issues;

h. Approve major changes in position structure;

i. Address issues associated with multiple pay systems during the demonstration project;

j. Establish policies and issue guidance on and approve Standard Performance Elements and Benchmarks;

k. Assess the need for changes to demonstration project procedures and policies;

l. Ensure in-house budget discipline;

m. Establish policies and issue guidance for workforce staffing and budget plans;

n. Develop policies and procedures for administering Developmental Opportunity Programs;

o. Ensure that all employees are treated in a fair and equitable manner in accordance with the policies, regulations and guidelines covering this demonstration project; and,

p. Monitor the evaluation of the project.

III. Personnel System Changes

A. Pay Banding

The design of the pay banding system has the benefit of being preceded by exhaustive studies of pay banding systems currently practiced in the Federal sector. The pay banding system will replace both the current NSPS and GS structure. The flexibilities in this pay banding section are similar in nature to the authority granted to: The Naval Ocean Systems Center, San Diego, California 92152 and the Naval Weapons Center, China Lake, California 93555, 45 FR 26504, April 18, 1980.

1. Occupational Families

Occupations with similar characteristics will be grouped together into one of five occupational families with pay band levels designed to facilitate pay progression. Progression through the band depends on individual achievement, contribution to the mission goals, and accomplishment of higher level, broader scope, more difficult work assignments. Each occupational family will be composed of pay bands corresponding to recognized advancement and career progression expected within the occupations. These pay bands will replace individual grades and will not be the same for each occupational family. Each occupational family will be divided into three to six pay bands with each pay band covering the same base pay range that would be covered by one or more GS grades. Employees track into an occupational family based on their current series as provided in Appendix B. Note that where the current series does not exist outside of NSPS the employee will be placed in the appropriate OPM series before being placed into an STRL occupational family. Upon conversion into the demonstration project each employee is assured an initial placement in the STRL demonstration project without a loss in pay. The upper and lower pay rate for base pay of each band is defined by the GS rate for the grade and step as indicated in Figure 1 except for Pay Band V of the Engineering and Science occupational family. Comparison to the GS grades and NSPS pay bands was used in setting the upper and lower base pay dollar limits of the pay band levels. However, once employees are moved into the demonstration project, GS grades and NSPS pay bands will no longer apply. The current occupations have been examined, and their characteristics and distribution have served as guidelines in the development of the following five occupational families:

a. Scientific and Engineering (S&E) (Pay Plan DP): This occupational family includes technical professional positions, such as engineers, physicists, chemists, mathematicians, operations research analysts, and computer scientists. Specific course work or educational degrees are required for these occupations. Four bands have been established for the S&E occupational family:

(1) Band I is a student trainee developmental track covering GS–1, step 1, through GS–4, step 10.

(2) Band II is a developmental track covering GS–5, step 1, through GS–11, step 10.

(3) Band III is a full-performance technical track covering GS–12, step 1, through GS–13, step 10.

(4) Band IV includes senior technical positions covering GS–14, step 1, through GS–15, step 10.

b. S&E Technician (Pay Plan DT): This occupational family includes technician positions, such as engineering technicians, electronics technicians, physical science technicians, mathematic technicians, and geodetic technicians. These occupations require practical technical expertise in scientific or engineering support but specific course work or educational degrees are not required for these occupations. Four bands have been established for the S&E Technician occupational family:

(1) Band I is an entry level trainee developmental track covering GS–1, step 1, through GS–4, step 10.

(2) Band II is a developmental/full performance track covering GS–5, step 1, through GS–9, step 10.

(3) Band III is a full-performance technical track covering GS–10, step 1 through GS–11, step 10.

(4) Band IV includes senior technical covering GS–12, step 1, through GS–13, step 10.

c. Technical Specialist (Pay Plan DS): This occupational family includes such positions as logistics management specialists, equipment specialists, computer specialists, and telecommunications specialists. Employees in these positions may or may not require specific course work or educational degrees. Five bands have been established for this occupational family:

(1) Band I is a student trainee developmental track covering GS–1, step 1, through GS–4, step 10.

(2) Band II is a developmental/full performance track covering GS–5, step 1, through GS–9, step 10.

(3) Band III is a full performance track covering GS–10, step 1, through GS–11, step 10.

(4) Band IV is a senior specialist track covering GS–12, step 1, through GS–13, step 10.

(5) Band V is an expert specialist track covering GS–14, step 1, through GS–15, step 10.

d. Business Professional & Program Management (Pay Plan DA): This occupational family includes such positions as program managers, program acquisition specialists, budget officers, financial managers, accountants, administrative officers, human resources specialists, and management analysts. Employees in these positions

may or may not require specific course work or educational degrees. Five bands have been established for this occupational family:

(1) Band I is a student trainee developmental track covering GS–1, step 1, through GS–4, step 10.

(2) Band II is a developmental/full performance track covering GS–5, step 1, through GS–9, step 10.

(3) Band III is a full performance track covering GS–10, step 1, through GS–11, step 10.

(4) Band IV is a senior specialist track covering GS–12, step 1, through GS–13, step 10.

(5) Band V is an expert specialist track covering GS–14, step 1, through GS–15, step 10.

e. Administrative Support (Pay Plan DG): This occupational family is composed of positions for which specific course work or an educational degree is not required. Clerical work usually involves the processing and maintenance of records. Assistant work requires knowledge of methods and procedures within a specific administrative area. This family includes such positions as secretaries, office managers, office automation clerks, security technician, safety technician, library technician and budget/program/computer assistants. Six bands have been established for this occupational family:

(1) Band I includes entry-level/developmental positions covering GS–1, step 1, through GS–3, step 10.

(2) Band II* includes developmental and low-range full-performance positions covering GS–4, step 1, through GS–5, step 10.

(3) Band III* includes mid-range full-performance technicians/assistants/secretaries covering GS–5, step 1, through GS–6, step 10.

(4) Band IV* includes high-range full-performance technicians/assistants/secretaries covering GS–6, step 1, through GS–7, step 10.

(5) Band V includes senior technicians/assistants/secretaries covering GS–8, step 1, through GS–9, step 10.

(6) Band VI includes expert technicians/assistants/secretaries covering GS–10, step 1, through GS–11, step 10.

* Band III overlaps with band II and IV. These bands replicate a feature used by the Navy's "China Lake" project.

f. The Supervision and Management pay band includes all employees performing supervisory functions. This pay band is not applicable to team leaders. To be classified to these pay bands the supervisor must perform the full range of supervisory duties. To meet the full range of supervisory duties the supervisor must perform 3 of the first 4, and a total of 6 or more of the following:

(1) Plan work and prepare performance plans covering work to be accomplished by subordinates, set and adjust short-term priorities, and prepare schedules for completion of work;

(2) Assign work to subordinates based on priorities, selective consideration of the difficulty and requirements of assignments, and the capabilities of employees;

(3) Evaluate work performance of subordinates and recommend official performance ratings;

(4) Give advice, counsel, or instruction to employees on both work and administrative matters;

(5) Interview candidates for positions in the unit; recommend appointment, promotion, or reassignment to such positions;

(6) Hear and resolve complaints from employees, referring group grievances and more serious unresolved complaints to a higher level supervisor or manager;

(7) Effect minor disciplinary measures, such as warnings and reprimands, recommending other action in more serious cases;

(8) Identify developmental and training needs of employees, providing or arranging for needed development and training;

(9) Find ways to improve production or increase the quality of the work directed;

(10) Make appropriate distinctions in levels of performance while equitably applying performance standards.

A supervisory position cannot be established on the basis of only one subordinate position. These pay bands can include any series.

(1) Band II is a supervision and management track covering GS–6, step 1, through GS–8, step 10.

(2) Band III is a supervision and management track covering GS–9, step 1, through GS–11, step 10.

(3) Band IV is a supervision and management track covering GS–12, step 1, through GS–14, step 10.

(4) Band V is a supervision and management track covering GS–14, step 1, through GS–15, step 10.

(5) Band VI is reserved for those S&E professional positions classified above GS–15.

* Band IV overlaps with band V. These bands replicate a feature used by the NAVSEA Warfare Centers' STRL demonstration project.

2. Pay Band Design

The demonstration project pay bands for the occupational families and how they relate to the current GS and NSPS framework are shown in Figure 1.

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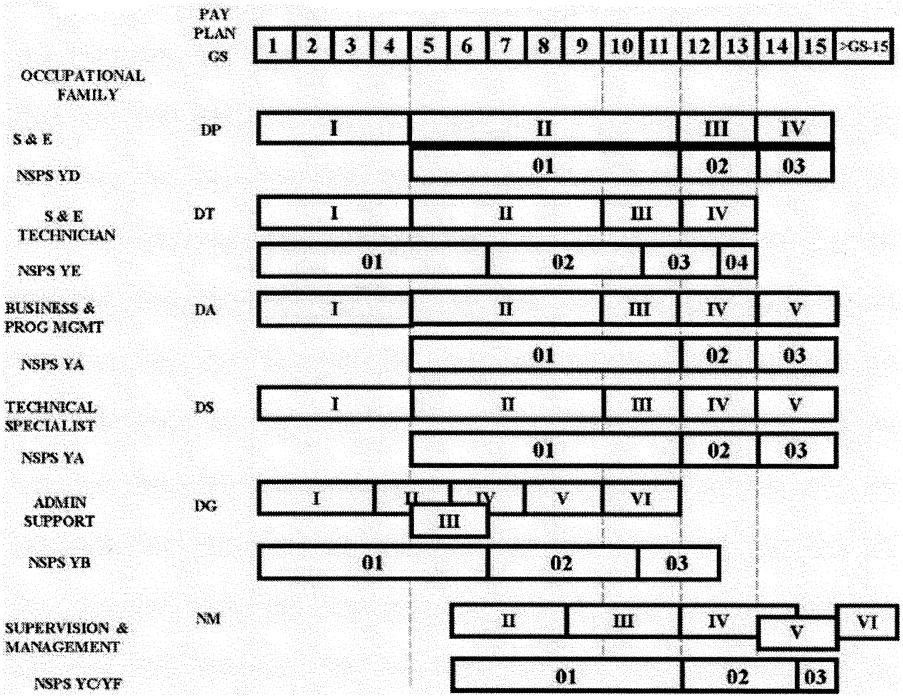
Figure 1. STRL Pay Bands Compared to NSPS and GS



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3. Above GS–15 Positions

The pay banding plan for the Supervision and Management occupational family includes a pay band VI to provide the ability to accommodate 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 laboratory plans 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. Additional guidance will be included in NAWCAD/NAWCWD internal issuances.

B. Classification

The flexibilities in this Classification section are similar in nature to the authority granted to the Naval Ocean Systems Center, San Diego, California 92152 and the Naval Weapons Center, China Lake, California 93555, 45 FR 26504, April 18, 1980.

1. Occupational Series

The present GS classification system has over 400 occupational series, which are divided into 23 occupational groupings. The covered organizations currently have positions in approximately 132 occupational series that fall into 21 occupational groupings. All positions listed in Appendix B will be in the classification structure. Provisions will be made for including other occupations in response to changing missions.

2. Classification Standards and Position Descriptions

The present system of OPM classification standards will be used for the identification of proper series and occupational titles of positions within the demonstration project. Current OPM position classification standards will not be used to grade positions in this project. However, the grading criteria in those standards will be used as a framework to develop new and simplified standards for the purpose of pay band determinations. The objective is to record the essential criteria for each pay band within each occupational family by stating the characteristics of the work, the responsibilities of the position, and the competencies required. New position descriptions will replace the current job descriptions. The classification standard for each pay band will serve as an important component in the new position description, which will also include position-specific information, and provide selective placement factors and other data element information pertinent to the job.

Specialty area codes (SAC) written as narrative descriptions and assigned a specific identification code may be used to further differentiate types of work and the competencies required for particular positions within an occupational family and pay band. Each

code represents a specialization or type of work within the occupation.

3. Fair Labor Standards Act

Fair Labor Standards Act (FLSA) exemption and non-exemption determinations will be consistent with criteria found in 5 CFR part 551. All employees are covered by the FLSA unless they meet the criteria for exemption. The duties and responsibilities outlined in the classification standards for each pay band will be compared to the FLSA criteria. As a general rule, the FLSA status can be matched to occupational family and pay band as indicated in Figure 2. For example, positions classified in Pay Band I of the S&E occupational family are typically nonexempt, meaning they are covered by the overtime entitlements prescribed by the FLSA. An exception to this guideline includes supervisors/managers whose primary duty meets the definitions outlined in the OPM GS Supervisory Guide. Therefore, supervisors/managers in any of the pay bands who meet the foregoing criteria are exempt from the FLSA. Supervisors with classification authority will make the determinations on a case-by-case basis by comparing assigned duties and responsibilities to the classification standards for each pay band and the 5 CFR part 551 FLSA criteria. Additionally, the advice and assistance of the servicing Human Resources Office (HRO) and the servicing Human Resources Service Center (HRSC) can be obtained in making determinations. The benchmark position descriptions will not be the sole basis for the determination; the actual duties performed are the controlling criteria. Exemption criteria will be narrowly construed and applied only to those employees who clearly meet the spirit of the exemption.

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Figure 2 – Typical FLSA Status

(Pay Bands)

Occupational Family	I	II	III	IV	V	VI
S&E	N	N/E	E	E	E	
S&E Tech	N	N/E	N/E	E		
Tech Spec	N	N/E	N/E	E	E	
Bus/Prog Mgmt	N	N/E	N/E	E	E	
Admin Sup	N	N	N	N	N/E	N/E
Supv/Mgr	E	E	E	E	E	E

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N—Non-Exempt from FLSA; E—Exempt from FLSA; N/E—Exemption status determined on a case-by-case basis.

Note: Although typical exemption status under the various pay bands is shown in the above table, actual FLSA exemption determinations are made on a case-by-case basis.

4. Classification Authority

The covered organizations' Executive Directors will have delegated classification authority for all pay bands with the exception of Supervision and Management band VI and may, in turn, re-delegate this authority to appropriate levels. Classification authority for Science and Engineering band V will be consistent with DoD guidance. Position descriptions will be developed to assist managers in exercising delegated position classification authority. Managers will identify the occupational family, job series, functional code, specialty work code, pay band level, and the appropriate acquisition codes. Human resources specialists will provide ongoing consultation and guidance to managers and supervisors throughout the classification process. These decisions will be documented on the position description.

5. Classification Appeals

Classification appeals under this demonstration project will be processed using the following procedures: An employee may appeal the determination of occupational family, occupational series, position title, and pay band of his/her position at any time. An employee must formally raise the area of concern to supervisors in the immediate chain of command, either verbally or in writing. If the employee is not satisfied with the supervisory response, he/she may then appeal to the Executive Director of his/her organization. If the employee is not satisfied with the Executive Director's response, he/she may then appeal to the DoD appellate level. Appeal decisions rendered by DoD will be final and binding on all administrative, certifying, payroll, disbursing, and accounting officials of the government. Classification appeals are not accepted on positions which exceed the equivalent of a GS–15 level. Additional guidance will be included in the NAWCAD/NAWCWD internal issuances.

An employee may not appeal the accuracy of the position description, the demonstration project classification criteria, or the pay-setting criteria; the assignment of occupational series to the occupational family; the propriety of a pay schedule; or matters covered by an administrative or negotiated grievance procedure, or an alternative dispute resolution procedure.

The evaluations of classification appeals under this demonstration project are based upon the demonstration project classification criteria. Case files will be forwarded for adjudication through the HRO/HRSC providing personnel service and will include copies of appropriate demonstration project criteria.

C. Mission Aligned Objectives and Compensation

1. Overview

The purpose of mission aligned objectives and compensation is to directly link the work of the employee to the mission of the organization and provide a mechanism for recognizing

the impact of the employee's accomplishments and contributions to help achieve that mission. It also provides an effective, efficient, and flexible method for assessing, compensating, and managing the covered organization's workforce. It is essential for the development of a highly productive workforce and to provide management at the lowest practical level, the authority, control, and flexibility needed to achieve a quality organization and meet mission requirements. Mission aligned objectives and compensation allows for more employee involvement in the assessment process, strives to increase communication between supervisor and employee, promotes a clear accountability of performance, facilitates employee career progression, and provides an understandable and rational basis for pay changes by linking mission directly to both annual evaluations and compensation outcomes.

The mission aligned objectives and compensation system uses annual payouts that are based on the employee's accomplishments and contributions to mission accomplishment rather than within-grade increases, quality step increases, promotions from one grade to another where both grades are now in the same pay band (*i.e.,* there are no within-band promotions), and performance awards. In addition to objectives, other factors that can be considered in determining overall payout include organizational performance, team performance, or a combination of individual performance, contribution, and/or compensation. If elements other than the employee's individual accomplishments and contributions against their objectives and their compensation will be taken into consideration, this must be a part of the written performance plan. The employee must be advised of the applicability of these factors within the same time requirements as the individual mission objectives. The normal rating period will be one year. Objectives, representing joint efforts of employees and their supervisors, must be in place within 30 days from the beginning of each rating period and the minimum rating period will be 90 days. First-time hires into demonstration project positions must have plans in place within 30 days of the effective date of their entry into the demonstration project and current demonstration project employees who change positions during the performance year should have their plans updated with new objectives no later than 30 days after assignment to the new position. Mission aligned compensation and rewards payouts can be in the form of increases to base pay and/or in the form of bonuses that are not added to base pay but rather are given as a lump sum cash bonus. Other awards such as special acts, time-off awards, etc., will be retained separately from the pay-for-performance payouts.

Employees who do not meet the 90 day minimum requirement will be ineligible for a normal rating and will be given a presumptive rating. They may receive only the general pay increase and they may also receive title 5 cash awards if appropriate.

The system will have the flexibility to be modified, if necessary, as more experience is gained under the project. The flexibilities in this Mission Aligned Objectives and Compensation section are similar in nature to the authority granted to: (1) The Naval Ocean Systems Center, San Diego, California 92152 and the Naval Weapons Center, China Lake, California 93555, 45 FR 26504, April 18, 1980, and (2) the Army Research Laboratory (ARL), 65 FR 3500, January 21, 2000.

2. Individual Mission Objectives (IMO)

Individual mission objectives will be directly related to achieving the mission of the employee's organization. They define a target level of activity, expressed as a tangible, measurable objective, against which actual achievement can be compared. These objectives will specifically identify what is expected of the employee during the rating period and will typically consist of three to ten results-oriented statements. It is expected that these objectives will also incorporate important behavioral practices such as teamwork and cooperation where they are key to successful accomplishment of the assignment. A Supervision/EEO objective is mandatory for all managers/supervisors. The employee and his/her supervisor will jointly develop the employee's individual mission objectives at the beginning of the rating period. These are to be reflective of the employee's duties/responsibilities, pay band and pay level in the band as well as the mission/organizational goals and priorities. Objectives will be reviewed annually and revised upon changes in pay reflecting increased responsibilities commensurate with pay increases. Use of generic one-size-fits-all objectives will be avoided, as individual mission objectives are to define an individual's specific responsibilities and expected accomplishments for the performance year. In contrast, rating benchmarks as described in the next paragraph will identify characteristics, against which the accomplishment of objectives will be measured. As a part of this demonstration project, training focused on overall organizational objectives and the development of individual mission objectives will be held for both supervisors and employees.

Individual mission objectives may be jointly modified, changed or deleted as appropriate during the rating cycle. As a general rule, objectives should only be changed when circumstances outside the employee's control prevent or hamper the accomplishment of the original objectives. It is also appropriate to change objectives when mission or workload shifts occur.

All objectives are critical. A critical mission objective is defined as an attribute of job performance that is of sufficient importance that achievement below the minimally acceptable level requires remedial action and may be the basis for removing an employee from his/her position. Non-critical objectives will not be used. Each of the objectives may be assigned a weight, which reflects its importance in accomplishing an individual's mission objectives. The minimum weight assigned may not be less than 10%. The sum of the weights for all of the elements must equal 100. At the beginning of the rating period, higher level managers will review the objectives and weights assigned to employees within the pay pool, to verify consistency and appropriateness.

3. Rating Benchmarks

Rating benchmarks define characteristics that will be used to evaluate the employee's success in accomplishing his/her individual mission objectives. The use of characteristics for scoring purposes helps to ensure comparable scores are assigned while accommodating diverse individual objectives. A single set of rating benchmarks for each band or rating benchmarks by career stage may be used for evaluating the annual performance of all NAWCAD and NAWCWD personnel covered by this plan. An example of each type of benchmark is shown at Appendices D and E. The set of benchmarks used may evolve over time, based on experience gained during each rating cycle. This evolution is essential to capture the critical characteristics the organization encourages in its workforce toward meeting individual and organizational objectives. This is particularly true in an environment where technology and work processes are changing at an increasingly rapid pace. The Personnel Management Board will annually review the set of benchmarks and set

them for the entire organization before the beginning of the rating period.

4. Performance Feedback and Formal Ratings

The most effective means of communication is person-to-person discussion between supervisors and employees of requirements, performance goals, and desired results. Employees and supervisors alike are expected to actively participate in these discussions for optimum 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. The timing of these discussions will vary based on the nature of work performed, but will occur at least at the mid-point and end of the rating period. The supervisor and employee will discuss job performance and accomplishments in relation to the expectations in the mission aligned objectives. At least one review, normally the mid-point review, will be documented as a formal progress review. More frequent, task specific discussions may be appropriate in some organizations. In cases where work is accomplished by a team, team discussions regarding goals and expectations will be appropriate. The employee will provide a statement of his/her accomplishments to the supervisor at both the mid-point and end of the rating period.

At the end of the rating period, following a review of the employee's accomplishments, the supervisor will rate each of the individual mission objectives. Benchmark performance standards will be developed that describe the level of performance associated with a score. Using these benchmarks, the supervisor decides where the achievements and contributions of the employee most closely match the benchmarks and assigns an appropriate score. It should be noted that these scores are not discussed with the employee or considered final until all scores are reconciled and approved by the Pay Pool Manager. The rating scores will then be multiplied by the objective-weighting factor to determine the weighted score expressed to two decimal points. The weighted scores for each objective will then be totaled to determine the employee's overall appraisal score and rounded to a whole number as follows: If the first two digits to the right of the decimal are .51 or higher, it will be rounded to the next higher whole number; if the first two digits to the right of the decimal are .50 or lower, then the decimal value is truncated.

The covered STRL organizations will use a five-level rating methodology with associated payout point ranges in which level five signifies the highest level of performance. The rater will prepare and recommend the rating, number of payout points, and the distribution of the payout between base pay increase and bonus, as applicable, for each employee. These recommendations will then be reviewed by the pay pool panel to ensure equitable rating criteria and methodologies have been applied to all pay pool employees. The final determination of the rating, number of payout points, and payout distribution will be a function of the pay pool panel process and will be approved by the Pay Pool Manager. The criteria used to determine the number and distribution of payout points to assign an employee may include assessment of the employee's contribution towards achieving the mission, the employee's type and level of work, the employee's current compensation and the criticality of their contribution to mission success, consideration of specific achievements, or other job-related significant accomplishments or contributions. The proposed rating and payout point schema is:

Rating	Description	Payout points
5	Exceptional	5, 6
4	Exceeds Mission Expectations.	3, 4
3	Mission Success	0, 1, 2
2	Partial Mission Success.	0
1	Unacceptable	0

Employees with a total score of two or above will receive the equivalent of the GS January general pay increase (GPI). Employees with a total score of one will not receive the January GPI. A rating of one or below will result in a rating of Unacceptable, and the employee will not receive the January GPI and will require administrative action to address the performance deficiency. A score of one or below on a single objective will also result in a rating of Unacceptable.

Employees in receipt of a Letter of Warning of Unacceptable Performance at the end of the performance year will have their rating deferred until the end of the improvement period. At the end of the improvement period, the supervisor will assign a final rating and submit it to the pay pool panel for consideration.

5. Pay Pools

Following the initial scoring of each employee by the rater, the rating officials in an organizational unit, along with their next level of supervision, will review and compare recommended ratings to ensure consistency and equity of the ratings. In this step, each employee's individual mission objectives, accomplishments, preliminary scores and pay are compared. Through discussion and consensus building, consistent and equitable ratings are reached. Managers will not prescribe a distribution of ratings. The Pay Pool Manager will then chair a final review with the rating officials who report directly to him or her to validate these ratings and resolve any scoring issues. If consensus cannot be reached in this process, the Pay Pool Manager makes all final decisions. After this reconciliation process is complete, ratings are finalized. Payouts proceed according to each employee's final rating and payout distribution. Upon approval of this plan, implementing procedures and regulations will provide details on this process to employees and supervisors.

The covered organizations' employees will be placed into pay pools. Neither the Pay Pool Manager, supervisors, or pay pool panel members within a pay pool will in any way recommend or participate in setting their own rating or individual payout except for the normal employee self-assessment process. Pay pools are combinations of organizational units (e.g., level 3 competencies (divisions), level 4 competencies (branches), and level 5 competencies (sections)), functional categories or other groupings of employees that are defined for the purpose of determining payouts under the mission aligned objectives and compensation system. The guidelines in the next paragraph are provided for determining pay pools. These guidelines will normally be followed. However, the Executive Directors of the covered organizations may deviate from the guidelines if there is a compelling need to do so.

The Executive Directors of the covered organizations will establish pay pools. Typically, pay pools will have between 35 and 300 employees. A pay pool should be large enough to encompass a reasonable distribution of ratings but not so large as to compromise rating consistency. Large pay pools may use sub pay pools subordinate to the pay pool due to the size of the pay pool population, the complexity of the mission, or other similar criteria. Pay pool panel members will not serve on pay pools where their

own ratings and payouts are determined. Supervisors and non-supervisors may be placed in separate pay pools. Decisions regarding the amount and distribution of the payouts are based on the employee's most recent rating of record for the performance year, the criteria listed in section III.C.4 above, the type and nature of the funding available to the pay pool, and the number of payout points assigned by the pay pool. Additional guidance on pay pool design and composition will be included in NAWCAD/NAWCWD internal issuances.

Funds within a pay pool available for performance payouts are calculated from anticipated pay increases under the existing system and divided into two components, base pay and bonus. The funds within a pay pool used for base pay increases are those that would have been available from within-grade increases, quality step increases and promotions under the GS system (excluding the costs of promotions still provided under the pay banding system). This amount will initially be defined based on historical data and will initially be set at no less than 2.4% of total base pay annually. The funds available to be used for bonus payouts are funded separately within the constraints of the organization's overall award budget. This amount will initially be defined based on historical data and will initially be set at no less than one percent of total base pay annually. As changes in the demographics of the workforce or other exigencies occur, adjustments may be made to these two factors. The sum of these two factors is referred to as the pay pool percentage factor. The Personnel Management Board will annually review the pay pool funding and recommend adjustments to the Executive Directors to ensure cost discipline over the life of the demonstration project. Cost discipline is assured within each pay pool by limiting the total base pay increase to the funds allocated by the Personnel Management Board.

6. Performance Payout Determination

The payout an employee will receive is based on the total performance rating from the mission aligned objectives and compensation assessment process. An employee will receive a payout as a percentage of base pay. This percentage is based on the number of payout points that equates to their final appraisal score.

The value of a payout point cannot be exactly determined until the rating and reconciliation process is completed and all scores are finalized. The payout point value is expressed as a percentage. The formula that computes the value of each payout point uses base pay rates and is based on:

a. The sum of the base pay of all the employees in the pay pool times the pay pool percentage factor;

b. The employee's base pay;

c. The number of payout points awarded to each employee in the pay pool; and

d. The total number of payout points awarded in the pay pool.

This formula assures that each employee within the pool receives a payout point amount equal to all others in the same pool who are at the same rate of base pay and receiving the same score. The formula is shown in Figure 3.

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Figure 3. Formula

$$\text{Payout Point Value} = \frac{\text{(Sum of base pay for employees in pool) * (pay pool percentage factor)}}{\text{Sum of (base pay * payout points earned) for each employee}}$$

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An individual payout is calculated by first multiplying the payout points earned by the payout point value and multiplying that product by base pay. An adjustment is then made to account for locality pay or staffing supplement. A Pay Pool Manager is accountable for staying within pay pool limits and final decisions on base pay increases and/or bonuses to individuals based on rater recommendations, the final score, the pay pool funds available, and the employee's base pay.

7. Base Pay Increases and Bonuses

The amount of money available for the performance payouts is divided into two components, base pay increases and bonuses. The base pay and bonus funds are based on the pay pool funding formula established annually. Once the individual performance amounts have been determined, the next step is to determine what portion of each payout will be in the form of a base pay increase as opposed to a bonus payment. The payouts made to employees from the pay pool may be a mix of base pay and bonus, such that all of the allocated funds are disbursed. To continue to provide performance incentives while also ensuring cost discipline, base pay increases may be limited or capped. Certain employees will not be able to receive the projected base pay increase due to base pay caps. Base pay is capped when an employee reaches the maximum rate of base pay in an assigned pay band or when a control point applies (*see* below). Also, for employees receiving retained rates above the applicable pay band maximum, the entire performance payout will be in the form of a bonus payment.

When capped, the total payout an employee receives will be in the form of a bonus versus the combination of base pay and bonus. Bonuses are cash payments and are not part of the base pay for any purpose (*e.g.,* lump sum payments of annual leave on separation, life insurance, and retirement). The maximum base pay rate under this demonstration project will be the unadjusted base pay rate of GS–15, Step 10, except for employees in Pay Band VI of the Supervision and Management career path.

8. Extraordinary Achievement Allowance (EAA)

a. NAWCAD and NAWCWD will employ an Extraordinary Achievement Allowance designed to optimize organizational effectiveness. An EAA is defined as 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 basic pay for Executive Level IV. It is paid on either a bi-weekly basis concurrent with normal pay days or as a lump sum following completion of a designated contribution period, or combination of these, at the discretion of the Executive Director/Commanding Officer of the appropriate Naval Air Warfare 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 EAA will be available to certain employees whose present contributions are worthy of a higher career level and whose level of

achievement is expected to continue at the higher career level for at least one year.

b. Award of the EAA will generally be appropriate 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 base pay opportunities are available, or externally imposed limits make changes to higher career levels unavailable, and (4) when the approval time required to effect the action will unreasonably delay appropriate compensation for the employee's achievements 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.

c. To be eligible for EAA, employees must meet the criteria below:

(1) Employees in the S&E, Technical, Business Professional and Program Management career tracks are eligible for the EAA if their contribution to the organization is deemed worthy, as determined by the appropriate NAWC Executive Director/Commander.

(2) Employees may receive an EAA for up to five years. The EAA authorization will be reviewed and reauthorized as necessary, but at least annually at the time of the Mission Aligned Objectives and Compensation System appraisal through nomination by the Pay Pool Manager and approval by the appropriate Executive Director/Commander.

(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 EAA 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 EAA is neither appealable nor grievable.

All other details regarding nomination, termination, reduction, allocation, and budget determination will be stipulated by internal business rules, policies, or procedures established by the Personnel Management Board.

9. Pay Growth Within a Pay Band

As a compensation management tool the Personnel Management Board may establish pay ranges appropriate for a group or class of positions within a pay band or pay bands. Advancement of pay beyond the assigned pay range will generally require approval above the Pay Pool Manager prior to finalizing the pay pool decisions. The request must demonstrate that the complexity and responsibility of the position have substantially changed and the duties of the position are expected to continue at this level in the future thus warranting assignment of the position to a higher pay range. Control points may apply in every occupational family and pay band. Additional guidance will be included in NAWCAD/NAWCWD internal issuances.

10. 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 acts, patents, invention awards, suggestions, on-the-spot, and time-off. The funds available to be used for traditional title 5 U.S.C. awards are separately funded within the constraints of the organization's budget.

While not directly linked to the Mission Aligned Objectives and Compensation system, this additional flexibility is important to encourage outstanding accomplishments and innovation in achieving the diverse mission of the covered organizations. Additionally, to foster and encourage teamwork among its employees, organizations may give group awards. Thus, a team leader may recommend and a supervisor may allocate a sum of money to a team for outstanding performance.

The NAWCAD and NAWCWD Commanders will have the authority to grant special act awards to covered employees of up to $25,000 IAW the criteria of SECNAVINST 12451.3. This authority may be delegated to the Executive Directors of the covered organizations.

11. General Pay Increase

Employees who receive an unacceptable rating of record will not receive performance payouts or any portion of the general pay increase and as a result will "migrate" downward in the pay band. This occurs because the rate of base pay in a pay band increases as the result of the general pay increase (5 U.S.C. 5303). If their performance rating continues as Unacceptable, employees who reach the bottom of the overlapping pay scales (they remain identified in the higher classification level as long they are covered in that range) will cross the line into the next lower classification level without specific adverse or performance-based action. This migration is necessary for an employee whose performance over a period of time has been deficient enough to merit the employee's placement in lower level duties/responsibilities where new opportunities for acceptable performance exist. Clearly the employee who has experienced several performance evaluations and who, in each case, has been given a year to demonstrate improvement has been provided equal or better "due process" than the obviously unsatisfactory employee who is accorded immediate adverse or performance-based action procedures and downgraded or removed after the required 30-day notice period. Further, it should be noted that in these instances the employee's pay will remain constant, the downward migration results from the need to comply with statutory pay levels. Adverse or performance-based action procedures will cover demotion between levels or removal where performance is clearly so unsatisfactory as to preclude retention in the current pay band or as an employee.

12. Requests for Reconsideration

An employee may request reconsideration of the rating-of-record received under the mission aligned objectives and compensation system. A rating of record or job objective rating may be reconsidered by request of an employee only through the process specified in this subpart and implementing issuances. This process will be the sole and exclusive agency administrative process for employees to request reconsideration of a rating of record. Consistent with this part, Pay Pool Managers will make the decision on reconsiderations of rating of record. Pay Pool Managers' decisions are final. A payout point assignment determination, payout distribution determination, or any other payout matter will not be subject to the reconsideration process or any other agency administrative grievance system.

In the event a reconsideration or negotiated grievance decision results in an adjusted rating of record the revised rating will be referred to the Pay Pool Manager for recalculation of the employee's performance payout amount and distribution. Any adjustment to base pay will be retroactive to the effective date of the performance payout. Base pay adjustments will be based on the payout point range appropriate for the adjusted rating of record. Payout point values for the adjusted rating of record will reflect the payout point value paid to other

members across the pay pool for that rating cycle. Decisions made through the reconsideration process or a negotiated grievance procedure will not result in recalculation of the payout made to other employees in the pay pool.

13. Adverse Actions

Except where specifically waived or modified in this plan, adverse action procedures under 5 CFR part 752 remain unchanged.

D. Hiring Authority

Competitive service positions will be filled through Merit Staffing, direct-hire authority, or Delegated Examining.

1. Qualifications

The qualifications required for placement into a position in a pay band within an occupational family will be determined using the OPM "Operating Manual: Qualifications Standards for General Schedule Positions." Since the pay bands are anchored to the GS grade levels, the minimum qualification requirements for a position will be the requirements corresponding to the lowest GS grade incorporated into that pay band. For example, for a position in the S&E occupational family Pay Band II, individuals must meet the basic requirements for a GS–5 as specified in the OPM "Qualification Standard for Professional and Scientific Positions."

Selective factors may be established for a position in accordance with the OPM's "Operating Manual: Qualifications Standards for General Schedule Positions," when determined to be critical to successful job performance. These factors will become part of the minimum requirements for the position, and applicants must meet them in order to be eligible. If used, selective factors will be stated as part of the qualification requirements in vacancy announcements and recruiting bulletins.

2. Delegated Examining

NAWCAD and NAWCWD propose to demonstrate a streamlined examining process for both permanent and non-permanent positions. This authority will be supported by the applicable servicing Human Resource Offices and Human Resources Service Centers in accordance with the Department of Navy's common business processes, systems, and tools. The "Rule of Three" will be eliminated. 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 and 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. If the candidates are rated and ranked, a random number selection method will be used to determine which applicants will be referred when scores are tied after the rating process. Veterans will be referred ahead of non-veterans with the same score. Additional guidance on operating processes will be included in NAWCAD/NAWCWD internal issuances.

3. Distinguished Scholastic Achievement Appointment Authority (DSAA) for Scientific and Engineering Positions

The covered organizations will use the Distinguished Scholastic Achievement Appointment Authority. The DSAA uses an alternative examining process, which provides the authority to appoint individuals with undergraduate or graduate degrees through the doctoral level to professional positions up to the equivalent of GS–12 (DP–03 or DS–04). This enables the covered organizations 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: Qualifications 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 for professional occupations, etc.

4. Legal Authority

For actions taken under the auspices of the demonstration project, the legal authority, Public Law 103–337, as amended, will be used. For all other actions, the nature of action codes and legal authority codes prescribed by OPM, DoD, or DON will continue to be used.

5. Expanded Term Appointments

NAWCAD and NAWCWD conduct a variety of projects that range from three to six years. The current four-year limitation on term appointments, as described in 5 CFR part 316, often forces the termination of term employees prior to completion of projects they were hired to support. This disrupts the research and development process and affects the organization's ability to accomplish the mission and serve its customers. Under the demonstration project, the covered organizations will have authority to hire individuals under a modified term appointment for a period of more than one year but not more than five years when the need for an employee's services is not permanent. These appointments may be extended one additional year, for a total of 6 years. The Executive Directors are authorized to extend term appointments. Employees hired under the modified term appointment authority are in a non-permanent status, but may be eligible for conversion to career-conditional or career 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 may be eligible for conversion to a career-conditional or career appointment at a later date; (2) served a minimum of two years of continuous service in the term position; and (3) be performing at the acceptable level of performance with a current rating of record of Mission Success or higher.

6. Extended Probationary Period

The purpose of extending the probationary period and trial period is to allow supervisors an adequate period of time to fully evaluate an employee's ability to complete a cycle of work and to fully assess an employee's contribution and conduct.

a. Competitive Service

NAWCAD and NAWCWD will implement an extended initial probationary period for competitive service employees. The one-year probationary period will be extended to three years for newly appointed career-conditional, career employees and the one-year trial period will be extended to three years for newly appointed term employees to positions classified to series in the Science and Engineering, Business and Program Management, and Technical Specialist occupational families. For employees in positions classified to series in the S&E Technician and Administrative Support occupational families the one-year probationary period will be extended to two years for newly appointed career-conditional, career employees and the one-year trial period will be extended to two years for newly appointed term employees. The term newly appointed includes conversion to new

appointments, including conversions from term appointments and the excepted service, for this purpose.

Employees who have completed an initial probationary or trial period prior to their conversion into the NAWC STRL will not be required to serve a new or extended initial probationary or trial period. Employees who are serving an initial probationary or trial period upon conversion into the NAWC's STRL will serve the time remaining on their initial probationary period or trial and may have their initial probationary or trial period extended in accordance with the demonstration project regulation and implementing issuances.

If a probationary or trial employee's performance is determined to be Mission Success or higher and the supervisor expects that the Mission Success or higher performance will continue into the future, the supervisor has the option of ending the probationary or trial period at an earlier date, but not before the employee has completed one year of continuous service. If the probationary or trial period is terminated before the end of the two- or three-year period, the immediate supervisor will provide written reasons for his/her decision to the next level of supervision for concurrence prior to implementing the action.

Aside from extending the time period for all newly appointed career-conditional, career and term employees all other features of the initial probationary period as defined in 5 CFR part 315 and trial period as described in 5 CFR part 316 are retained including the potential to remove an employee without providing the full substantive and procedural rights afforded a non-probationary employee.

b. Excepted Service

NAWCAD and NAWCWD will implement an extended initial trial period for excepted service employees who are appointed on a permanent or conditional basis or who are given a time-limited appointment lasting three or more years. The trial period will be three years for newly appointed excepted service employees to positions classified to series in the Science and Engineering, Business and Program Management, and Technical Specialist occupational families. For employees in positions classified to series in the S&E Technician and Administrative Support occupational families the trial period will be extended to two years for newly appointed excepted service employees. The term newly appointed includes conversion to new appointments for this purpose.

Employees who have completed an initial trial period prior to their conversion into the NAWC STRL will not be required to serve a new or extended initial trial period. Employees who are serving an initial trial period upon conversion into the NAWC's STRL will serve the time remaining on their initial trial period and may have their initial trial period extended in accordance with the demonstration project regulation and implementing issuances.

If a trial employee's performance is determined to be Mission Success or higher and the supervisor expects that the Mission Success or higher performance will continue into the future, prior to the end of the two- or three-year trial period, a supervisor has the option of ending the trial period at an earlier date, but not before the employee has completed one year of continuous service. If the trial period is terminated before the end of the two- or three-year period, the immediate supervisor will provide written reasons for his/her decision to the next level of supervision for concurrence prior to implementing the action.

7. Termination of Probationary Employees

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 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.

8. Supervisory Probationary Periods

NAWCAD and NAWCWD will implement an extended supervisory probationary period. The probationary period for new supervisors will be two years. Except for the increased length, supervisory probationary periods will be made consistent with 5 CFR part 315. Employees who have successfully completed an initial probationary period for supervisory positions will not be required to complete an additional two-year probationary period for initial appointment to a supervisory position. Employees who are serving an initial supervisory probationary period upon conversion into the NAWC's STRL will serve the time remaining on their initial supervisory probationary period and may have their supervisory probationary period extended in accordance with the demonstration project regulation and implementing issuances. If, during this probationary period, the decision is made to return the employee to a non-supervisory position for reasons related to supervisory performance and/or conduct, the employee will be returned to a comparable position of no lower base pay than the position from which promoted or reassigned immediately prior to the supervisory assignment.

9. Volunteer Emeritus Corps

a. NAWCAD and NAWCWD will implement a Voluntary Emeritus Program. Under the demonstration project, the Executive Directors of the covered organizations will have the authority to offer retired or separated employees voluntary positions. This authority may be delegated only to members of the Senior Executive Service (SES). Voluntary Emeritus Corps assignments are not considered employment by the Federal government except for purposes of injury compensation. Thus, such assignments do not affect an employee's entitlement to buyouts or severance payments based on an earlier separation from Federal service. To be accepted into the Volunteer Emeritus Corps, a volunteer must be recommended by a NAWCAD or NAWCWD manager to the NAWCAD or NAWCWD Executive Director or an SES member to whom this authority has been delegated. Not everyone who applies is entitled to an emeritus position. The responsible official will document acceptance or rejection of the applicant. For acceptance, documentation must be retained throughout the assignment. For rejection, documentation will be maintained for two years.

b. To ensure success and encourage participation, the volunteer's Federal retirement pay (whether military or civilian) will not be affected while serving in a voluntary capacity. Retired or separated Federal employees may accept an emeritus position without a break or mandatory waiting period. Voluntary Emeritus Corps volunteers will not be permitted to monitor contracts on behalf of the Government or to participate on any contracts or solicitations where a conflict of interest exists. The volunteers may be required to submit a financial disclosure form annually. The same rules that currently apply to source selection members will

apply to volunteers. An agreement will be established among the volunteer, the responsible official, and the servicing HRO. The agreement must be finalized before the assumption of duties and shall include:

(1) A statement that the voluntary assignment does not constitute an appointment in the Civil Service is without compensation, and the volunteer waives any claims against the Government based on the voluntary assignment;

(2) A statement that the volunteer will be considered a Federal employee only for the purpose of injury compensation;

(3) The volunteer's work schedule;

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

(5) Support provided by the organization (travel, administrative support, office space, and supplies);

(6) A statement of duties;

(7) A statement providing that 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 volunteer;

(8) A provision allowing either party to void the agreement with two working days written notice;

(9) The level of security access required by the volunteer (any security clearance required by the position will be managed by the employing organization);

(10) A provision that any publication(s) resulting from his/her work will be submitted to the NAWCAD or NAWCWD Executive Director for review and approval;

(11) A statement that he/she accepts accountability for loss or damage to Government property occasioned by his/her negligence or willful action;

(12) A statement that his/her activities on the premises will conform to the regulations and requirements of the organization;

(13) A statement that he/she will not release any sensitive or proprietary information without the written approval of the employing organization and further agrees to execute additional non-disclosure agreements as appropriate, if required, by the nature of the anticipated services; and,

(14) A statement that he/she agrees to disclose any inventions made in the course of work performed at the NAWCAD or NAWCWD. The NAWCAD or NAWCWD Executive Director has the option to obtain title to any such invention on behalf of the U.S. Government. Should the NAWCAD or NAWCWD Executive Director elect not to take title, the NAWCAD or NAWCWD shall, at a minimum, retain a non-exclusive, irrevocable, paid-up, royalty-free license to practice or have practiced the invention worldwide on behalf of the U.S. Government. Exceptions to the provisions in this procedure may be granted by the NAWCAD or NAWCWD Executive Director on a case-by-case basis.

10. Direct Hire Authority for Scientists and Engineers With Advanced Degrees for Scientific and Engineering Positions

a. Background

The NAWCAD and NAWCWD Laboratories have an urgent need for direct hire authority to appoint qualified candidates possessing an advanced degree to permanent and temporary scientific and engineering positions. 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 NAWCAD and NAWCWD Laboratories jointly employ 5974 scientists and engineers; 29% holding Masters Degrees, while 4% are in possession of a PhD Over the next five years, the NAWCAD and NAWCWD Laboratories plan to hire approximately 2,240 of the country's best and brightest scientists and engineers (S&Es) just to keep pace with attrition. This number does not include the impact that several actions such as the Base Realignment and Closure of weapons and armament work to China Lake, California that will result in need to hire additional scientists and engineers above normal attrition levels. 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 hiring candidates possessing a PhD and accelerating the hiring process. For instance, under a similar authority found in the NDAA for FY 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.

This authority will be administered by the servicing Human Resources Office and Human Resources Service Center in accordance with the Department of Navy's common business processes, systems and tools and consistent with veterans' preference and merit principles. Use of this appointing authority must comply with 'veterans' preference and merit systems principles when recruiting and appointing candidates with advanced degrees to covered occupations. 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.

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.

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. 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.

b. Definitions

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

(2) 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.

(3) Qualified candidates are defined as candidates who:

(a) 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;

(b) Possess an advanced degree; and

(c) Meet any selective factors.

(4) The term "employee" is defined by Section 2105 of title 5, U.S.C.

11. Non-Citizen Hiring

Where Executive Orders or other regulations limit hiring non-citizens to the excepted service, both NAWCAD and NAWCWD will have the authority to approve the hiring of non-citizens into competitive service positions when qualified U.S. citizens are not available, and the candidate meets all applicable immigration and security requirements. 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 NAWCAD and NAWCWD Executive Director/Commanding Officer or approving manager, as delegated by the appropriate Center Executive Director/Commanding Officer. This authority may only be delegated to members of the Senior Executive Service (SES).

E. Internal Placement

1. Employees Hired From Outside the NAWC STRL

Employees entering into the NAWC from non-STRL pay systems or from other Federal activities not as the result of a mass organizational conversion will be moved into the demonstration project in the career path and at the level and pay consistent with the duties and responsibilities of the STRL position and individual qualifications.

When an employee is permanently placed (except by conversion under section V.A or by promotion under section II.E.2) in an STRL position from a GS or FWS position through a management-directed action (except for actions taken for misconduct or unacceptable performance), including a management directed reassignment or realignment, or any placement as a result of a reduction in force (RIF), or placement via the Priority Placement Program (PPP), Reemployment Priority List (RPL), or Interagency Career Transition Assistance Plan (ICTAP), the employee will receive a WGI adjustment. The WGI adjustment is calculated based on the number of calendar days between the effective date of the employee's last equivalent increase and the date of conversion into NSPS, regardless of the number of days in a non-pay status (if any). The maximum adjustment may not exceed a full WGI.

An employee who enters into an STRL position from a GS or FWS position through an employee-initiated reassignment, promotion, or change to lower grade may, at the discretion of the authorized management official, also receive a WGI adjustment equivalent increase as described in the paragraph above. The decision to grant this increase will be reviewed and approved by an official who is at a higher level than the official who made the initial decision.

In either case, this increase occurs before any other discretionary reassignment increases provided under the STRL, may not cause the employee's base salary to exceed the maximum rate of the assigned pay band, and is in addition to any other discretionary reassignment increase the employee may be eligible to receive.

2. Promotion

A promotion is the movement of an employee to a higher pay band in the same occupational family or to a higher pay band in a different occupational family. It also includes movement of an employee currently covered by a non-demonstration project personnel system to a demonstration project position in a pay band with a higher level of work. Positions with known promotion potential to a specific band within an occupational family will be identified when they are filled. Not all positions in an occupational family will have promotion potential to the same band. Movement from one occupational family to another will depend upon individual competencies, qualifications and the needs of the organization. Supervisors may consider promoting qualified employees at any time, since promotions are not directly tied to the mission aligned objectives and compensation system. Progression within a pay band is based upon performance base pay increases; as such, these actions are not considered promotions and are not subject to the provisions of this section. Promotions will follow Merit System Principles and basic Federal merit promotion policy that provides for competitive and non-competitive promotions.

To be promoted competitively or non-competitively from one band to the next, an employee must meet the minimum qualifications for the job and have a current rating of record of Mission Success or better or equivalent under a different performance appraisal system. If an employee does not have a current performance rating, the employee will be treated the same as an employee with a rating of record of Mission Success as long as there is no documented evidence of less than acceptable performance.

Higher pay band or higher level of work means a pay band designated to be a higher level of work than an employee's currently assigned band, based on the demonstration classification structure and career progression patterns, either within or across varying pay schedules and career groups, regardless of the specific earning potential of the band. When moving from a non-demonstration position to a demonstration position, the band of the demonstration position is determined to be at a higher level of work than the grade or level of the non-demonstration position based on application of the demonstration classification structure and career progression patterns. Additional guidance will be included in NAWCAD/NAWCWD internal issuances.

3. 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, or from a non-demonstration project position to a demonstration project position at a comparable level of work, on either a temporary or permanent basis. The employee must meet the qualifications requirements for the occupational family and pay band. When an employee is reassigned either within his/her current pay band or to a comparable pay band, an authorized management official will set pay at an amount no less than the employee's current base pay.

Comparable pay band or comparable level of work means pay bands with the equivalent level of work, based on the demonstration classification structure and career progression patterns, within and across varying pay schedules and career groups, regardless of the specific earning potential of the bands. When moving from a non-demonstration position to a demonstration position, the band of the demonstration position is determined to be at a comparable level of work to the grade or level of the non-demonstration position based on application of the demonstration classification structure and career progression patterns. Additional guidance will be included in NAWCAD/NAWCWD internal issuances.

4. Demotion or Placement in a Lower Pay Band

A demotion is the placement of an employee into a lower pay band or movement from a non-demonstration project position to a demonstration project position at a lower level of work. Demotions may be for cause (performance or conduct) or for reasons other than cause (*e.g.,* erosion of duties, reclassification of duties to a lower pay band, application under competitive announcements, at the employee's request, or placement actions resulting from RIF procedures).

Lower pay band or lower level of work means a pay band designated to be a lower level of work than an employee's currently assigned band, based on the demonstration classification structure and career progression patterns, either within or across varying pay schedules and career groups, regardless of the specific earning potential of the band. When moving from a non-demonstration position to a demonstration position, the band of the demonstration position is determined to be at a lower level of work than the grade or level of the non-demonstration position based on application of the demonstration classification structure and career progression patterns. Additional guidance will be included in NAWCAD/NAWCWD internal issuances.

5. Simplified Assignment Process

Today's environment of downsizing and workforce fluctuations mandates that the organization have maximum flexibility to assign duties and responsibilities to individuals. Pay banding can be used to address this need, as it enables the organization to have maximum flexibility to assign an employee with or without a change in base pay, within broad descriptions, consistent with the needs of the organization and the individual's qualifications and level. Subsequent assignments to projects, tasks, or functions anywhere within the organization requiring the same level, area of expertise, and qualifications would not constitute an assignment outside the scope or coverage of the current position description. For instance, a technical expert could 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.

6. Details and Temporary Promotions

NAWCAD and NAWCWD will implement an Expanded Detail and Temporary Promotion Authority providing the authority to (1) to effect details up to one year to specified positions at the same or similar level; and (2) to effect details or temporary promotions to a higher pay band position up to one year within a 24-month period without competition. The specifics of these authorities will be stipulated by local business rules, policies, or procedures as organizational experience dictates.

7. Exceptions to Competitive Procedures

The following actions are exceptions to competitive procedures:

a. Re-promotion to a position which is in the same pay band or GS equivalent and occupational family as the employee previously held on a permanent basis within the competitive service.

b. Promotion, reassignment, demotion, transfer or reinstatement to a position having promotion potential no greater than the potential of a position an employee currently holds or previously held on a permanent basis in the competitive service.

c. A position change permitted by reduction-in-force procedures.

d. Promotion without current competition when the employee was appointed through competitive procedures to a position with a documented target level.

e. A temporary promotion, or detail to a position in a higher pay band, up to one year in a 24-month period.

f. A promotion due to the reclassification of positions based on accretion (addition) of duties.

g. A promotion resulting from the correction of an initial classification error or the issuance of a new classification standard.

h. Consideration of a candidate who did not receive proper consideration in a competitive promotion action.

Additional guidance will be included in NAWCAD/NAWCWD internal issuances.

F. Pay Administration

1. General

Pay administration policies will be established by the Personnel Management Board. These policies will be exempt from DON pay setting policies, but will conform to basic governmental pay setting policy except for flexibilities contained herein. Employees whose performance is acceptable will receive the full annual general pay increase and the full locality pay. The covered organizations may make full use of recruitment, retention and relocation incentive payments as provided for by OPM. Pay retention will follow current law and regulations at 5 U.S.C. 5362, 5363, and 5 CFR part 536, except as described in this regulation and waived or modified in section IX, the waiver section of this plan. Pay band retention will not be used in this demonstration project.

2. Locality Pay

Employees with a performance rating of Partial Mission Success or better will be entitled to the locality pay authorized for their official duty station in accordance with 5 CFR part 531 subpart F. Employees with a performance rating of Unacceptable will be entitled to only the locality pay increase; they cannot receive any other pay increase or award. 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.

3. Pay and Compensation Ceilings

An employee's total monetary compensation paid in a calendar year may not exceed the base pay of Level I of the Executive Schedule consistent with 5 U.S.C. 5307 and 5 CFR part 530 subpart B. In addition, each pay band will have its own pay ceiling, just as grades do in the GS. Base pay rates for the various pay bands will be directly keyed to the GS rates, except for the Pay Band VI of the Supervision and Management occupational family. Other than where a retained rate applies, base pay will be limited to the maximum base pay payable for each pay band.

4. Pay Setting for Appointment

Employees whose appointment to a demonstration project position is their initial appointment to the Federal service may have pay set at the lowest base pay in the band or anywhere within the 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 or any combination thereof that is pertinent to the position in which the employee is being placed. Both national and local labor market conditions and pay rates may also be taken into consideration to ensure that the Warfare Centers are able to compete for the talent, skills, abilities, and competencies needed to enable them to remain on the cutting edge of science and technology. Guidance on pay setting for new hires will be established by the Personnel Management Board. Highest Previous Rate (HPR) will be considered in placement actions authorized under rules similar to the HPR rules in 5 CFR 531.221. Use of HPR will be at the supervisor's discretion, but if used, HPR is subject to policies established by the Personnel Management Board.

5. Pay Setting for Promotion

The minimum base pay increase upon promotion to a higher pay band will be 6% or the minimum base pay rate of the new pay band, whichever is greater. The maximum amount of the pay increase may not exceed 20%, or other such amount as established by the Personnel Management Board. The maximum base pay increase for promotion may be exceeded when necessary to allow for the minimum base pay increase. For employees covered by a staffing supplement, the demonstration extended base pay is considered base pay for promotion calculations. When a temporary promotion is terminated, the employee's pay entitlements will be re-determined based on the employee's position of record, with appropriate adjustments to reflect pay events during the temporary promotion, subject to the specific policies and rules established by the Personnel Management Board. The Personnel Management Board may establish additional pay setting policies for promotions, including increasing the promotion amount beyond 20% with the approval of the NAWCAD and NAWCWD Commanders or Executive Directors. In no case may those adjustments increase the base pay for the position of record beyond the applicable maximum base pay for the pay band.

6. Pay Setting for Reassignment

a. Covered organizations may choose to adopt the flexibility to pay an increase in base pay upon reassignment. If adopted, such an increase will be subject to the specific guidelines established by the Personnel Management Board and will not exceed 5% as a cost containment measure. A reassignment may be effected without a change in base pay. Employees may be eligible for an increase to base salary upon temporary or permanent reassignment as described in section III.E.3. A decision to increase an employee's pay under this section will be based upon clear Personnel Management Board business rules that will define criteria necessary to justify a 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.

b. When an employee is reassigned within his/her current pay band or to a comparable pay band, an authorized management official will set 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 and including 5%. If the employee's current base pay exceeds the maximum of the new pay band, no increase can be provided. 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 changes to ensure fairness and consistency across the workforce. Reassignment base pay thresholds may be modified by internal business rules, policies, or procedures as organizational experience dictates.

7. Pay Setting for Demotion or Placement in a Lower Pay Band

Employees demoted for cause (performance or conduct) are not entitled to pay retention and will receive a minimum of a 5% decrease in base pay or the minimum rate of the lower pay band whichever is greater. Employees demoted for reasons other than cause (*e.g.,* erosion of duties, reclassification of duties to a lower pay band, application under competitive announcements, at the employee's request, or placement actions resulting from RIF procedures) may be entitled to pay retention in accordance with the provisions of 5 U.S.C. 5363 and 5 CFR part 536, except as waived or modified in sections III.F.11 and IX of this plan.

Employees, who receive an unacceptable rating, do not receive performance payouts or the general pay increase. This action may result in base pay that is identified in a lower pay band. This occurs because the minimum rate of base pay in a pay band increases as the result of the general pay increase (5 U.S.C. 5303) while the employee's pay does not change. The employee will be placed in the lower pay band and their salary will remain unchanged. This situation (a reduction-in-band level with no reduction in pay as a result of an unacceptable rating) will not be considered an adverse performance based action.

8. Staffing Supplements

At the time of conversion or OPM approval of a new SSR that would be applicable to covered employees, the NAWCAD and NAWCWD may incorporate the use of special salary rates (SSR) in demonstration project pay ranges. Currently there are no NSPS Targeted Local Market Supplements in use by NAWCAD or NAWCWD so no employees converting from NSPS will be affected if staffing supplements are not implemented at conversion. If staffing supplements are adopted, either at the time of conversion or later, NAWCAD and NAWCWD will implement them via an extension to the demonstration pay ranges and a supplement to a covered employee's salary. Employees assigned to occupational categories and geographic areas where GS SSRs 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 Personnel Management Board may establish additional policies and provide guidance on the use and application of the staffing supplement including provisions for in band adjustments and limiting application of this feature to fewer occupations than covered by the GS SSR. An extension to the demonstration pay ranges will be used to extend the maximum salary of the pay band for those occupations for which a staffing supplement is approved. The increase of an employee's base pay into this extension will be determined by the annual performance assessment and payout, there is no automatic entitlement to a staffing supplement. Only if an employee's annual assessment and associated payout would cause their base pay to fall within the area of the staffing supplement extension to the pay range for the pay band would they be paid at this level.

The extension to the pay range will be the maximum special salary rate for the banded grades. An employee's base pay is increased by the standard locality increase until the base pay exceeds the maximum GS basic pay for the banded grades. If the employee's base pay will exceed the maximum GS basic pay for the banded grades then the staffing supplement will be applied when authorized. The staffing supplement percent will be set equal to the locality percent and the staffing supplement and

payout is calculated as shown in the following example.

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Scenario: Top of regular RUS pay range is $74, 628 NAWC has adopted a pay scale extension for RUS 2210s and 0856s Top of extended pay range is $78, 445 (equal to the relevant GS RUS SSR)		
A RUS 0856 employee is at top of normal pay scale. Their pay before payout is: STRL base pay = $65, 371 STRL locality pay = $9, 257 (Locality % = 14.16%, same as GS) STRL adjusted base pay = $74, 628		
This employee receives a performance rating of Exceeds Mission Expectations (4) and receives 3 pay out points. The distribution of the payout is 70% salary and 30% bonus. Each payout point is valued at 2%.		
New base pay calculation 65371 * (1 + (3 * .02 * .7) (base pay increase after payout = 3 payout points * 2% pay point value * 70% allocated to salary. Note the remainder will be paid as bonus.)	=	68116.582; rounded to 68117
RUS locality percent = 14.16% Staffing supplement percent = 14.16%		
Staffing supplement calculation 68117 * .1416 (new base pay * staffing supplement percent)	=	9645.3672; rounded to 9645
New adjusted base pay calculation 68117 + 9645 (new base pay + staffing supplement)	=	$77, 672

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If the pay scale extension is discontinued or reduced either because the GS SSR has been discontinued or reduced, for NAWC budgetary constraints or other NAWC managerial decisions, the employees receiving a staffing supplement will receive retained pay. There will be no change in the adjusted base pay when placed on pay retention.

9. Educational Pay Adjustment

NAWCAD and NAWCWD will establish an educational base pay adjustment which is separate from the incentive pay process and may not cause the employee's pay to exceed the maximum base pay rate of his or her assigned pay band. An educational pay adjustment is defined as an increase in an employee's base pay by other than the incentive pay process within the employee's current band level to an amount which does not exceed the top of the band. The educational pay adjustment may be used to adjust the 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 pay of graduate level Student Career Experience Program (SCEP) students 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. An employee may receive an educational base pay adjustment or a reassignment base pay increase but not both at the same time.

10. Developmental Promotions

NAWCAD and NAWCWD will employ developmental promotions to achieve compensation growth commensurate to an employee's progression while in developmental assignments. A developmental promotion is an increase to base pay that may be provided to employees participating in NAWCAD and NAWCWD training programs or in other developmental capacities as determined by Personnel Management Board policy. Developmental promotions recognize growth and development in the acquisition of job related competencies combined with successful performance of job objectives. The use of developmental promotions is limited to (1) employees in a developmental pay band of a non-supervisory pay schedule and who are in developmental or trainee level positions; and (2) employees in positions which are assigned to a Student Career Experience Program (SCEP).

Standards by which developmental promotion increases are provided and criteria by which additional base pay increases will be determined will be established and documented in internal business rules, policies, or procedures. The amount of the developmental

promotion increase generally will not exceed 20 percent of an employee's base pay. The decision to grant a developmental promotion exceeding 20 percent of an employee's base pay must be made on a case-by-case basis and approved by the appropriate Executive Director/Commanding Officer or their delegate as established by internal business rules, policies, or procedures. This authority may be delegated only to members of the Senior Executive Service (SES). The amount of the developmental promotion 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 rule, policy, or procedure. To qualify for a developmental promotion, an employee must have a rating of record of Mission Success or better. A developmental promotion may be awarded to an employee who does not have a rating of record if an authorizing official conducts a performance assessment and determines that the employee is performing at the Mission Success level or better. This performance assessment does not constitute a rating of record. If an employee has a current performance rating below Mission Success and the supervisor believes the employee's performance has improved to the Mission Success level or better, the employee has demonstrated this improved performance for 90 days or more and it is expected that this level of performance will continue, the supervisor may conduct a performance assessment and forward it to the Pay Pool Manager for approval. If the Pay Pool Manager concurs with the supervisor's assessment, then the employee may be given a developmental promotion. There is no entitlement to an additional assessment beyond the annual assessment; this decision is totally at managerial discretion. If an additional assessment is made, it is not a rating of record and there will be no retroactive pay changes associated with it.

A developmental promotion increase may not be granted unless an employee is in a pay and duty status under the NAWCAD/NAWCWD STRL demonstration project on the effective date of the increase.

11. Pay Retention

Pay retention will follow current law and regulations at 5 U.S.C. 5362, 5363, and 5 CFR part 536, except as waived or modified in the Staffing Supplements section and section IX of this plan. Pay band (grade) retention does not apply under this demonstration project. The NACWAD or NAWCWD Executive Director may also grant pay retention to employees who meet general eligibility requirements, but do not have specific entitlement by law, provided they are not specifically excluded.

G. Employee Development

1. Expanded Developmental Opportunity Program

The Expanded Developmental Opportunity Program will be available to all demonstration project employees. Expanded developmental opportunities complement existing developmental opportunities such as long-term training, rotational job assignments, and developmental assignments to DON/DoD, and self-directed study via correspondence courses and local colleges and universities. Each developmental opportunity must result in a product, service, report, or study that will benefit the NAWCAD or NAWCWD or customer organization as well as increase the employee's individual effectiveness. The 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 service time. The positions of employees on expanded developmental opportunities may be back-filled (*i.e.,* with temporarily assigned, detailed, or promoted employees or with term employees). However, that position or its equivalent must be made available to the employee upon return from the developmental period. The Personnel Management Board will provide written guidance for employees on application procedures and develop a process that will be used to review and evaluate applicants for development opportunities.

a. Sabbaticals

The Executive Directors of the covered organizations have the authority to grant paid or unpaid sabbaticals to all career employees. The purpose of a sabbatical will be to permit an employee to engage in study or uncompensated work experience that will benefit the organization and contribute to the employee's development and effectiveness. Each sabbatical must result in a product, service, report, or study that will benefit the NAWCAD or NAWCWD mission as well as increase the employee's individual effectiveness. Various learning or developmental experiences may be considered, such as advanced academic teaching; research; self-directed or guided study; and on-the-job work experience.

One paid sabbatical of up to twelve months in duration or one unpaid sabbatical of up to six months in a calendar year may be granted to an employee in any seven-year period. Employees will be eligible to request a sabbatical after completion of seven years of Federal service. Employees approved for a paid sabbatical must sign a service obligation agreement to continue in service in the covered organizations for a period of three times the length of the sabbatical. If an employee voluntarily leaves the covered organizations before the service obligation is completed, he/she is liable for repayment of expenses incurred by the covered organizations that are associated with training during the sabbatical. Expenses do not include salary costs. The Executive Directors of the covered organizations have the authority to waive this requirement. Criteria for such waivers will be addressed in the operating procedures. Specific procedures will be developed for processing sabbatical applications upon implementation of the demonstration project.

b. Critical Skills Training (Training for Degrees)

The Executive Directors of the covered organizations 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 acquiring critical skills. Academic degree training will ensure continuous acquisition of advanced specialized knowledge essential to the organization and 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 those decisions are fully documented. Employees approved for degree training must sign a service obligation agreement to continue in service in the covered organizations for a period of three times the length of the training period. If an employee voluntarily leaves the NAWCAD or NAWCWD before the service obligation is completed, he/she is liable for repayment of expenses incurred by the covered organizations

related to the critical skills training. Expenses do not include salary costs. The Executive Directors of the covered organizations have the authority to waive this requirement. Criteria for such waivers will be addressed in the STRL internal operating procedures.

H. Reduction-in-Force (RIF) Procedures

RIF procedures will be used when an employee faces separation or downgrading due to lack of work, shortage of funds, reorganization, insufficient personnel ceiling, the exercise of re-employment or restoration rights, or furlough for more than 30 calendar days or more than 22 discontinuous days. The procedures in 5 CFR part 351 will generally be followed with some modifications pertaining to the competitive areas, assignment rights, the addition of a performance sub-group and grade/pay band retention. Modified term appointment employees are in Tenure Group III for RIF purposes. RIF procedures are not required when separating these employees when their appointments expire.

1. Competitive Areas

Separate RIF competitive areas for demonstration and non-demonstration project employees will be established at each geographic location. Within the demonstration project separate competitive areas will be established for each demonstration occupational family. Demonstration supervisors will be placed in the competitive area for their occupational family but in separate competitive levels within that career field. Bumps and retreats will occur only within the same competitive area and only to positions for which the employee meets all qualification standards including medical and/or physical qualifications.

Within each competitive area, competitive levels will be established based on the occupational family, pay band, series and SAC so that positions are similar enough in duties and qualifications that employees can perform the duties and responsibilities of any other position in the competitive level upon assignment to it, without any loss of productivity beyond what is normally expected. For S&E competitive levels the Warfare Centers may also choose to use the OPM classification functional code as a defining element.

2. Assignment Rights

An employee may displace another employee by bump or retreat to one pay band below the employee's existing pay band. A preference eligible with a compensable service-connected disability of 30 percent or more may retreat to positions two pay bands below his/her current band.

3. Crediting Performance in RIF

Reductions in force are accomplished using the existing procedures with the retention factors of: Tenure, veterans' preference, performance, and length of service, in that order. The performance subgroup will be based on the most recent three ratings of record during the preceding four years. There will be three groupings within the performance subgroup: Mission Superior (H), Mission Success (S) and Mission Deficiency (L). The most recent ratings of records will be combined to determine the performance subgroup. The High subgroup will include those employees who have consistently demonstrated superior performance. The Mission Success subgroup will include the next level of demonstrated performance and the Mission Deficiency subgroup will include those who have failed to achieve expected levels of performance for one or more years. Additional guidance on determining performance subgroups will be included in NAWCAD/NAWCWD internal issuances.

Employees who have been rated under different patterns of summary rating levels and have at least the equivalent of a rating of record of three will receive RIF appraisal credit for the non-demonstration performance ratings equivalent to Mission Success based on the demonstration project's modal score for the employee's competitive area. If the employee received less than the equivalent of Mission Success, then that rating will be compared to the demonstration project one or two rating and best fit chosen. Additional guidance on ratings equivalency will be included in NAWCAD/NAWCWD internal issuances.

In some cases, an employee may not have three ratings of record. If an employee has fewer than three annual ratings of record, then for each missing rating, RIF appraisal credit will be based on the demonstration project's modal score for the most recently completed appraisal period on record for the employee's competitive area. For an employee who has no ratings of record, all credit will be based on the repeated use of a single modal rating from the most recently completed appraisal period on record for the employee's competitive area.

An employee who has received a written decision that his/her performance is unacceptable has no bump or retreat rights. An employee who has been demoted for unacceptable performance, and as of the date of the issuance of the RIF notice has not received a performance rating in the position to which demoted, will receive the same credit granted for a Level 3 rating of record. An employee with a current unacceptable rating of record has assignment rights only to a position held by another employee who has an unacceptable rating of record.

IV. Implementation Training

Critical to the success of the demonstration project is the training developed to promote understanding of the broad concepts and finer details needed to implement and successfully execute this project. A new pay banding schema and performance management system both represent significant cultural change to the organization. Training will be tailored to address employee concerns and encourage comprehensive understanding of the demonstration project. Training will be required both prior to implementation and at various times during the life of the demonstration project. A training program will begin prior to implementation and will include modules tailored for employees, supervisors, senior managers, and administrative staff. Typical modules are:

1. An overview of the demonstration project personnel system;
2. How employees are converted into and out of the system;
3. Pay banding;
4. The mission aligned objectives and compensation system;
5. Defining mission aligned performance objectives;
6. How weights may be used with the mission aligned performance objectives;
7. Assessing performance—giving feedback;
8. New position descriptions; and
9. Demonstration project administration and formal evaluation.

Various types of training are being considered including videos, on-line tutorials, and train-the-trainer concepts.

V. Movement Into and Out of the Demonstration Project

A. Conversion From NSPS to the Demonstration Project

1. Placement Into Demonstration Project Pay Plans and Pay Bands

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

a. Determine the appropriate demonstration project pay plan. Employees will be converted into a pay

plan based on the occupational series of their position. There is a separate pay plan 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.

b. Determine the appropriate pay band. The appropriate pay band will be determined by establishing the corresponding demonstration project pay band for the employee's NSPS position using demonstration project pay band definitions, classification standards and guidance. Once the demonstration project pay band has been determined, the employee's position will be placed in the demonstration project pay band. In cases where a demonstration project pay band overlaps more than one NSPS pay band, placement will be made using demonstration project pay band definitions and classification criteria to determine the appropriate pay band in which to place the position.

2. 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 2010, which prohibits a loss of or decrease in pay upon transition from NSPS, employees converting to the demonstration project will retain the adjusted salary (as defined in 5 CFR 9901.304) from their NSPS permanent position at the time the position converts. Upon conversion, the retained NSPS adjusted salary may not exceed Level IV of the Executive Schedule plus 5 percent. If the employee's base 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.

NAWCAD and NAWCWD do not have any employees who are covered by an NSPS targeted local market supplement (TLMS), but if such coverage occurs between the date of this FRN and conversion to the demonstration project such employees will no longer be covered by a TLMS. Instead they may receive a locality or similar supplement (*e.g.,* a staffing supplement), or pay retention, if applicable. The adjusted base pay will not change upon conversion.

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

3. 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.

4. 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 merits 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 performance 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 18 months following conversion, management may approve promotions of less than 6% or increases in base pay of not more than 20% provided the adjustment does not cause the employee's base pay to exceed the maximum rate of his or her assigned pay band. The employee's performance must warrant an adjustment and these actions will be limited to those necessary to mitigate compensation inequities that are directly related to the transition/conversion from NSPS to the demonstration project. For instance, inappropriate "leap-frogging" of more senior employees by more junior employees when the inversion of compensation levels are not warranted by performance or mission accomplishment outcomes. The Personnel Management Board will establish policy and guidance for this provision and this guidance will be included in NAWCAD/NAWCWD internal issuances.

5. Converting Employees on NSPS Term and Temporary Appointments

a. Employees serving under term appointments at the time of conversion to the demonstration project will be converted to a modified term appointment 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 NSPS Valued Performer, demonstration Mission Success, or equivalent level under another system. Additional guidance will be included in NAWCAD/NAWCWD internal conversion issuances.

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 for employees who do not meet the above criteria may be granted after conversion in accordance with the provision of this regulation.

b. 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.

6. Probationary Periods

a. Initial probationary period. 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. Employees who are serving an initial probationary period upon conversion from NSPS will serve the time remaining on their initial probationary period and may have their initial probationary period extended in accordance with the demonstration project regulation and implementing issuances.

b. 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 and may have their supervisory probationary period extended in accordance with the demonstration project regulation and implementing issuances.

B. 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 NAVAIR STRL demonstration project via movement of their positions using an appropriate Nature of Action Code. Employees' positions will be classified based upon the position classification criteria and pay band definitions under the laboratory demonstration project rules and their pay, upon conversion, maintained under applicable pay setting rules.

C. Movement Out of the NAVAIR STRL Demonstration Project

1. Termination of Coverage Under the NAVAIR STRL Demonstration Project Pay Plans

In the event employees' coverage under the NAVAIR STRL demonstration project pay plans is terminated, employees move with their demonstration project positions to another system applicable to NAVAIR 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.

2. Determining a GS-Equivalent Grade and GS-Equivalent Rate of Pay for Pay Setting Purposes When a NAVAIR Employee's Coverage by a Demonstration Project Pay Plan Terminates or the Employee Voluntarily Exits the NAVAIR STRL Demonstration Project

a. 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.

b. 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:

(1) 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:

(a) The GS base schedule;

(b) the locality rate schedule for the locality pay area in which the position is located; or

(c) 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.

(2) 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.

(3) 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.

(4) 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.

(5) *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.

c. 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:

(1) 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.

(2) 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:

(a) The GS base schedule,

(b) an applicable locality rate schedule, or

(c) an applicable special rate schedule.

(3) 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).

(4) 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).

(d) *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.

3. Supervision and Management Pay Band VI Employees

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 nature and extent of the conversion out of the demonstration project process for employees in these positions will be determined by the final DoD guidance. Additional guidance may be included in NAWCAD/NAWCWD internal issuances.

4. 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.

5. Within-Grade Increase—Equivalent Increase Determinations

Service under the demonstration project is creditable for within-grade increase purposes upon conversion back to the GS pay system. Performance pay increases (including a zero increase) under the demonstration project are equivalent increases for the purpose of determining the commencement of a within-grade increase waiting period under 5 CFR 531.405(b).

D. 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. Servicing HRSCs will continue to process personnel-related actions and provide other appropriate services.

E. Automation Support

1. 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) to facilitate processing and reporting of demonstration project personnel actions, and may be ultimately required by the Naval Air Warfare Centers to assist in processing of a variety of personnel-related actions in order to facilitate management processes and decisionmaking.

2. 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.

F. Experimentation and Revision

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. DoDI 1400.37, July 28, 2009, provides instructions for adopting other STRL flexibilities, making minor changes to an existing demonstration project, and requesting new initiatives.

VI. Project Duration

Public Law 103–337 removed any mandatory expiration date for this demonstration. The covered organizations, DON and DoD will ensure this project is evaluated for the first five years after implementation in accordance with 5 U.S.C. 4703. Modifications to the original evaluation plan or any new evaluation will ensure the project is evaluated for its effectiveness, its impact on mission, and any potential adverse impact on any employee groups. Major changes and modifications to the interventions would be made if formative evaluation data warranted and will be published in the **Federal Register** to the extent required. At the five-year point, the demonstration will be reexamined for permanent implementation, modification and additional testing, or termination of the entire demonstration project.

VII. Evaluation Plan

A. Overview

Chapter 47 of 5 U.S.C. requires that an evaluation be performed to measure the effectiveness of the demonstration project and its impact on improving public management. A comprehensive evaluation plan for the entire 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. 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.,* organizational effectiveness, mission accomplishment, and customer satisfaction).

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, 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 (i.e., 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 C 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.

VIII. Demonstration Project Costs

A. Cost Discipline

An objective of the demonstration project is to ensure in-house cost discipline. A baseline will be established at the start of the project and salary expenditures will be tracked yearly. Implementation costs (including project development, automation costs, and evaluation costs) are considered one-time costs and will not be included in the cost discipline. The Personnel Management Board will track personnel cost changes and recommend adjustments if required to achieve the objective of cost discipline.

B. Developmental Costs

Costs associated with the development of the personnel demonstration project include software automation, training, and project evaluation. All funding will be provided through the organization's budget. The projected annual expenses are summarized in Table 1. Project evaluation costs are not expected to continue beyond the first five years unless the results warrant further evaluation.

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TABLE 1—PROJECTED DEVELOPMENT COSTS

(In thousands of dollars)

	FY10	FY11	FY12	FY13	FY14
Software Development & Automation	$150K	$650K	$200K	$150K	$100K
Training Development & Workforce Train	$300K	$1,000K	$400K	$100K	$100K
Project Evaluation	$0	$0	$100K	$100K	$100K
Totals	$450	$1,650K	$700K	$350K	$300K

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IX. 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 title 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 adopting or incorporating any law or 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 Corps are considered employees of the Federal Government for purposes of this section.

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

Chapter 33, subchapter I—Examination, Certification, and Appointment: Waived except for sections 3302, 3321, and 3328 to allow for direct hire authority for scientists and engineers with advanced degrees for professional positions.

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, subchapter 1, Section 3318(a): Competitive Service, Selection from Certificate. Waived in its entirety to eliminate the requirement for selection using the "rule of three." Veterans' preference provisions remain unchanged.

Chapter 33, section 3321: Competitive Service; Probationary Period. This section waived to the extent necessary to replace grade with "pay band level and allow probationary periods of up to 3 years.

Chapter 33, section 3341: Details. Waived as necessary to extend the time limits for details.

Chapter 35, section 3502: Waived to the extent to allow for performance retention subgroups and 3502(c) waived in its entirety.

Chapter 41, section 4108(a)–(c): Waived to the extent necessary to require the employee to continue in the service of the covered organizations for the period of the required service and to the extent necessary to permit the Executive Director of the covered organizations, to waive in whole or in part a right of recovery.

Chapter 43, section 4302: Waived to the extent necessary to substitute "pay band" for "grade."

Chapter 43, section 4303: Waived to the extent necessary to (1) substitute "pay band" for "grade" and (2) provide that moving to a lower pay band as a result of not receiving the general pay increase because of poor performance is not an action covered by the provisions of sections 4303(a)–(d).

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 NAWCAD and NAWCWD Commanders to approve awards up to $25K.

Chapter 51 Classification, section 5101—5112: Purpose; Definitions, application; Determination of applicability; Basis for grading positions; Standards for classification of positions; Basis for classifying positions; Classification of positions; Classification of positions above GS–15 ; Review of classification of positions, Revocation and restoration of authority to classify positions, and general authority of the Office of Personnel Management:—Waived to the extent that white collar employees will be covered by pay banding and to the extent that classification appeals will be decided by the NAWC Executive Director with final appeal to the Department of Defense.

Chapter 53, sections 5301, 5302(1), (8) and (9), 5303, and 5304: Pay Comparability System. Waived to the extent necessary to allow (1) demonstration project employees to be treated as GS employees, (2) basic rates of pay under the demonstration project to be treated as scheduled rates of pay, and (3) the demonstration project pay system to be adjusted by the GS annual adjustments to pay schedules.

Chapter 53, section 5305: Special Pay Authority. Waived to the extent necessary to allow for use of a staffing supplement in lieu of the special pay authority.

Chapter 53, sections 5331–5336: GS Pay Rates. Waived in its entirety to allow for the demonstration project's pay banding system and pay provisions.

Chapter 53, sections 5361–5366: Grade and Pay Retention. Waived to the extent necessary to: (1) Replace "grade" with "pay band"; (2) allow demonstration project employees to be treated as GS employees; (3) provide that an employee on pay retention whose rating of record is "Unacceptable" is not entitled to 50 percent of the amount of the increase in the maximum rate of base pay payable for the pay band of the employee's position; (4) provide that pay retention does not apply to reduction in base pay due solely to the reallocation of demonstration project pay rates in the implementation of a staffing supplement; (5) allow no provision of grade or pay band retention under this demonstration project and (6) allow demonstration project employees receiving a staffing supplement to retain the adjusted base pay if the staffing supplement is discontinued or reduced. This waiver applies to ST employees only if they move to a GS-equivalent position within the demonstration project under conditions that trigger entitlement to pay retention.

Chapter 55, section 5542(a)(1)–(2): Overtime rates; computation. Waived to the extent necessary to provide that the

GS–10 minimum special rate (if any) for the special rate category to which a project employee belongs is deemed to be the "applicable special rate" in applying the pay cap provisions in 5 U.S.C. 5542.

Chapter 55, section 5545(d): Hazardous duty differential. Waived to the extent necessary to allow demonstration project employees to be treated as GS employees.

Chapter 55, section 5547(a)–(b): Limitation on premium pay. Waived to the extent necessary to provide that the GS–15 maximum special rate (if any) for the special rate category to which a project employee belongs is deemed to be the "applicable special rate" in applying the pay cap provisions in 5 U.S.C. 5547.

Chapter 57, section 5753, 5754, and 5755: Recruitment and relocation, bonuses, incentives, and supervisory differentials. Waived to the extent necessary to allow employees and positions under the demonstration project to be treated as employees and positions under the GS.

Chapter 59, section 5941: Allowances based on living costs and conditions of environment; employees stationed outside continental U.S. or Alaska. Waived to the extent necessary to provide that cost-of-living allowances 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): Adverse actions. Waived to the extent necessary to replace "grade" with "pay band."

Chapter 75, section 7512(4): Adverse actions. Waived to the extent necessary to provide that adverse action provisions do not apply to (1) conversions from GS special rates or NSPS Targeted Local Market Supplements to demonstration project pay, as long as total pay is not reduced and (2) reductions in pay due to the removal of a supervisory or team leader pay adjustment upon voluntary movement to a non-supervisory or non-team leader position.

B. Waivers to Title 5, CFR

Part 293, subpart D: Personnel Records. Employee Performance File System Records. Waived to the extent necessary to be consistent with the demonstration project's mission aligned objectives and compensation system and to allow definition and establishment of its automated system of records and retention requirements.

Part 300, sections 300.601 through 300.605: Time-in-Grade restrictions. Waived to eliminate time-in-grade restrictions in the demonstration project.

Part 308, sections 308.101 through 308.103: Volunteer service. Waived to allow for a Voluntary Emeritus Corps 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 315, section 315.901: Statutory requirement. Waived to the extent necessary to replace "grade" with "pay band."

Part 315, section 315.905: Length of the probationary period. Waived to the extent necessary to allow for a two-year supervisory/managerial probationary period.

Part 316, section 316.301: Purpose and duration. Waived to the extent necessary to allow for term appointments for more than 4 years.

Part 316, section 316.303: Tenure of term employees. Waived to the extent necessary to allow term employees to acquire competitive status.

Part 316, section 316.304: Trial Period. Waived to the extent necessary to allow for up to a three year trial period.

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: Order of selection from certificates. Waived to the extent necessary to eliminate the requirement for selection using the "rule of three."

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.

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 Corps.

Part 351, section 351.401: Determining retention standing. Waived to the extent necessary to allow use of performance subgroups in determining retention standing.

Part 351, section 351.402(b): Competitive area. Waived to the extent necessary to allow separate competitive areas for demonstration and non-demonstration project employees and to allow separate competitive areas for each demonstration occupational family.

Part 351, section 351.403: Competitive level. Waived to the extent necessary to replace "grade" with "pay band" and to allow use of demonstration project criteria, such as specialty area code, to be used in the definition of competitive levels.

Part 351, section 351.501: Order of retention—competitive service. Waived as necessary to allow use of performance subgroups in determining retention standing and allow no additional years of service based on performance.

Part 351, section 351.502: Order of retention—excepted service. Waived as necessary to allow use of performance subgroups in determining retention standing and allow no additional years of service based on performance.

Part 351, section 351.504: Credit for performance. Waived as necessary to allow for use of performance subgroups rather than adding years of service based on performance.

Part 351, section 351.701: Assignment involving displacement. Waived to the extent that bump and retreat rights are limited to one pay band with the exception of 30 percent preference eligibles who are limited to two bands (or equivalent of five grades), and to limit the assignment rights of employees with an unacceptable current rating of record to a position held by another employee with an unacceptable rating of record.

Part 410, section 410.309: Agreements to continue in service. Waived to the extent necessary to allow the Executive Directors of the covered organizations to determine requirements related to continued service agreements.

Part 430, subpart B: Performance Appraisal for GS, Prevailing Rate, and Certain Other Employees. Waived to the extent necessary to be consistent with the demonstration project's mission aligned objectives and compensation system.

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, Performance based reduction-in-grade and removal actions: Modified to the extent that an employee may be removed, reduced in pay band level with a reduction in pay, reduced in pay without a reduction in pay band level and reduced in pay band level without a reduction in pay based on unacceptable performance. Also, modified to delete reference to critical element. For employees who are reduced in pay band level without a reduction in pay, Sections 432.105 and 432.106(a) do not apply.

Part 432, section 432.102: Coverage. Waived to the extent that the term "grade" is replaced with "pay band."

Part 432, section 432.104: Addressing unacceptable performance. References to "critical elements" are deleted as all elements are critical and adding that the employee may be "reduced in pay band level, or pay, or removed" if performance does not improve to an acceptable level during a reasonable opportunity period.

Part 432, section 432.105(a)(2): Proposing and taking action based on unacceptable performance: Waive "If an employee has performed acceptably for 1 year" to allow for "within two years from the beginning of a PIP."

Part 451, subpart A, section 451.103(c)(2): Waived with respect to performance awards under the NAVAIR Extraordinary Achievement Allowance and demo incentive awards authority.

Part 451, subpart A, section 451.106 and 451.107: Waived to allow the NAWCAD and NAWCWD Commanders authority to grant special act awards to covered employees of up to $25,000.

Part 511, subpart A, subpart B, and subpart F: Classification within the General Schedule. Waived in its entirety.

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

Part 531, subpart B.: Determining Rate of Basic Pay. Waived to the extent necessary to allow for pay setting, including educational pay adjustments and pay for performance 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 (1) demonstration project employees, except employees in Pay Band V of the S&E occupational family, to be treated as GS employees and (2) base rates of pay under the demonstration project to be treated as scheduled annual rates of pay.

Part 536: Grade and Pay Retention. Waived to the extent necessary to (1) replace "grade" with "pay band;" (2) provide that pay retention provisions do not apply to conversions from GS special rates to demonstration project pay, as long as total pay is not reduced, and to movement from a supervisory position to a non-supervisory position, as long as total pay is not reduced; (3) allow demonstration project employees to be treated as GS employees; (4) provide that pay retention provisions do not apply to movements to a lower pay band as a result of not receiving the general increase due to an annual performance rating of "Unacceptable;" (5) provide that an employee on pay retention whose rating of record is "Unacceptable" is not entitled to 50 percent of the amount of the increase in the maximum rate of base pay payable for the pay band of the employee's position; (6) allow no provision of grade or pay band retention under this demonstration project; (7) provide that pay retention does not apply to reduction in base pay due solely to the reallocation of demonstration project pay rates in the implementation of a staffing supplement and (8) allow demonstration project employees receiving a staffing supplement to retain the adjusted base pay if the staffing supplement is discontinued or reduced. This waiver applies to ST employees only if they move to a GS equivalent position within the demonstration project under conditions that trigger entitlement to pay retention.

Part 550, sections 550.105 and 550.106: Bi-weekly and annual maximum earnings limitations. Waived to the extent necessary to provide that the GS–15 maximum special rate (if any) for the special rate category to which a project employee belongs is deemed to be the "applicable special rate" in applying the pay cap provisions in 5 U.S.C. 5547.

Part 550, section 550.703: Definitions. Waived to the extent necessary to modify the definition of "reasonable offer" by replacing "two grade or pay levels" with "one band level" and "grade or pay level" with "band level."

Part 550, section 550.902: Definitions. Waived to the extent necessary to allow demonstration project employees to be treated as GS employees. This waiver does not apply to employees in Pay Band V of the S&E occupational family.

Part 575, subparts A, B, C, and D: Recruitment Incentives, Relocation Incentives, Retention Incentives. Waived to the extent necessary to allow employees and positions under the demonstration project covered by pay banding to be treated as employees and positions under the GS.

Part 591, subpart B: Cost-of-Living Allowance and Post Differential—Non-foreign Areas. Waived to the extent necessary to allow (1) demonstration project employees to be treated as employees under the GS and (2) employees in Band V of the S&E occupational family to be treated as ST employees for the purposes of these provisions.

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, section 752.401: Coverage. Waived to the extent necessary to replace "grade" with "pay band," and to provide that a reduction in pay band level is not an adverse action if it results from the employee's rate of base pay being exceeded by the minimum rate of base pay for his/her pay band.

Part 752, section 752.401(a)(4): Coverage. Waived to the extent necessary to provide that adverse action provisions do not apply to (1) conversions from GS special rates or NSPS Targeted Local Market Supplements to demonstration project pay, as long as total pay is not reduced and (2) movement from a supervisory pay band to a non-supervisory pay band as long as total pay is not reduced.

BILLING CODE 5001–06–P

GSA GEOGRAPHIC LOCATION CODE	DUTY LOCATION
011716073	Hoover, AL
011730089	Huntsville, AL
012585089	Redstone Arsenal, AL
040530019	Tucson, AZ
040620027	Yuma, AZ
060543073	Camp Pendleton, CA
060675029	China Lake, CA
060860073	Coronado, CA
061077029	Edwards AFB, CA
061090025	El Centro, CA
061264073	Fallbrook, CA
061880031	Lemoore, CA
062090013	Martinez, CA
062194073	Miramar Naval Air Sta., CA
062250053	Monterey, CA
062341073	Naval Air Station, CA
062622111	Oxnard AFB, CA
062700037	Pasadena, CA
062861073	Point Loma Complex, CA
062862111	Point Mugu, CA
062890111	Port Hueneme, CA
063260073	San Diego, CA
063397111	San Nicolas Island, CA
090260011	Groton, CT
110010001	Washington, DC
110400001	Wash Navy Yard, DC
120000091	Okaloosa Cnty, FL
120485031	Cecil Field, FL
120935091	Eglin A.F.B., FL
121130001	Gainesville, FL
121510031	Jacksonville, FL
121972031	Mayport, FL
122070113	Milton, FL

GSA GEOGRAPHIC LOCATION CODE	DUTY LOCATION
122156033	Naval Air Station, FL
122161095	Naval Warfare Center, FL
122162031	Naval Aviation Depot, FL
122164031	Naval Air Station, FL
122360095	Orlando, FL
122490033	Pensacola, FL
122811085	Sewalls Point, FL
122950057	Tampa, FL
130280121	Atlanta, GA
133015039	Kings Bay, GA
153500003	Kaneohe, HI
158206003	Pearl Harbor Naval Base, HI
173595097	Great Lakes, IL
181055101	Crane, IN
182210097	Indianapolis, IN
221690071	New Orleans, LA
231150005	Brunswick, ME
240840017	Indian Head, MD
241096037	Patuxent River, MD
241364037	Saint Inigoes, MD
241480009	Solomons, MD
250478017	Hanscom Fields, MA
281590075	Meridian, MS
297080510	St Louis, MO
320090001	Fallon, NV
330360013	New London, NH
341580029	Lakehurst, NJ
342095029	Naval Air Warfare Center, NJ
362840103	Huntington, NY
370885049	Cherry Point, NC
371670051	Fayetteville, NC
371685051	Fort Bragg, NC
372330133	Jacksonville, NC
372894049	Marine Corps Air Station, NC

GSA GEOGRAPHIC LOCATION CODE	DUTY LOCATION
392090113	Dayton, OH
399165113	Wright Patterson AFB, OH
404725109	Tinker AFB, OK
421230055	Chambersburg, PA
421657089	Coolbaugh Township, PA
422063091	Dresher, PA
424800071	Manheim, PA
425698101	Philadelphia, PA
425699041	Naval Support Activity, PA
426540101	Philadelphia, PA
426600003	Pittsburgh, PA
428475089	Tobyhanna, PA
429420111	Windber, PA
440136005	Naval Base, RI
450140013	Beaufort, SC
451040045	Greenville, SC
470092031	Arnold AFB, TN
471660157	Millington, TN
472470031	Tullahoma, TN
480150375	Amarillo, TX
480260439	Arlington, TX
481550273	Corpus Christi, TX
481730113	Dallas, TX
482450439	Fort Worth, TX
483700273	Kingsville, TX
491560049	Provo, UT
510000013	Arlington, VA
510702810	Damneck Nav Fac, VA
511220059	Herndon, VA
511686710	Naval Base, VA
511687013	Arlington, VA
511720700	Newport News, VA
511760710	Norfolk, VA
511822810	Oceana Nav Air Sta, VA

GSA GEOGRAPHIC LOCATION CODE	DUTY LOCATION
511906013	Pentagon, VA
512010153	Quantico, VA
512540810	Virginia Beach, VA
512564001	Wallops Island, VA
512690199	Yorktown, VA
530105035	Bangor, WA
531960033	Seattle, WA
532508029	Whidbey Island NAS, WA
GM9000000	Stuttgart, Germany
GQ0100000	Agana, GUAM
JA0600000	Atsugi, Japan
JA2600000	Futenma, Japan
JA3800000	Iwakuni, Japan
JA3825000	Iwakuni Marine Corps Air Stn, Japan
JA3950000	Kadena AF Okinawa, Japan
JA5615000	Okinawa Island, Japan
NO6000000	Oslo, Norway

Appendix B: Occupational Series by Occupational Family

NAWCAD/WD - STRL Series Included with-in Occupational Families									
S & E (DP)	0170	0180	0193	0199	0401	0403	0408	0413	0499
	0701	799	0801	0803	0806	0808	0810	0819	0830
	0850	0854	0855	0861	0893	0896	0899	1301	1306
	1310	1313	1320	1321	1340	1350	1360	1384	1399
	1515	1520	1529	1550	1599				
S & E TECHNICIAN (DT)	0802	0818	0856	0895	0899	1060	1098	1152	1199
	1311	1341	1374	1399	1521	1599	1960	1999	
BUSINESS & PROGRAM MANAGEMENT (DA)	0018	0028	0080	0099	0132	0199	0201	0260	0299
	0301	0340	0341	0343	0399	0501	0505	0510	0560
	0599	0905	0950	0999	1001	1010	1035	1040	1071
	1082	1083	1084	1099	1101	1102	1103	1199	1222
	1299	1410	1412	1499	1601	1640	1699	1750	1799
	1801	1899	2003	2010	2099	2101	2199		
TECHNICAL SPECIALIST (DS)	0301	0346	0391	0392	0399	0560	0599	1040	1099
	1150	1199	1670	1699	1910	1999	2101	2152	2181
	2199	2210	2299						
ADMIN SUPPORT (DG)	0019	0086	0099	0203	0299	0302	0303	0304	0305
	0309	0318	0322	0326	0344	0361	0394	0399	0503
	0525	0540	0544	0561	0599	0986	0999	1105	1106
	1107	1108	1199	1411	1499	1603	1699	2005	2099
	2204	2299							

Supervision & Management (NM)	The Supervision & Management pay plan does not represent an occupational family. Supervisory and managerial positions are classified to an appropriate series for the scientific, engineering, technical, business, or administrative work of the position and will be placed in the occupational family covering that series. The Supervision & Management pay plan was created with cognizance that this is a separate line of work with different qualifications and grade level and banding requirements.

Appendix C: 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 Total payroll costs	Workforce data Personnel office data
	Increased satisfaction with advancement	Employee perceptions of advancement	Attitude survey
	Increased pay satisfaction	Pay satisfaction, internal/external equity	Attitude survey
	Improved recruitment	Offer/acceptance ratios; Percent declinations	Personnel office data
b. Conversion buy-in	Employee acceptance	Employee perceptions of equity, fairness Cost as a percent of payroll	Attitude survey Workforce data
c. Pay differentials/ adjustments	Increased incentive to accept supervisory/team leader positions	Perceived motivational power	Attitude survey

Intervention	Expected Effects	Measures	Data Sources
2. PERFORMANCE 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. Performance based pay progression	Increased pay-performance link	Perceived pay-performance link	Attitude survey
		Perceived fairness of ratings	Attitude survey
	Improved performance feedback	Satisfaction with ratings	Attitude survey
		Employee trust in supervisors	Attitude survey
		Adequacy of performance feedback	Attitude survey
	Decreased turnover of high performers/Increased turnover of low performers	Turnover by performance rating scores	Workforce data
	Differential pay progression of high/low performers	Pay progression by performance scores, career path	Workforce data

Intervention	Expected Effects	Measures	Data Sources
	Alignment of organizational and individual performance objectives and results	Linkage of performance objectives to strategic plans/goals	Performance objectives, strategic plans
	Increased employee involvement in performance planning and assessment	Perceived involvement Performance 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. Performance development	Better communication of performance expectations	Feedback and coaching procedures used Time, funds spent on training by demographics	Focus groups Personnel office data 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 Reduction of paperwork/number of personnel actions (classification/promotion)	Personnel office data Personnel office data

Intervention	Expected Effects	Measures	Data Sources
	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 Management satisfaction with service provided by personnel office	Personnel records 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	Attitude survey
4. Modified RIF			
	Minimize loss of high performing employees with needed skills	Separated employees by demographics, performance scores	Workforce dataAttitude survey/focus group

Intervention	Expected Effects	Measures	Data Sources
	Contain cost and disruption	Satisfaction with RIF Process	Attitude survey/focus group
		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

Intervention	Expected Effects	Measures	Data Sources
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 trainingPlacement of employees, skills imbalances correctedEmployee and supervisor perceptionsApplication of knowledge gained from training	Personnel office dataPersonnel office dataAttitude surveyAttitude survey/ focus group
7. Combination Of All Interventions			
All	Improved organizational effectiveness	Combination of personnel measures	All data sources

Intervention	Expected Effects	Measures	Data Sources
	Improved management of workforce	Employee/Management job satisfaction (intrinsic/extrinsic)	Attitude survey
	Improved planning	Planning procedures Perceived effectiveness of planning procedures	Strategic planning documents 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 Average cost per employee served	Personnel office data, workforce data Personnel office data, workforce data
	No negative impact on service quality	Service quality, timeliness	Attitude survey/focus groups

BILLING CODE 5001–06–C

Appendix D: Individual Pay Band Level Rating Benchmarks Examples

These are examples for illustration purposes only, the actual benchmarks may be different from what is shown here. These are an example showing a benchmark for each pay band level in an occupational family:

Scientific and Engineering (S&E) (Pay Plan DP)

Example Rating Benchmarks

Band II

Level 3:

• With guidance, effectively achieved the stated objective.

• With guidance, organized and prioritized own tasks to deliver the objective, adjusting work plans and overcoming obstacles as necessary.

• Demonstrated high standards of personal and professional conduct and represented the organization or work unit effectively.

Level 5

Additions at the Level 5:

• Contributed results beyond what was expected; results were far superior in quality, quantity, timeliness and/or impact to the stated objective.

• Exhibited the highest standards of professionalism.

Band III

Level 3:

• Effectively achieved the stated objective, anticipating and overcoming significant obstacles. Adapts established methods and procedures when needed.

• Results were technically sound, accurate, thorough, documented, and met applicable authorities, standards, policies, procedures and guidelines.

• Planned, organized prioritized, and scheduled own work activities to deliver the objective in a timely and effective manner, making adjustments to respond to changing situations and anticipating and overcoming difficult obstacles as necessary.

• Demonstrated high standards of personal and professional conduct and represented the organization or work unit effectively.

Level 5

Additions at the Level 5:

• Contributed results beyond what was expected; results were far superior in quality, quantity, and/or impact to the stated objective to what would be expected at this level.

• Exhibited the highest standards of professionalism.

Appendix E: Career Stage Rating Benchmarks Examples

These are examples for illustration purposes only, the actual benchmarks may be different from what is shown here. These are an example showing benchmarks by career stage, which may cover multiple pay band levels in multiple occupational families:

Example Rating Benchmarks

Career Stage: Journey.

Objective Rating: 1.

Performance Standard:

• Failed to achieve all or part of the stated critical element; or

• Failed to provide products that were sound, accurate, thorough and documented, and regularly failed to meet applicable authorities, standards, policies, procedures and guidelines; or

• Failed to plan, organize, prioritize, and schedule own work activities to deliver the critical element in a timely and effective manner. Relied on others to frequently assist with or redo work assignments; or

• Demonstrated poor cooperation or inability to work with others.

Career Stage: Journey.

Objective Rating: 3.

Performance Standard:

• Effectively accomplished the stated critical element by achieving results that

were technically sound, accurate, thorough, and documented and met applicable authorities, standards, policies, procedures and guidelines.

• Planned, organized, prioritized and scheduled own work activities to deliver the critical element in a timely and effective manner, making adjustments to respond to changing situations as necessary.

• Demonstrated high standards of teamwork and cooperation.

Career Stage: Journey.

Objective Rating: 5.

Performance Standard: (Measured in addition to the above)

• Achieved outcomes and results that are far superior in quality, quantity, timeliness and/or impact to what would ordinarily be expected at this level.

• Accomplishments and outcomes were of such magnitude that they contributed to the organization exceeding its mission goals and objectives for the year.

• Persisted in overcoming obstacles and put forth extra effort to accomplish difficult assignments.

• Represented the organization or work unit effectively through model team cooperation.

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