Fourth Estate
NSPS Payout Results and Lessons Learned

For Performance Period
October 1, 2007 to September 30, 2008

Payout Effective January 4, 2009

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Briefed at the NSPS Senior Leadership Conference
in Southbridge, MA on March 26, 2009

Topics Discussed

- DoD and Fourth Estate NSPS Performance Payout Data comparison between January 2008 and 2009 payouts

- General Comments from 2009 Fourth Estate Payout Survey

- NSPS Topics that Generated the most Frequently Asked Questions

  - Share Value Issues
  - Share Assignment Policies
  - Salary vs. Bonus
  - Control Points
  - Salary Cap Issues
  - Annual Certification and Funding Floor Issues
  - Reconsideration Issues (clock starts when and claims involving EEO)
  - Retaining Recommended Ratings

- Discussion and Wrap-up

- NSPS Performance Management Timeline Calendar - (Oct 08-Sep 09)

Detailed January 2009 Payout NSPS Employee Population

	Number of Pay Pools	Total NSPS Population
4th Estate	**224**	**24,294**
OSD /DMEA	14	1,479
WHS	10	923
DFAS	16	1,624
DCAA	12	1,404
NDU	2	246
DTIC	1	68
DHRA	4	835
DECA	19	2,160
DODEA	12	2,465
TRICARE/USUHS	6	631
DTRA	4	1,075
DISA	7	752
DLA/DAU	60	4,787
DOD IG	25	1,500
BTA	2	229
DCMA	13	1,467
DARPA	1	87
MDA	7	1,189
DMA	1	171
DPMO	1	64
DSCA	2	461
DTRMC	1	20
DTSA	1	141
Joint Staff	1	201
Ofc Eco Adj	1	35
PFPA	1	279

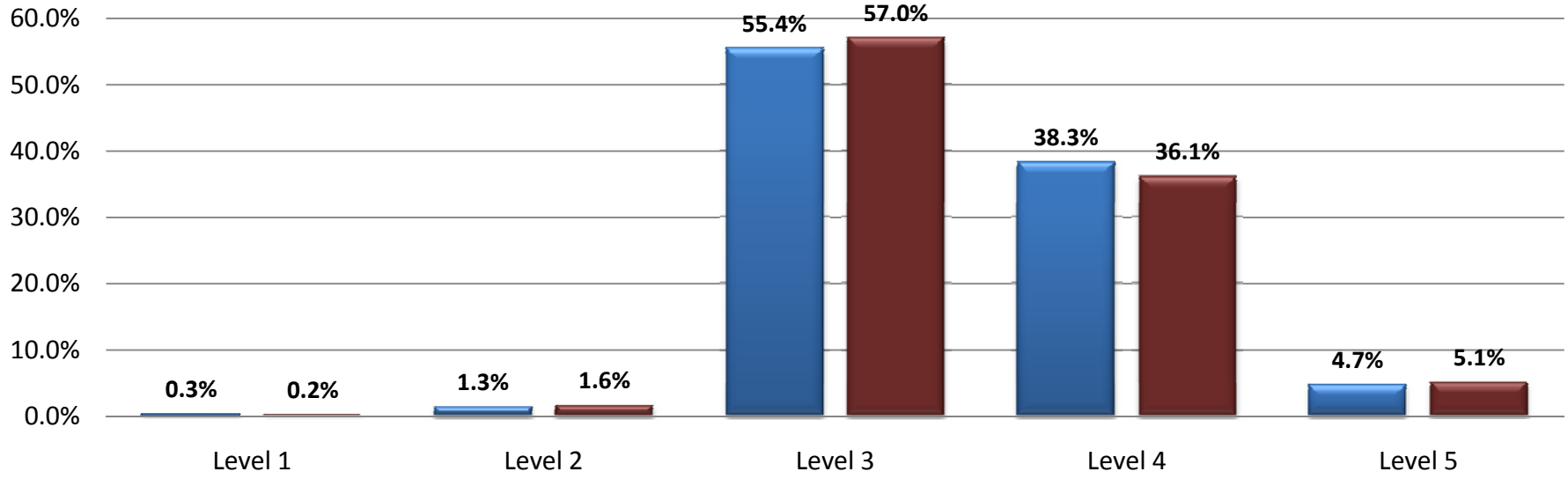
Comparison of Aggregate DoD and 4th Estate Payout Statistics

Weighted Averages Used – Accounts for differences in population size and salary

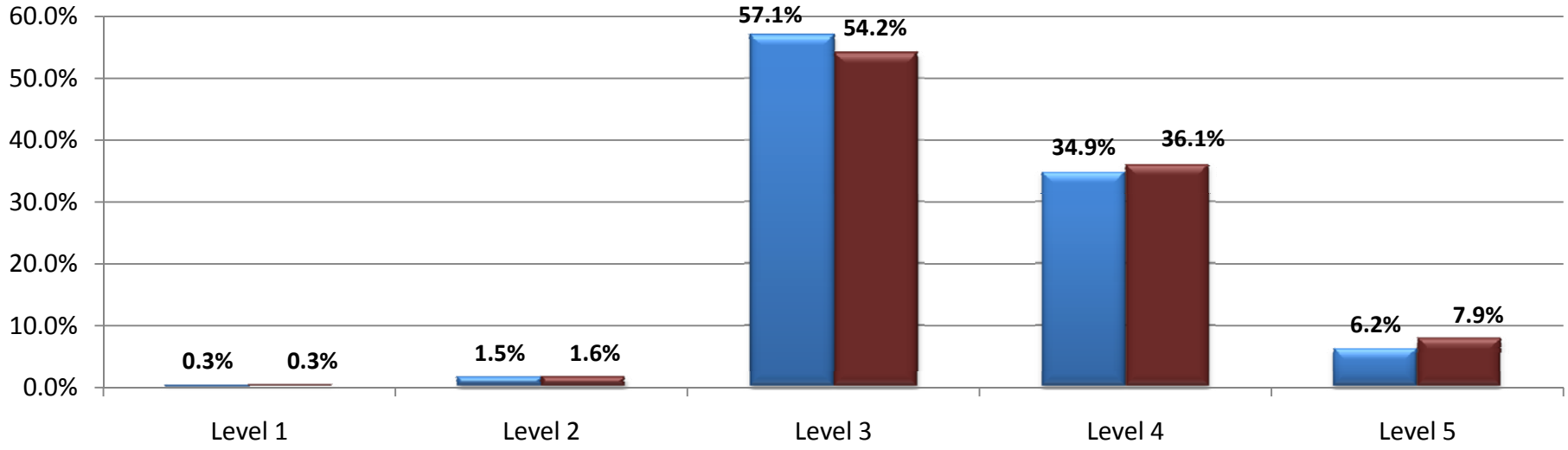
	Department of Defense		4th Estate	
	2008	2009	2008	2009
Number Rated	100,000	169,928	9,182	22,278
Number of Pay Pools	997	1,630	82	224
Average Rating	3.45	3.46	3.50	3.45
Share Value	2.14%	2.23%	2.19%	2.33%
Average Increase to Salary %	3.40%	3.67%	3.37%	3.68%
Average Increase to Bonus %	1.70%	1.94%	2.30%	2.38%

RATING DISTRIBUTON

Department of Defense



Fourth Estate

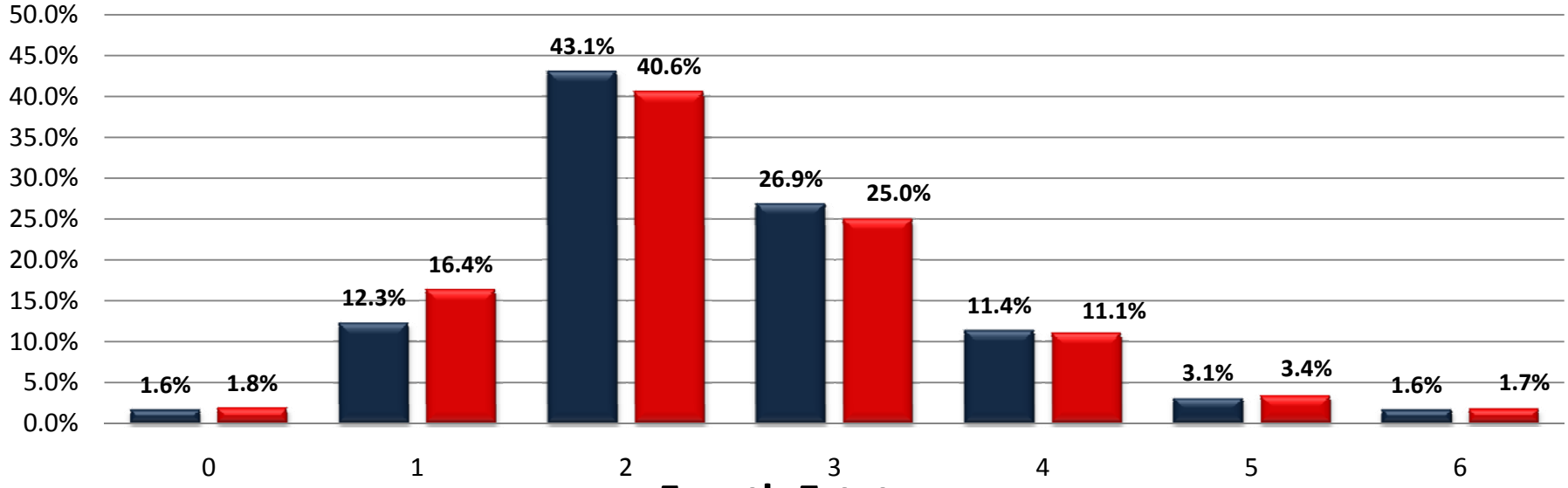


Weighted Averages Used –
Accounts for differences in population size and salary

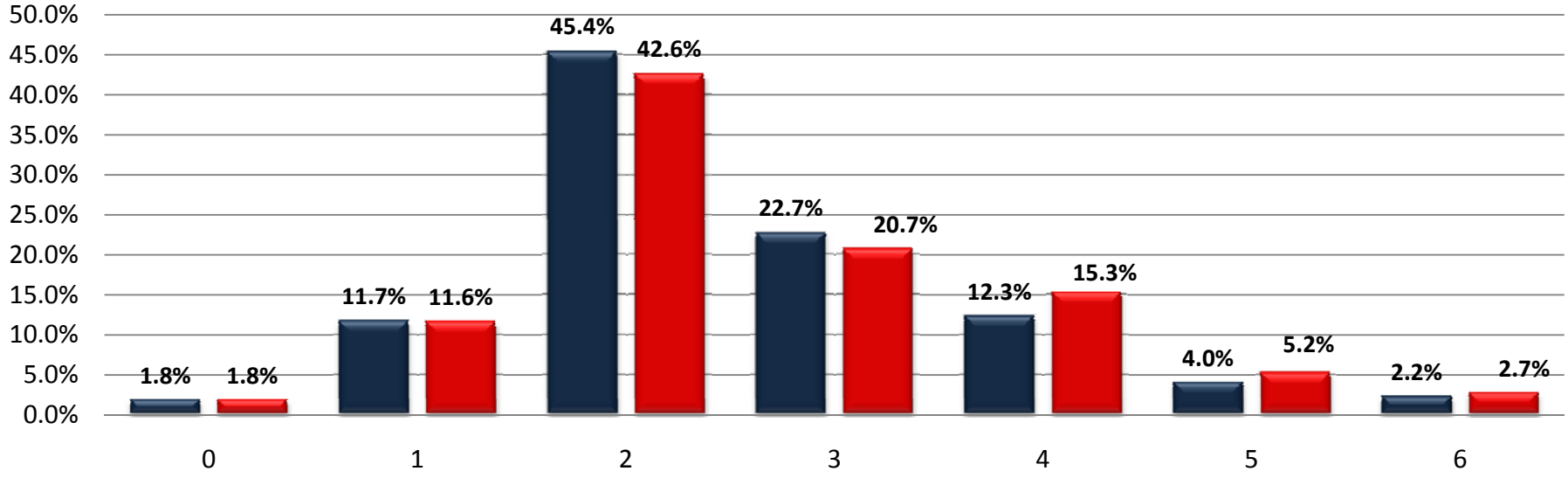
Payout 2009 Payout 2008

SHARE DISTRIBUTON

Department of Defense



Fourth Estate



Weighted Averages Used –
Accounts for differences in population size and salary

Payout 2009 Payout 2008

RECONSIDERATION STATISTICS

Preliminary Report as of March 13, 2009
Final Report due May 27, 2009

	Status of Request						Subsets of Requests		
	Number Filed	Number In Progress	Number Dismissed	Number Not Granted	Number Granted: Final Rating Change	Number Granted: Objective Rating Change	Number Elevated to PRA	Number Using ADR	Number Returned for EEO Channels
4th Estate	**530**	**36**	**16**	**271**	**166**	**183**	**102**	**0**	**11**

2009 payout rated employees 22,281/530 request = 2%

2008 payout rated employees 9,182 rated/200 request = 2%

General Comments from Fourth Estate Payout Survey

- ✓Reiterate the importance of the pay pool panel developing a shared understanding of a "Valued Performer"
- ✓Pay pools should review performance indicators and contributing factors before deliberations begin and have them readily available during deliberations
- ✓Many pay pools found it useful to use one of the wild card columns to capture any changes made during the panel process
- ✓Use of mini-mock or pay pool panel off-site meeting prior to actual deliberations proved valuable
- ✓Pay pool panels deliberations that are conducted off-site, need to ensure access to PAA
- ✓Tracking the movement of employees who move after September 30 and before the payout is a challenge
- ✓Employee perceptions of NSPS has improved for organizations under NSPS for 2nd and 3rd payout
- ✓The mandatory funding amount for Element 1 (2.26%) to be paid to salary is problematic in many organizations
- ✓Use of only one Contributing Factor per job objective is the best approach

Share Value Issues

IAW 9901.342(g)(1), the percent value of a performance share is calculated by dividing the pay pool fund (expressed in dollars) by the summation of the products of multiplying each employee's base salary times the number of shares earned by the employee **[Share Value(%) = Pay Pool Fund($)/Σ (base salary of each pay pool member × shares assigned each pay pool member)]**.

Direct influences on pay pool's share value:

- ✓Pay pool structure (determine the pay pool fund)
- ✓Employee Ratings (determine share distribution)

Share Assignment Policy

IAW 9901.342(f)(2), the only factors that may be used in determining share assignment are:

- **Complexity of the work**
- **Level of responsibility**
- **Compensation (e.g., recent salary increases, current salary in relation to control points or pay band maximum, current salary in relation to labor market)**
- **Overall contribution to the mission of the organization**
- **Organizational success**
- **Raw performance scores**

4th Estate entities used varied approaches (e.g., raw score 3.00 = 2 shares); one organization's business rule is:

- Level 3 "Valued Performer" – Any objective rating < 3 = 1 Share ; All other Level 3 Rating = 2 Shares
- Level 4 "Exceeds Expectations" – At least one objective rating = 5 and none < 4 = 4 Shares; All other Level 4 ratings = 3 Shares
- Level 5 "Role Model" – Any objective rating < 5 = 5 Shares; All 5's = 6 Shares

Salary vs. Bonus

IAW 9901.342(g), (4) The factors management may consider in determining the amount to be paid out as a bonus versus an increase in the rate of base salary are limited to the following:

(i) Current base salary in relation to appropriate rate range;
(ii) Current base salary, level of responsibility and complexity of work performed in comparison with others in similar work assignments;
(iii) Performance-based compensation received during the rating cycle associated with promotions, reassignments, or awards;
(iv) Salary levels of occupations in comparable labor markets;
(v) Attrition and retention rates of critical shortage skill personnel;
(vi) Expectation of continued performance at that level;
(vii) Overall contribution to the mission of the organization; and
(viii) Composition of the pay pool fund.

Control Points

Only the factors delineated in section 9901.321(c) may be considered in developing control points. The methodology shall be applied consistently to similar positions in the same pay band and career group within a pay pool. (Also see SC1930.8.1.1.3.)

The only factors that can be considered in developing control points are:

- Mission requirements,
- Labor market conditions,
- Benchmarks against duties,
- Responsibilities,
- Competencies,
- Qualifications and
- Performance

Salary Cap

IAW 9901.312(b), no employee may receive, under authority of this subpart, an adjusted salary rate greater than the rate for level IV of the Executive Schedule plus 5 percent. The payable local market supplement for an employee must be reduced as necessary to comply with this limitation.

January 2009	
Level IV	$153,200
Plus 5%	$7,660
NSPS Salary Cap	$160,860

New Total Salary over by $1,200 and LMS will be adjusted to $29,211 and new salary will be the same as the NSPS Salary Cap $160,860

Sample YA-03 Situation	
Enter Current **Base** Salary as of Sep 30, 2008	$123,500
NSPS Rate Range Adjustment of 1.74%	$2,149
New Base Salary After Adding Rate Range Adjustment	$125,649
Enter Performance Salary Increase (available on the DD Form 2906 addendum)	$6,000
New Base Salary After Adding Performance Salary Increase	$131,649
Enter Local Market Supplement (LMS)* percentage for your area. (***Estimated** LMS % for Washington, DC is included as an example.)	23.10%
New Local Market Supplement Amount	$30,411
New Total Salary on January 4, 2009*	$162,060

Current maximum payable under GS is $153,200 (GS 15 step 10)

Annual Certification and Funding Floor

IAW SC1930.9.2.2, within 45 days after the effective date of the annual performance payouts, DoD Components will certify in writing to the Deputy Secretary of Defense through the USD(P&R) that the amount expended for NSPS performance-based pay increases is no less than what would have been expended had these positions not been converted into NSPS.

Direct influences on annual certification and funding floor (Elements 1 and 2) expenditure:

- ✓Pay pool structure (i.e., employees LWOP status, seasonal employees, etc.)
- ✓Employee at end of rate range
- ✓Employees up against pay cap

Reconsideration Issues

- **When does the 10 calendar day period start?**
  - **Before Finalization Process**

    A verifiable date that the employee became aware of their rating of record, to include objective ratings and narratives as well as share assignment and payout information. Date employee is in receipt of the Employee Notice of Pay Pool Decisions (Addendum to DD 2906) and Working copy of DD Form 2906

  - **After Finalization Process**

    The date on which the final rating and appraisal is available to the employee. This occurs after the finalization process has been run and the rating official has opened the appraisal, documented the date of the performance appraisal conversation, and closed the appraisal. Rating officials should notify employees (this can be done via email (use of an email "read receipt" is recommended) or other means) when they have closed the appraisal. At that time employees can access the final appraisal through My Biz (in the "Completed Plans / Appraisals" area of the PAA main page). This will mark the start of the 10 calendar day period after which employees can no longer submit a request for reconsideration.

NOTE: After the Performance Appraisal Conversation, the rating official must document that the conversation took place in the PAA. This is done in the PAA <u>after</u> the finalization process in January, so if the conversation was held prior to that (which it should have been), the RO needs to keep track of the date(s) to be entered in the PAA.

Reconsideration Issues

IAW, SC1940.13.3., allegations that a performance rating was based on prohibited discrimination, such as race, color, religion, sex, national origin, age, physical or metal disability, or reprisal may not be processed through the reconsideration process, but instead will be processed through the EEO discrimination complaint procedure.

- Employee alleges discrimination in request for reconsideration and is informed that they must file through the EEO complaint procedure. Employee decides to withdraw EEO complaint and requests permission to re-file a reconsideration. Should the PPM accept a second request?

Retaining Recommended Ratings

NSPS recommended appraisal information records entered in the Performance Application (PAA) are part of a "system of records" for purposes of the Federal Records Act of 1950 and should be retained in accordance with 5 CFR 293, Guidance on Employee Performance File System Records.

Once the NSPS rating is final, employees may request copies of the recommended rating. The rating (i.e. numerical and narrative rating, share assignment, and payout distribution) is final once issued to the employee with all appropriate reviews and signatures.

Performance ratings and documents supporting those ratings are generally not permanent records and are typically retained for 4 years.

Organizations with independent appointing authority are responsible for establishing procedures for retaining and requesting these records.

Discussion and Wrap Up

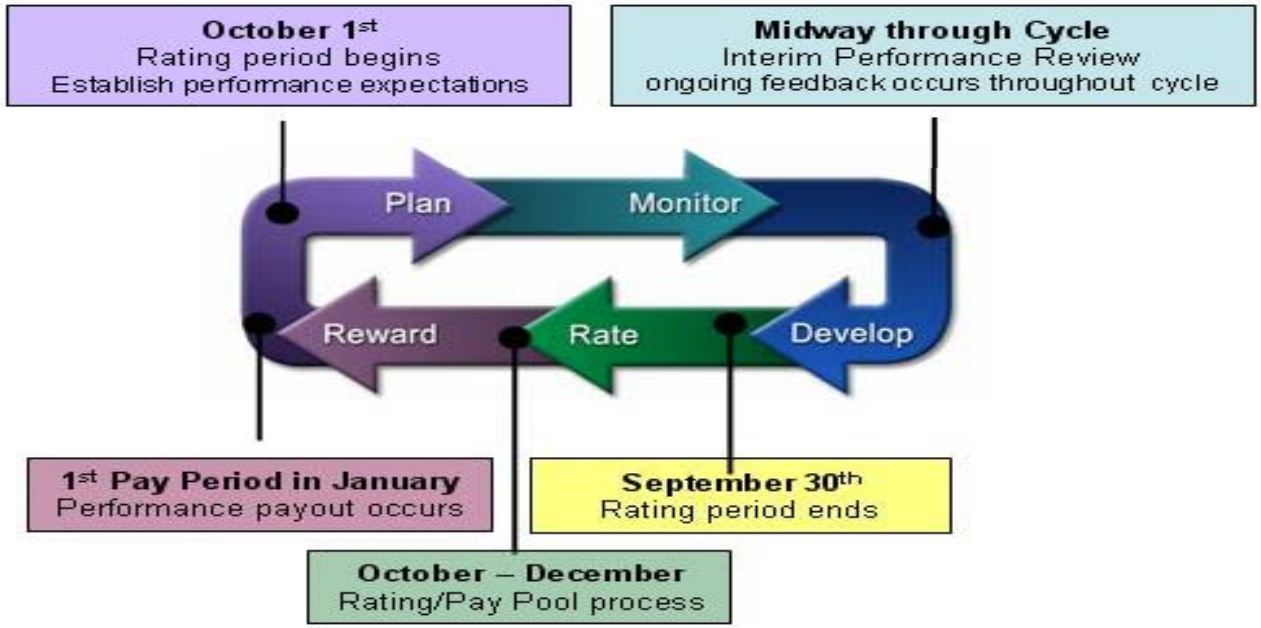
- Organizations must continue NSPS performance payout analysis

- Lessons Learned
  - "If I knew then what I know now…"
  - What changes are you making and why?

- Additional takeaways, comments and/or questions

NSPS Performance Management Timeline Calendar October 2008 – September 2009

NSPS Performance Management Timeline October 2008 – December 2008



Oct-08						
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1 Oct - 2008-2009 performance cycle begins.

6 Oct - Employees complete self-assessments in PAA for 2007-2008 cycle.

14 Oct - Supervisors conduct end-of-cycle review conversation for 2007-2008 cycle.

21 Oct - Supervisors complete supervisory assessment and input recommend rating, shares and distribution in PAA for 2007-2008 cycle.

30 Oct - By this date, Higher-level reviews and approves 2008-2009 performance plan and supervisors complete formal communication of plan to employees.

31 Oct - Higher-level review completes recommended rating for 2007-2008 performance cycle.

31 Oct - Extracts can now be pulled from the PAA into the CWB.

Nov-08						
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30						

3 Nov - By this date, pay pool begin to meet to review and reconcile performance evaluations and payout.

19 Nov - Pay pool panel process should be completed and results of pay pool panel deliberations captured in PAA and CWB.

26 Nov - By this date, pay pool manager should have coordinated payout results and supporting analysis with PRA as necessary.

Dec-08						
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1 Dec - Organizations will forward CWB data extract for upload and data quality check. MANAGERS MUST BE AVAILABLE FOR CORRECTIONS.

15 Dec - Supervisors begin to communicate final ratings of record and performance payout to employees after receiving the "all clear" from Servicing HRO.

19 Dec - Data quality review process should be complete.

NSPS Performance Management Timeline January 2009 – March 2009

Average Rating Range	Rating of Record	Rating of Record Descriptor	Share Range	Employees are eligible to receive...
4.51 to 5.00	5	Role Model	5 or 6	• Performance-based pay increases • Rate range adjustments • Local market supplement increases
3.51 to 4.50	4	Exceeds Expectations	3 or 4	• Performance-based pay increases • Rate range adjustments • Local market supplement increases
2.51 to 3.50	3	Valued Performer	1 or 2	• Performance-based pay increases • Rate range adjustments • Local market supplement increases
2.00 to 2.50	2	Fair	0	• Rate range adjustments • Local market supplement increases
1 (on any objective)	1	Unacceptable	0	No increase

Jan-09						
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18	19	20	21	22	23	24
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2 Jan - Supervisors must have communicated final ratings of record and performance payout to employees.

4 Jan - Effective date of payout for 2007-2008 appraisal cycle.

5 Jan - Payouts process begins in DCPDS.

23 Jan - Employees should start to see payout in paychecks.

30 Jan - Certification of Pay Pool funding for Heads of Organizations with Independent Budget Authorities

Feb-09						
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3 Feb – By this date, communicate aggregate payout results to workforce from 2007-2008 appraisal cycle.

20 Feb - By this date, pay pool managers and advisors assess prior cycle best practices and lessons learned.

27 Feb - (OPTIONAL) By this date, pay pool manager and advisors should determine timelines/schedule of events/plan logistics for mock pay pool (if your organization plans to have mock, pay pool leadership should be defined).

Mar-09						
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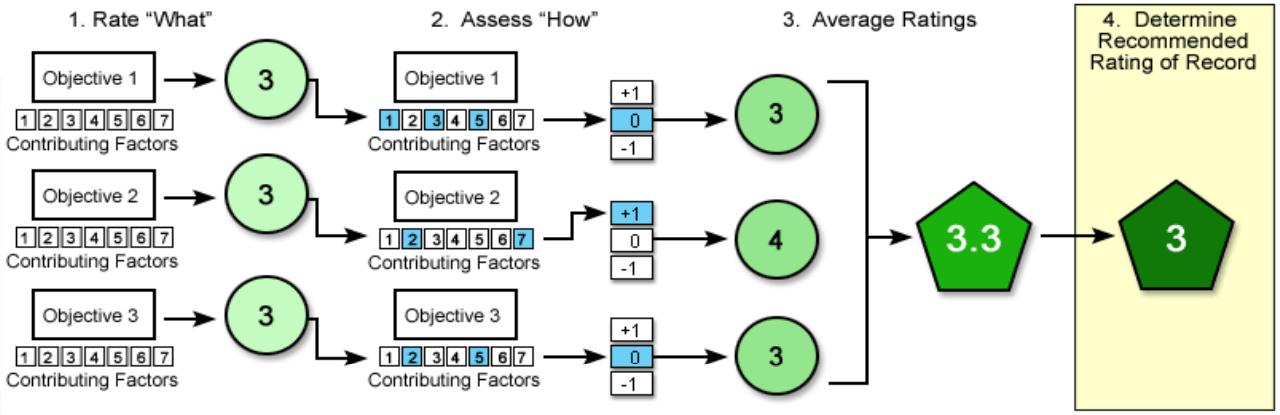
22	23	24	25	26	27	28
29	30	31				

6 Mar - (OPTIONAL) By this date, pay pool managers should have gathered and validated personnel and salary data (including budget/financial) to support mock pay pool exercise.

20 Mar - (OPTIONAL) By this date, pay pools should have defined pay pool panel ground rules and protocols for mock pay pool.

Ongoing feedback drives performance.

NSPS Performance Management Timeline April 2009 – June 2009



Apr-09						
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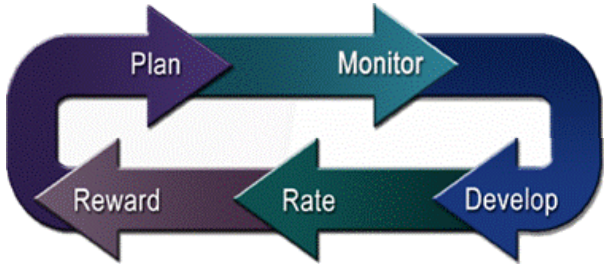
14 Apr - (OPTIONAL) Continue preparations as necessary for mock pay pool exercise preparation.

20 Apr - By this date, employees should have completed interim self-assessments in PAA.



May-09						
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24	25	26	27	28	29	30
31						

4 May – PRA completes analysis of pay pool results within and across pay pools.

11 May - Rating officials complete supervisory interim assessments in PAA and communicate formal interim feedback to employees not later than this date.

18 May - (OPTIONAL) Pay pool panel meet, review and reconcile mock performance evaluation and payout no later than this date. Upon completion of exercise, pay pool managers and panel members analyze results, document lessons learned and best practices to be used in year-end pay pool reconciliation. Communicate mock pay pool exercise results to PRA and workforce.

29 May - Pay pool managers and advisors discuss anticipated resource requirements, schedules, blocks calendars and leadership expectations for year-end reconciliation and payout.

Jun-09						
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21	22	23	24	25	26	27
28	29	30				

29 Jun - Pay pool managers and advisors make any necessary revisions to pay pool panel ground rules, communicate with pay pool panel members expectations for reconciliation process and effect any adjustments necessary as a result of lessons learned.

29 Jun - Remind rating officials and pay pool advisors that employees with less than 90-days under an NSPS performance plan are not eligible for a rating or payout.

29 Jun - Finalize communications to the workforce, as needed, identifying changes to pay pool constructs, and changes to pay pool manager, performance review authority and/or pay pool panel representation.

NSPS Performance Management Timeline July 2009 – September 2009

Jul-09						
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12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

2 Jul - NSPS-covered employees must be on approved performance plans not later than this date to ensure that they are entitled to a rating.

2 Jul - After this date job objectives should be altered ONLY if there is a material change in mission, budget or business needs.

2 Jul - Final date to notify employees of pay pool constructs and general policies.

Aug-09						
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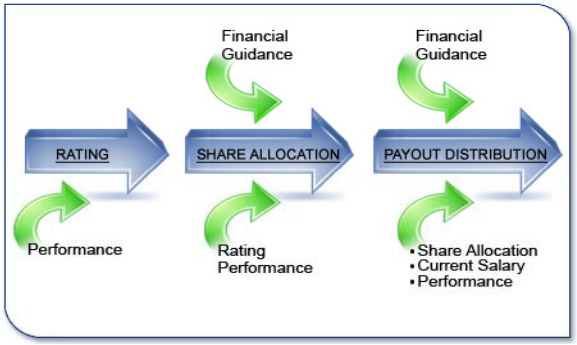
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

3 Aug - NSPS pay pool managers begin to: validate pay pool data, finalize financial management analysis to the extent decisions are available, refine pay pool ground rules and protocol, develop shared understanding of performance levels.

31 Aug - Pay pool advisors finalize logistics and scheduling for pay pool panel meetings no later than this date.

31 Aug - Pay pool advisors should review enhancements to PAA and CWB to ensure familiarity with these tools.

31 Aug - Advisors should also begin tracking "specially situated" employee categories.



Employee	Final Rating of Record	Base Salary	Number of Shares		Share Value		Payout Total
Joe	3	89,000	x	1	x	2.31%	2,056
Lynn	2	75,000	x	0	x	2.31%	0
Sara	3	68,000	x	2	x	2.31%	3,142
Pat	3	42,000	x	2	x	2.31%	1,940
Peter	3	50,000	x	2	x	2.31%	2,310
Stephanie	4	75,000	x	4	x	2.31%	6,930
Tony	4	55,000	x	3	x	2.31%	3,812
Francis	3	89,000	x	2	x	2.31%	4,112
Kay	3	75,000	x	2	x	2.31%	3,465
TOTAL		618,000					27,767

PAY POOL FUND (4.50% x total base salaries).....27,767
divided by
SALARY x SHARES (for each employee)).....1,202,000
equals =
SHARE VALUE 2.31%

PAYOUT (salary x number of shares x share value)

Sep-09						
S	M	T	W	T	F	S
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13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

14 Sep - NSPS pay pool managers and rating officials remind employees to begin preparing self-assessments. Also remind Higher-level Reviewers of their role in the review process.

30 Sep - 2008-2009 Performance cycle ends for NSPS employees.