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ADMINISTRATION AND MANAGEMENT

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MEMORANDUM FOR CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT TO THE SECRETARY OF DEFENSE (INTELLIGENCE OVERSIGHT)
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: National Security Personnel System (NSPS) Performance Management Internal Safeguards

As the third year under the NSPS begins, it is appropriate to reinforce basic internal safeguards. NSPS is designed to support a culture in which the performance and contributions of the civilian workforce are accurately recognized and rewarded. Performance management is an ongoing process and throughout the performance management cycle, it is important to continue to reinforce internal safeguards that facilitate employee trust in the system. Fairness and equity are the basic tenets upon which the NSPS is based.

Leadership at all levels should take deliberate measures to promote procedural consistency and transparency. Some areas for you to consider include communication, training, and organizational level reviews as reflected in the attachment.

The points of contact for questions pertaining to NSPS Performance Management are Ms. Patricia Ebert, 703-699-1816, or Mr. Louis Blackshear, 703-604-5977.

Michael L. Rhodes
Acting Director

Attachment:
As stated

cc:
Director, Defense Microelectronics Activity
President, Defense Acquisition University
President, National Defense University
NSPS Program Executive Officer

Leadership Focus Areas

a. Communication:

- Throughout the performance cycle, re-emphasize performance management responsibilities. To assist within this, attached is a list of significant performance management responsibilities for employees, rating officials, higher level reviewers, and pay pool officials.
- Reinforce that communication between supervisors and employees are critical to the success of the performance management system; therefore, performance expectations and year-to-date progress should be the subject of several discussions throughout the year between supervisors and employees.
- Not later than 30 days (by February 3, 2009) after the effective date of the payout, communicate and make available in writing the general pay pool results for the January payout to the organization's NSPS workforce. Communication of pay pool results must be accomplished in a manner that will not compromise employee confidentiality or violate the Privacy Act. Results will include the following data at a minimum:

    1. Number of pay pools (if aggregate pay pool results are necessary)
    2. Number of employees rated
    3. Rating and share distribution
    4. Average rating
    5. Average share assignment
    6. Share value (average share value if aggregated pay pool results are necessary)
    7. Average payout expressed as a percentage of base salary.
- Use surveys, focus groups and/or other means to assess employee perceptions of the NSPS performance management system.
- Share with the leadership team and employees, as appropriate, "lessons learned" that encompass the full range of the pay pool process and incorporate best practices that improve the system operation.
- Reinforce that in addition to NSPS payouts, eligible employees received an NSPS general salary increase of 1.74%, which is equal to 60% of the General Schedule increase and a 2.21% local market supplement increase, to 23.10%.

b. Training:

- Ensure that new employees to NSPS receive training in, at a minimum, HR Elements and Performance Management as soon as practical upon entering the workforce.
- Develop and implement sustainment NSPS training for employees, supervisors, pay pool panels (managers and members); and pay pool advisors that include changes and updates to existing NSPS policies.

c. Organizational Level Reviews:

- Conduct organizational level reviews that include a high level assessment of aggregate information to identify, examine and remove barriers to similar rating and payout potential for workforce groups, apart from differences based on individual performance or material job differences. Reviews should include comparison of ratings; impact of pay pool business rules; quality of performance plans and assessments; and sources of and decisions on requests for reconsideration. Another important area of focus is rating equity, which includes demographic analysis of pay pool results.
- Take advantage of the perspective of a variety of officials, such as performance review authorities; pay pool managers, program analysts and evaluators, human resources professionals, and equal employment opportunity officers and managers, to help review broad results for areas of concern.

Communication, training and organizational level reviews throughout the NSPS pay-for-performance process are vital in determining the system's operational functionality and fairness for all employees. These efforts must continue in order to determine where the system is working well and where improvements should be made.

Performance Management Responsibilities

Under NSPS, performance management is a priority for supervisors, managers and employees at all levels. All parties (e.g., employees, supervisors, higher level reviewers, pay pool panel members, and pay pool managers) need to invest adequate time and effort throughout the rating cycle for training on and administration of performance management. Below are the most significant performance management responsibilities assigned to employees and pay pool officers (e.g., pay pool managers and pay pool panel members) covered by NSPS.

Employee Responsibilities. Employees covered by NSPS should:

- Participate in developing job objectives and identifying contributing factors which will become the basis for their NSPS rating;
- Familiarize themselves with the NSPS performance indicators and contributing factor benchmarks that apply to their pay schedule and band;
- Review their assigned job objectives throughout the appraisal period to ensure that they continue to be relevant and aligned to organizational goals. If employees question applicability or relevance, they should notify their supervisor;
- Seek out and identify developmental opportunities that will enhance their performance and contributions toward organizational goals; and
- Provide their supervisor/rating official with accurate, relevant and candid self-assessments (interim and final) to be considered in rating individual performance. This is the opportunity for employees to communicate their accomplishments and contribution toward the organization's mission and strategic goals. In addition, the self-assessment should be reflective of the appropriate performance indicators and address applicable contributing factors. Employees should complete self-assessments not later than the date specified by their rater.

Rating Official and/or Supervisor Responsibilities. Under NSPS, the rating official is a representative of management, usually the immediate supervisor, who is approved by the pay pool manager to evaluate and assess employee performance and recommend a rating of record for review by the pay pool panel. Responsibilities include, but are not limited to the following:

- Facilitate employee attendance at NSPS HR Elements and Performance Management training sessions;
- Encourage employees to provide input to their job objectives and contributing factors;

- Ensure all employees covered by NSPS are provided performance objectives within 30 days of the beginning of the appraisal period;
- Provide subordinate employees regular, candid performance feedback and at least one documented interim review during the appraisal period;
- Request and consider employee self-assessments at the time of the interim review and at the conclusion of the appraisal period;
- Seek out and communicate opportunities for employee development;
- Complete close out assessments as required by NSPS policy;
- Identify and address performance deficiencies when such deficiency becomes evident;
- Prepare accurate assessments of the employee's accomplishments and contribution to the mission taking into consideration the performance indicators and including the work behaviors reflective of applicable contributing factors;
- Recommend performance ratings, share assignments, and payout distribution and forward to higher level reviewer within the organizational timelines;
- Be prepared to justify recommendations to pay pool panel officers;
- Ensure that procedures and policies comply with merit system principles and are exercised in a consistent manner within his or her span of control; and
- Communicate to employees meaningful feedback along with the final rating of record, share assignment and payout distribution.

Higher-level Reviewer Responsibilities. Under NSPS, the higher-level reviewer is a representative of management, usually the immediate supervisor's supervisor, who is responsible for reviewing performance plans, assessments, and recommended rating of record and for ensuring consistency and fairness within and across organizations within his/her span of control.

Pay Pool Panel Responsibilities. The pay pool panel is a board of management officials who are in positions of line authority or in senior staff positions with resource oversight for the organizations, groups, or categories of employees comprising the pay pool membership. The primary function of the pay pool panel is the reconciliation of ratings of record, share distribution, and payout allocation decisions. Pay pool panel members may not participate in payout deliberations or decisions that directly impact their own performance assessment or pay.

Responsibilities for pay pools panels include, but are not limited, to the following:

- Review and discuss recommended ratings of record, share assignments, and payout distributions;
- Make adjustments to recommended ratings of record, share assignment, and payout distribution based on the consistent application of NSPS rating policies and merit systems principles across the pay pool;
- Ensure a fair and consistent approach is applied to all employees within the pay pool;
- Provide the rating official an opportunity to justify his/her recommendations if the panel disagrees with a rating or overall assessment for an individual employee; and
- Communicate any changes to the rating official along with the rationale for the change(s).

Pay Pool Manager (PPM) Responsibilities. PPMs are charged with the overall responsibility for the effective operation of the pay pool and for the distribution of funds in a manner consistent with DoD, Component and organization policies. The pay pool manager is the final approving official of the rating of record. Responsibilities for PPMs include, but are not limited to the following:

- Ensure supervisors and management officials tasked with recommending a rating of record, share assignment, and payout distribution have been adequately trained;
- Ensure rating officials comply with timely issuance of interim reviews, closeout assessments, and recommended ratings of record, share assignments, and payout distribution;
- Evaluate the effectiveness of rating officials and pay pool panel members;
- Conduct end of cycle pay pool panels in a timely manner to meet payout timelines;
- Ensure that procedures and policies are exercised in a consistent manner throughout the pay pool process and comply with merit system principles;
- Oversee the distribution of pay pool funds in compliance with appropriate financial management policies;
- Ensure that applicable notification requirements are executed in a timely manner; and
- Document "lessons learned" that encompass the full range of the pay pool process and review/analyze pay pool results to identify equity issues and/or potential areas of improvements. Communicate, as appropriate, results and/or plan for improvement to supervisors/managers.

Performance Review Authority (PRA) Responsibilities. The PRAs oversee the operation of pay pools established under NSPS and ensure procedural and funding consistency among pay pools under its authority. PRA responsibilities include, but are not limited to the following:

- Select pay pool managers;
- Provide guidance to pay pool managers;
- Ensure procedural and funding consistency over multiple pay pools;
- Review aggregate rating and payout trends;
- Manage the civilian pay-for-performance budget, discretionary performance payout fund, and pay-for-performance reserve fund;
- Monitor and adjust pay pool fund distribution;
- Decide challenges to ratings of record;
- Manage the pay-for-performance reserve fund;
- Oversee publication of any notices to employees; and
- Analyze pay pool results in a variety of ways including demographic analysis to ensure fairness and equity across the pay pools, identify potential barriers and areas of improvements and develop plan of action to address/correct potential deficiencies.

The responsibilities and tasks listed above are minimum expectations. Additional requirements may be established by appropriate levels of leadership and should be communicated to the covered population annually.

National Security Personnel System
January 2009 NSPS Payout Fact Sheet
January 2009

This Fact Sheet provides information on pay changes for NSPS employees that will occur in January 2009. For more information on compensation, performance management and other NSPS subjects, please visit the NSPS web page at http://www.cpms.osd.mil/nsps.

You are encouraged to consult with your servicing Human Resources office for supplemental local or Component guidance.

January 2009 NSPS Pay Adjustments

The NSPS January pay changes consist of:

- Performance-based payouts in the form of base salary increases, bonuses, or a combination of both
- An NSPS general salary increase of 1.74%, which is equal to 60% of the General Schedule increase
- An increase to local market supplements (LMS) equal to the increases to General Schedule locality pay rates.

Payouts are effective the first pay period in January. Employees who receive a final rating of record of "3" or higher are eligible for performance-based payouts.

General Salary Increase

The NSPS general salary increase is an across-the-board salary adjustment for NSPS employees who are rated "2" or higher under the NSPS performance management system. The amount of this increase is 60% of the government-wide General Schedule pay increase for Federal employees. For 2009, the General Schedule increase is set at 2.9 percent (not including increases to locality rates). Of this percentage:

- 60 percent—or 1.74 percent—is designated for increases to base salaries and paid to NSPS employees who receive a rating of record of 2 or higher.
- 40 percent—or 1.16 percent—is allocated to performance pay pool funds and distributed through the pay pool panel process as performance-based salary increases.

Local Market Supplements

NSPS employees receive local market supplements based on the General Schedule locality pay rates. The increases to these local market supplements will mirror the General Schedule locality increases and be paid to employees with a performance rating of 2 or higher. For 2009, the overall average increase to General Schedule locality rates is 1 percent, but an employee's actual increase depends on his/her duty location.

2009 Payout – Putting It All Together

The table below summarizes what employees under NSPS are eligible to receive:

Final Rating of Record	In 2009, employees are eligible to receive...
5 – Role Model	▪ General Salary Increase of 1.74% ▪ Performance-based payout ▪ Local market supplement increase
4 – Exceeds Expectations	
3 – Valued Performer	
2 – Fair	▪ General Salary Increase of 1.74% ▪ Local market supplement increase
1 – Unacceptable	▪ No increase

Frequently Asked Questions

Question: In January 2009, do NSPS employees performing at an acceptable level receive a general increase in base salary?
Answer: Yes. Employees with a final rating of record of 2 or higher receive an increase of 1.74 percent in base salary. Employees with a final rating of record of 1 do not receive a base salary increase.

Question: Do NSPS employees receive local market supplement adjustments?
Answer: Yes. Employees with a final rating of record of 2 or higher receive a local market supplement adjustment equivalent to the locality pay amount specified for their work location.

Question: What happens to NSPS employees who do not have an NSPS rating of record and are not eligible for a performance payout?
Answer: These employees receive an NSPS general salary increase equivalent to the 2009 General Schedule increase (2.9 percent), as well as the local market supplement adjustment.

2009 NSPS Performance Payout Example

The following example illustrates how an employee may be compensated under NSPS in 2009:

NSPS Employee Located in Washington, DC

Final rating of record: 3 – Valued Performer
Performance Shares Earned: 2

Current Salary	
The employee's base salary is:	$60,000
Current (2008) Washington, DC Local Market Salary of 20.89%:	$12,534
Employees current adjusted salary:	**$72,534**
January 2009 Pay Changes	
The employee receives the NSPS General Salary Increase of 1.74%: ($60,000 x 1.74% = $1,044)	$1,044
The new BASE salary after adding the NSPS General Salary Increase:	**$61,044**
The employee earns a $1,620 performance salary increase: *The employee receives a rating of "3" and receives 2 shares. The total value of the performance payout is $2,700, of which $1,620 is given in base salary increase. The share value in this pay pool was 2.25%.*	$1,620
The new base salary after adding the performance-based salary increase is:	**$62,664**
The new 2009 LMS for Washington DC area is 23.10%: ($62,664 x 23.10% = $14,475)	$14,475
Employee's new adjusted salary:	**$77,139**
The employee also received a one-time performance-based bonus. The amount of the bonus is:	**$1,080**

Salary Change: $4,605

In this example, the employee receives a total adjusted salary increase of **6.3%**, in addition to the cash bonus of $1,080. The employee's salary increase includes the NSPS General Salary Increase, a performance-based salary increase, and the increase in the Washington DC Local Market Supplement.