



Department of Defense



***National Security
Personnel System***

Compensation

Session B

June 2007

Leading The Way





Panel Members

■ Meg Hogan

- Department of the Air Force

■ Doug Lundberg

- Director of the Policy and Programs Department
- Department of the Navy

■ Stephen Bacon – Moderator

- HR Systems
- Program Executive Office, NSPS



Overview

- Provide insights into NSPS compensation flexibilities
- Discuss challenges and strategies for overcoming them
- Address audience issues



NSPS Senior Leader Workshop: *Compensation Under NSPS*

Douglas A. Lundberg
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June 6th 2007



Compensation Business Rules

Four key components:

Principles

Compensation Model

Compensation Management

Business Rules

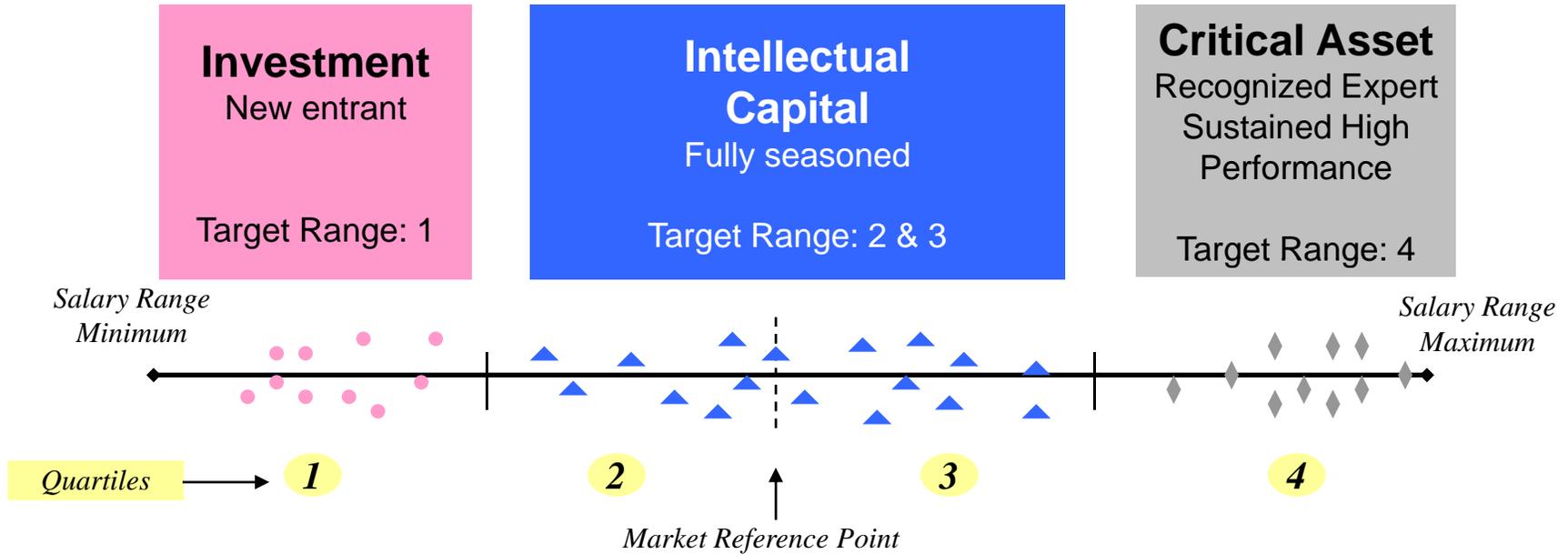


Compensation Principles

- We will manage compensation fairly and equitably.
- All compensation decisions will be supported by sound business reasons.
- We will ensure all decisions include appropriate consideration of internal pay equity.
- We will pay competitively while being mindful of our financial stewardship responsibilities.
- We will not compete among ourselves for our own talent.



Compensation Model



The vast majority of employees are typically in the 2nd or 3rd quartiles of the salary range

Note: The Salary Range refers to the subset of the pay band identified for a particular kind of work. Salary ranges are currently based on legacy GS grades. As our compensation capability matures, a market component will be incorporated into the process for determining salary ranges.



Compensation Management

☐ Compensation Board

- Composition
- Roles

☐ Authorities and Delegations

- Structured flexibility
- Defined flexibility for pay setting officials
- More flexibility for senior leaders

Do not give first (or second) line supervisors unfettered access to the entire pay band



Business Rules

☐ New Hires

- The competitiveness of the labor market
- The qualifications of the candidate
- The current compensation of the candidate
- Internal pay equity
- Where the compensation would fit in the Compensation Design Model for the kind of work in question

☐ Promotions

- 6-12% - Pay setting officials
- Greater than 12% - Senior leaders



Business Rules

Reassignments

- Evident and observable increase in duties and responsibilities
- Will not use reassignments to compete within OCHR for talent

Incentives

- Up to 10% or \$10,000 - Pay setting officials
- Greater than – Senior leaders

ACDP

- Sized so that employee enters Pay Band 2 in the 1st or 2nd quartile for type of work



Business Rules

☐ Allocation of Shares

- Default to lower share number
- Consider additional share based on
 - ▶ Strength of Rating
 - ▶ Nature of Contribution
 - ▶ Degree of Difficulty
 - ▶ Overall Compensation Equity

☐ Pay/Bonus Distributions

- Based on Compensation Model
- Avoid unintended consequences



Back Up



Transition from Initial Operational Capability to Full Operational Capability (Notional)

**GS
Current**

General Pay Increases		Other Pay Increases		Awards		Pay	Cash	Total
General Increase	2.5%	Promotions (within bands)		Performance Awards				
Locality Pay	<u>1.0%</u>	WGs		Special Acts				
		QSI		On-the-Spots				
Total	3.5%	Total	2.26%	Total	1.5%	5.76%	1.5%	7.26%

**NSPS
Transition**

General Pay Increases		Pay for Performance		Awards	Pay	Cash	Total		
Rate Range Adj.	2.5%	Pay	2.26%	Bonus	1.0%				
LMS	<u>1.0%</u>								
Total	3.5%	Total	2.26%	Total	1.0%	0.5%	5.76%	1.5%	7.26%

**NSPS
Vision
(2-3 years)**

General Pay Increases		Pay for Performance		Awards	Pay	Cash	Total	
Rate Range Adj.	1.5%	Pay and or Bonus						
LMS	<u>1.0%</u>							
Total	2.5%	Total	4.26%	Total	0.5%	2.5% to 6.76%	0.5% to 4.76%	7.26%

Can devote more to P4P

More Pay/Bonus flexibility



Performance Management: Rating Payout

Position Description

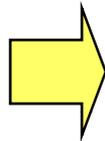
YA-201-PB2
Service Delivery Recr/Class
Field-Industrial

Duties

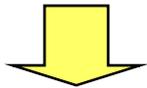
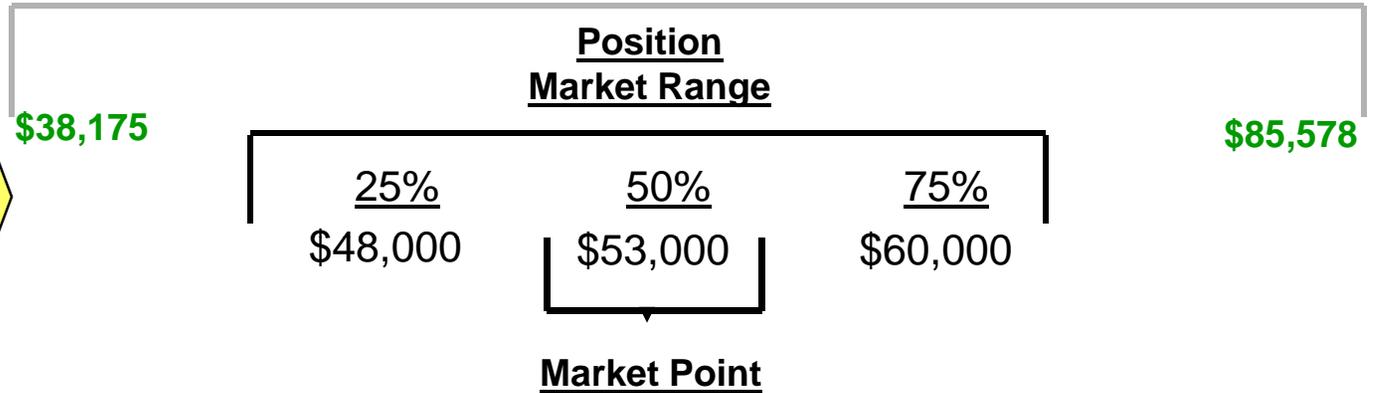
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**Competencies**

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Pay Band 2



Performance Plan

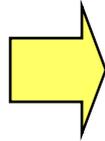
Objectives

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**Rating**

**Shares**

|            |              |
|------------|--------------|
| <b>Pay</b> | <b>Bonus</b> |
|------------|--------------|



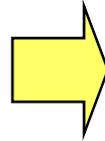
**Pay Pool Panel**

Meaningful Distinctions

Equity

Consistency

Affordability



- Skewed toward pay based on market point
- Skewed toward bonus based on market point

| Compensation Decisions |          |        |        |     |       |
|------------------------|----------|--------|--------|-----|-------|
| Employee               | Salary   | Rating | Shares | Pay | Bonus |
| A                      | \$51,000 | 4      | 4      | 2   | 2     |
| B                      | \$60,000 | 3      | 2      | 0   | 2     |
| C                      | \$49,000 | 5      | 6      | 4   | 2     |
| D                      | \$58,000 | 5      | 6      | 1   | 5     |