

FOURTH ESTATE

INTERIM GUIDANCE

THE NATIONAL SECURITY PERSONNEL SYSTEM

PERFORMANCE MANAGEMENT

- References:
- (a) Section 9902 of title 5, United States Code
 - (b) Title 5 Code of Federal Regulations, Chapter XCIX, Part 9901, “Department of Defense Human Resources Management and Labor Relations System”
 - (c) Title 5 Code of Federal Regulations, Chapter 1 and Part 451, “Awards”
 - (d) DoD Civilian Personnel Manual, 1400.25-M, Chapter 1900
 - (e) through (m), see Enclosure 1

1. **PURPOSE**

This interim guidance:

- 1.1. Implements the performance management policies under References (a) through (m).
- 1.2. Provides supplemental guidance to the DoD implementing issuance at Subchapter 1940 of Reference (d).
- 1.3. Prescribes procedures and assigns responsibilities to the DoD Fourth Estate entities.

2. **POLICY**

2.1. Policies regarding performance pay pool funding and calculations related to performance pay out are contained in Subchapter 1930 of Reference (d). Any discretionary provisions in Subchapter 1940 of Reference (d) not addressed in this interim guidance are hereby delegated to the Heads of DoD Fourth Estate entities with independent appointing authority, as provided for in their respective chartering DoD Directives. All files pertaining to performance management shall be maintained in accordance with DoD Fourth Estate entity policies.

2.2. It is the policy of the DoD Fourth Estate to rate and reward performance commensurate with an employee’s accomplishments in support of organizational goals and objectives. The NSPS performance management program will allow DoD Fourth Estate entities to attract and retain the right kind of capabilities and talents, enhance our national defense capabilities, and ensure the effective execution of the DoD mission.

3. RESPONSIBILITIES

3.1. The Director, Administration and Management (DA&M), as chair of the Senior Advisor Group (SAG), may issue performance management guidance to DoD Fourth Estate entities, on an as needed basis.

3.2. The OSD Principal Staff Assistants (PSAs) along with their respective Heads of DoD Fourth Estate entities are responsible for executing this interim guidance and References (a) through (e) in a fair and equitable manner to all covered civilian employees under their supervision.

3.3. The Senior Advisor Group (SAG), chaired by the DA&M, shall address strategic issues regarding the equity and consistency in the application of the performance management system across the DoD Fourth Estate.

3.4. The Performance Review Authority (PRA) (SC1940.4.1) is responsible to their respective heads of DoD Fourth Estate entities for the oversight of performance management policies for the pay pools within their span of control.

3.5. The Pay Pool Managers (PPM) (SC1940.4.2.) are responsible to the Performance Review Authority (PRA) for the planning, monitoring, and execution of the pay pool panels for their assigned workforce populations.

3.6. The Pay Pool Panel (PPP) Members (SC1940.4.3.) are responsible for representing their assigned population during the conduct of pay pool panel performance review meetings and seeking consensus for the recommended ratings of record, share distribution, and payout allocations.

3.7. Supervisors (SC1940.4.4.) are accountable for the evaluation of employees' performance. Supervisors have increased responsibilities under NSPS to coach, provide feedback and monitor performance as described in Subchapter 1940 of Reference (d).

3.8. Employees (SC1940.4.5.) are responsible for their own career development and advancement by proactively seeking workplace developmental opportunities, accepting challenges, and undertaking self-development activities to enhance their ability to contribute to mission accomplishment more effectively.

4. PROCEDURES

4.1. Monitoring Performance (SC1940.6.)

4.1.1. Change of Rating Official. When rating officials change during the first 6 months of an appraisal period, the new rating officials shall give their employee at least one interim review before the end of the appraisal period, regardless of whether an interim review has been previously accomplished by the previous rating official.

4.1.2. Interim Reviews. (SC1940.6.4.) Interim reviews shall be considered in determining the annual rating of record.

4.1.3. Closeout Assessments. (SC1940.6.5.3.) Close out assessments must be completed and submitted to the new rating official or higher level official within 30 days of the event which required the closeout.

4.2. Developing Performance. (SC1940.7.) Supervisors shall ensure merit system principles are adhered to when selecting employees for developmental opportunities.

4.3. End of Year Performance Assessments. (SC1940.9.) The Rating Official and Higher Level Reviewer are strongly discouraged from sharing with employees the recommended rating, share allocation, or payout allocation. Final rating scores, share allocations and payout distribution will be provided to the employee as prescribed by Subchapter 1940 of Reference (d).

4.4. Rating Methodology (SC1940.10.)

4.4.1. Job Objectives (SC1940.10.3.)

4.4.1.1. Describing an Objective. An objective is a description of a future situation and a result; an objective does not describe an activity or small daily tasks of the job. Job objectives must be sufficiently specific in nature (e.g., not a listing of general responsibilities and/or duties) and also comprehensive enough to normally span the entire rating period or a substantial portion thereof. Job objectives should relate expected performance outcomes to the salary range being paid and must be written consistent with the Valued Performer, Level 3.

4.4.1.2. Weighting of Job Objectives. (SC1940.10.5.2.2.) If job objectives are weighted, weighting of a job objective shall be no less than 10 percent and may increase in 5 percent increments to a total of 100 percent. Weighting of job objectives should not be based on the strengths or weaknesses of the employee performing the objective, rather on the relative priority or importance of the objective itself.

4.4.1.3. The impact on weighing of existing and new job objectives must be carefully considered when adding or adjusting job objectives.

4.4.1.4. Enclosure 2 in this interim guidance provides an example of an averaging procedure for weighted adjusted ratings.

4.4.2. Rating of Record. (SC1940.10.7.) Below is an illustration of average rating range, rating levels and associated share range, eligibility for increases to local market supplement (LMS), and rate range adjustment (RRA), and rating descriptors.

Rating of Record Descriptor	Average Adjusted Rating Range	Rating of Record	Share Range	Eligible for Increase to LMS/RRA
Role Model	4.51 - 5.00	5	5 - 6	Yes
Exceeds Expectations	3.51 - 4.50	4	3 - 4	Yes
Valued Performer	2.51 - 3.50	3	1 - 2	Yes
Fair	2.00 - 2.50	2	No Shares	Yes
Unacceptable	1 on any objective	1	No Shares	No

4.4.3. Special Purpose Rating Of Record. (SC1940.10.8. and SC1940.AP4.) Special purpose ratings of record must be merit-based decisions, based strictly on the employee's improved performance.

4.4.4. Special Matters to be Considered in Performance Evaluations. Supervisors must hold affected employees accountable, through their performance appraisals, as part of evaluating performance for requirements established by law, regulation, Department of Defense policy, and DoD Fourth Estate entity instructions and policy. Enclosure 3, "Special Matters to Be Considered in Performance Evaluations," in this interim guidance contains a list of these performance expectations. The list is not considered all-inclusive and may be adjusted throughout the rating cycle.

4.5. Pay Pool Policies and Procedures (SC1940.11.)

4.5.1. Performance Review Authority (PRA). (SC1940.4.1.) The PRA shall be adequately prepared through appropriate training in the basic elements of NSPS performance management. Further, the PRA must be thoroughly knowledgeable on the accountability, responsibilities, and expectations in executing the duties as prescribed in Reference (d) and Enclosure 4, "Rating Officials Qualifications" in this interim guidance.

4.5.1.1. The PRA shall be identified by the heads of DoD Fourth Estate entities or his/her designee. Alternatively the head of a DoD Fourth Estate entity may be the PRA.

4.5.1.2. Heads of DoD Fourth Estate entities with independent appointing authority may prescribe additional guidance for the establishment of PRA(s).

4.5.2. Pay Pool Manager (PPM). (SC1940.4.2.) The PPM shall be adequately prepared through appropriate training in the basic elements of NSPS performance management. Further, the PPM must be thoroughly knowledgeable on the accountability, responsibilities, and expectations in executing the duties as prescribed in Reference (d) and Enclosure 4, "Rating

Officials Qualifications” in this interim guidance. The final determinations for pay pool panel membership shall be determined by the PRA or the PPM as prescribed by DoD Fourth Estate entities’ guidance. The PPM shall certify each rating official, authorizing the rating official to rate employees; a sample certification document is at Enclosure 5, “NSPS Rating Official Written Authorization (Notional)” in this interim guidance. These responsibilities and functions shall not be redelegated. PPMs may seek the advice and guidance from the legal, human resources, and financial entities as needed. PPMs shall be selected by the respective PRA. Additionally, the PRA shall ensure the PPM has received the appropriate training prior to the PPM serving in an official capacity.

4.5.3. Pay Pool Panel (PPP). (SC1940.4.3.) The PPP members shall be adequately prepared through appropriate training in the basic elements of NSPS performance management. A PPP member who does not supervise an employee covered by Reference (d) may not be required to be a qualified rating official. Further, the PPP members must be thoroughly knowledgeable on the accountability, responsibilities, and expectations in executing the duties as prescribed in Reference (d) and “Rating Officials Qualifications” (Enclosure 4 in this interim guidance). Each PPP member shall be authorized in writing, prior to serving as a PPP member; a sample certification document is at Enclosure 5, “NSPS Rating Official Written Authorization (Notional)” in this interim guidance. These responsibilities and functions shall not be redelegated. PPP members are selected by the PPM or PRA. The PPM ensures the PPP members have the requisite training prior to identifying them as PPP members.

4.5.4. Pay Pool Composition. (SC1940.11.1.) Guidelines for design of pay pool structure include, but are not limited to, the following:

4.5.4.1. Typically, pay pools range between 35 and 300 employees. In organizations consisting of fewer than 35 employees, consideration should be given to combining populations of organizations reporting to the same next level manager.

4.5.4.2. Geographic co-location of pay pools is not required. In the convening of pay pool meetings, only the pay pool panel member is required to participate.

4.5.4.3. Pay pools must be established and managed to avoid creating conflicts of interest or the appearance of such conflicts to a reasonable person with knowledge of the pertinent facts.

4.6. Challenging the Rating of Record. (SC1940.12.) All persons involved in the reconsideration process shall be free from restraint, interference, coercion, discrimination, or reprisal.

5. EFFECTIVE DATE

This interim guidance is effective immediately.

Enclosures – 5

- E1. References, continued
- E2. Averaging Procedure for Weighted Adjusted Ratings
- E3. Special Matters to Be Considered in Performance Evaluations
- E4. Rating Officials Qualifications
- E5. NSPS Rating Official Written Authorization (Notional)

E1. ENCLOSURE 1

REFERENCES, continued

- (e) DoD Financial Management Regulation 7000.14-R
- (f) Deputy Secretary of Defense Memorandum, "Delegation of Authority for National Security Personnel System (NSPS) Implementing Issuances," April 24, 2006
- (g) Office of Management and Budget (OMB) Circular A-50, "Audit Follow-Up," September 29, 1982
- (h) DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006
- (i) DoD Directive 1440.1, "DoD Civilian Equal Employment Opportunity (EEO) Program," May 21, 1987
- (j) Section 2458 of title 10, United States Code
- (k) Presidential Memorandum for Heads of Federal Departments and Agencies, "Regulatory Reinvention Initiative," March 4, 1995
- (l) Executive Order 12958, "Classified National Security Information," April 17, 1995
- (m) DoD Instruction 6055.1, "DoD Occupational Safety and Health Program," August 19, 1998

E2. ENCLOSURE 2

SAMPLE AVERAGING PROCEDURE FOR WEIGHTED ADJUSTED RATINGS

Calculation and influence of weights on the adjusted ratings.

Formula: $(W_1 \times R_1) + (W_2 \times R_2) + (W_3 \times R_3) + \dots (W_n \times R_n)$

1. Where, W = weights, such that $W_1 + W_2 + W_3 + \dots W_n = 1.00$
2. R = adjusted rating
3. n = number of objectives assigned

Example A: Adjusted ratings for job objectives are weighted as follows:

Objective	Adjusted Rating (R)	Weight (W)	(W)*(R) Value
1	2	0.45	0.90
2	2	0.45	0.90
3	5	0.10	0.50
		Average	2.30

The weighted average of the adjusted ratings is:
 $(0.45 \times 2) + (0.45 \times 2) + (0.10 \times 5) = 2.30$

Example B: Adjusted ratings for job objectives are weighted as follows:

Objective	Adjusted Rating (R)	Weight (W)	(W)*(R) Value
1	2	0.10	0.20
2	2	0.10	0.20
3	5	0.80	4.00
		Average	4.40

The weighted average of the adjusted ratings is:
 $(0.10 \times 2) + (0.10 \times 2) + (0.80 \times 5) = 4.40$

Example C: Adjusted ratings for job objectives are weighted as follows:

Objective	Adjusted Rating (R)	Weight (W)	(W)*(R) Value
1	2	0.55	1.10
2	3	0.10	0.30
3	3	0.25	0.75
4	4	0.10	0.40
		Average	2.55

The weighted average of the adjusted ratings is:
 $(0.55 \times 2) + (0.10 \times 3) + (0.25 \times 3) + (0.10 \times 4) = 2.5$

E3. ENCLOSURE 3

SPECIAL MATTERS TO BE CONSIDERED IN PERFORMANCE EVALUATIONS

E3.1. PURPOSE.

Specific provisions of law, regulation, and DoD policy require certain matters to be considered in the performance evaluations of some employees. This does not require the establishment of specific job objectives for the special matter unless otherwise specified as long as the employee is on notice that his/her performance will be evaluated on the accomplishment of these special matters, as applicable. If applicable, rating officials need to reflect that these requirements were considered when determining performance assessments.

E3.2. DOD PERFORMANCE EVALUATION REQUIREMENTS

E3.2.1. Audit Follow-Up. Performance evaluations of appropriate managers must reflect the degree of effectiveness in resolving and implementing audit recommendations as required by Office of Management and Budget (OMB) Circular A-50, "Audit Follow-Up," September 29, 1982 (Reference (g)).

E3.2.2. Management Internal Control (MIC). Performance evaluations of managers who have significant MIC responsibilities must reflect that accountability in the performance plan. This requirement is established in paragraph 6.1.6.5 of DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006 (Reference (h)).

E3.2.3. Equal Employment Opportunity (EEO). In accordance with Sections SC1940.5.7.3. and SC1940.5.7.4.7. of reference (d), performance objectives for supervisors, managers, and other personnel with EEO responsibility must include specific language for appropriate management of the EEO program.

E3.2.4. Inventory Management. Performance evaluations of individuals employed at Inventory Control Points must give appropriate consideration to efforts made by these individuals to eliminate wasteful practices and achieve cost savings in the acquisition and management of inventory items. This requirement is established in section 2458 of title 10, United States Code (Reference (j)).

E3.2.5. Regulatory Reinvention. Performance measurements of persons who are frontline regulators, i.e., those who have authority to order a corrective action or levy a fine on a business or other government entity, must focus on results, not process and punishment. Therefore, such measures shall not be based on process (e.g., number of visits to a business or government entity) or punishment (e.g., number of violations found, number of fines levied on a business or government entity). A Presidential Memorandum for heads of Federal departments

and agencies, "Regulatory Reinvention Initiative," March 4, 1995 (Reference (k)), establishes this requirement.

E3.2.6. Classified Information Management. The performance ratings of civilian employees who are original classification authorities, security managers, or security specialists, or significantly involved in the creation or handling of classified information must include the management of classified information as an item to be evaluated. This requirement is established in section 5.4(d)(7) of Executive Order 12958, "Classified National Security Information," April 17, 1995 (Reference (l)).

E3.2.7. Safety. Responsible DoD officials at each management level, including first level supervisors, shall, to the extent of their authority, comply with the DoD Occupational Safety and Health program guidance and regulations. Performance evaluations of those employees must reflect personal accountability in this respect, consistent with the duties of the position, with appropriate recognition of superior performance, and conversely, with corrective administrative action, as appropriate, for deficient performance. This requirement is established in paragraph E8.1.1 of DoD Instruction 6055.1, "DoD Occupational Safety and Health Program," August 19, 1998 (Reference (m)).

E4. ENCLOSURE 4

RATING OFFICIALS QUALIFICATIONS (SC1940.AP3.1)

E4.1. Rating Official Qualifications (SC1940.AP3.1.) In order to recommend a rating of record for consideration by the pay pool panel, the rater must be adequately prepared through appropriate training in the basic elements of NSPS performance management. Each PRA may set specific training requirements to prepare and qualify rating officials, such as identifying on-line courses, classroom courses, and/or self-study materials to acquire needed knowledge. The PRA may also establish minimum equivalent experience requirements, which may substitute for the training requirements. PRAs may also set requirements for periodic refresher training or remedial training.

E4.2. According to Appendix 3 of Subchapter 1940 of Reference (d), for each rating official, PPMs shall certify, in writing, completion of identified standards, before permitting the rating official to recommend an employee's rating of record. Enclosure 5 of this interim guidance provides an example of a rating official authorization program.

E4.3. The PPM shall approve and disapprove, as warranted, the qualifications of each rating official within his/her pay pool, in writing, prior to the end of the appraisal period, with copy to the rating official and servicing human resources office, per the minimum qualification requirements discussed in Subchapter 1940 of Reference (d) and an explanation of training and experience such as discussed in Enclosure 5 of this interim guidance. A disqualified rating official may be reauthorized in accordance with PPM or higher authority policy and procedures. Below are examples of where a PPM may disqualify a rating official for failing to make meaningful distinctions in performance levels:

E4.3.1. Rating official appears before the pay pool panel with all subordinates rated at Level "4" (Exceeds Expectations) without sufficient supporting evidence or performance measures indicating the employees exceeded expectations.

E4.3.2. Rating official appears before the pay pool panel with some employees rated at Level "5" (Role Model) without compelling performance measures or records of accomplishments warranting a Level "5" (Role Model) rating.

E4.3.3. Rating official and higher level reviewer established identical job objectives and performance expectations for all subordinates, even though substantial difference in salaries exist within the work group, and rates each employee at the Level 3 (e.g., rating official failed to establish different performance expectations for subordinates with substantially different salaries.)

E4.4. The PPMs or higher authority may establish policies to address how qualified rating officials will be assigned for employees who work in an environment where assignment to a supervisor is fluid, e.g., in a predominantly military environment. The PRA may set policies allowing the PPM to identify alternate rating officials who can provide stability to assume the

duties of rating employees in such environments. In these instances, the alternate rating official must consider input from the employees' supervisors in recommending ratings and payouts.

E5. ENCLOSURE 5

NSPS RATING OFFICIAL WRITTEN AUTHORIZATION (NOTIONAL)

Background Under the National Security Personnel System (NSPS), only management officials who have completed training and/or experience in the basic elements of NSPS performance management, and who demonstrate acceptable execution of performance management duties, will be permitted to recommend a rating of record for NSPS payout purposes to the pay pool for consideration.

**Rating Official
Authorization
Requirements/
Documentation**

Managers and supervisors (including military supervisors) must complete the training and/or possess the experience described below in order to meet rating official authorization requirements. Pay pool managers and pay pool panel members must complete rating official authorization. Upon completion, the following courses, or their equivalents, shall be documented in the manager/supervisor DCPDS (or comparable) record:

Course Title

Performance Management For Supervisors/Managers
HR Elements For Supervisors, Managers, Employees
Pay Pool Training (Pay Pool Officials)

**Equivalent
Experience or
Training**

Equivalency as a rating official may be granted if sufficient experience was previously obtained under a pay for performance personnel system in the Federal service. Pay pool managers shall approve requests for equivalencies. If the pay pool manager deems the experience equivalent to NSPS training the following courses, as appropriate, may be documented in the manager/supervisor DCPDS or equivalent record:

Course Title

Equiv Exp - Performance Management (Supervisor)
Equiv Exp - HR Elements For Supervisors, Managers
Equiv Exp - Pay Pool Training (Pay Pool Officials)

**Rating Official
Authorization
Requirements/
Documentation**

Rating Officials shall:

1. Complete required training prior to rating employees.
 2. Provide documentation to pay pool manager; or
 3. Document previous experience as rating official under a pay-for-performance system.
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**Rating Official
Authorization
Requirements/
Documentation
(Continued)**

Pay Pool Managers shall:

1. Ensure all rating officials and pay pool panel members in the pay pool have completed required training and/or have required experience.
2. Issue written authorization of rating officials and pay pool panel members.
3. Maintain documentation of rating official training/experience and authorization.
4. Recommend action to correct unacceptable execution of performance management duties practiced by rating officials.
5. Suspend authorization to act as rating official for those supervisors or managers who do not maintain rating official authorization or, when necessary, to correct unacceptable execution of performance management duties.
6. Complete their required rating official training and provide documentation to the Performance Review Authority.

For each rating official, Pay Pool Managers shall certify, in writing, completion of meeting DoD Fourth Estate rating official qualification requirements. The PPM retains original authorization. A copy is provided to the rating official and the servicing Human Resources Office/Service Center. A sample authorization document follows.

**Decertification
Of Rating Official**

To maintain rating official authorization, rating officials, at a minimum, must demonstrate acceptable execution of performance management duties. The authorization to act as a rating official may be suspended indefinitely by the pay pool manager or other authorized management official. Pay Pool Managers shall decertify rating officials in writing. A copy of the disqualification shall be provided to the rating official, the rating official's supervisor, and the civilian rating official's servicing Human Resources Office/Service Center.

Note: Provides notional NSPS Rating Official Written Authorization

SAMPLE MEMORANDUM

(Date)

From: Pay Pool Manager

Subject: Authorization of NSPS Rating Official Qualifications

Reference: Administrative Instruction XX, DoD Fourth Estate Guidance, "Performance Management" of (date)

1. This document certifies the rating official named below has met DoD Fourth Estate qualifications to execute performance rating official duties under NSPS as indicated:

Rating Official Name: _____ Last four of SSN: _____

(Select one)

- Rating official has completed the training in the basic elements of NSPS performance management and meets requirements to recommend a rating of record for NSPS payout purposes to the pay pool. _____
- Rating official has completed equivalent training and/or experience in a Federal service pay-for-performance system and meets requirements to recommend a rating of record for NSPS payout purposes to the pay pool. _____
- Rating official is not authorized to recommend a rating of record for NSPS payout purposes to the pay pool. (Identify qualification(s) not met): _____

2. Point of contact is: XXXXXX .

(Signature)
PAY POOL MANAGER

Copy to:
Rating Official
Human Resources Office/Service Center

Note: Provides notional memorandum for use in authorization of rating officials.