



DEPARTMENT OF DEFENSE
DEFENSE CIVILIAN PERSONNEL ADVISORY SERVICE
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FOR: CIVILIAN PERSONNEL POLICY COUNCIL MEMBERS

FROM: Defense Civilian Personnel Advisory Service Director, Mr. Daniel J. Hester

SUBJECT: Department of Defense Awards Spending Guidance for Non-Senior Executive Service/Senior Professional Employees for Fiscal Year 2023

AUDIENCE: Appropriated Fund Employees

ACTION: Implement Department of Defense (DoD) Awards Spending Guidance with respect to local civilian awards policy.

REFERENCES:

- a. Under Secretary of Defense for Personnel and Readiness (USD(P&R)) Memorandum, "Department of Defense Awards Spending Guidance for Fiscal Year 2023," dated October 24, 2022 (attached)
- b. Office of Management and Budget Circular No. A-11, Section 32, "Personnel Compensation, Benefits, and Related Costs" (2021), https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/a11_current_year/s32.pdf

BACKGROUND/INTENT: On October 24, 2022, the USD(P&R) signed reference (a), which establishes civilian awards spending guidance for non-senior executive service/senior professional employees for fiscal year (FY) 2023. DoD Components, Defense Agencies, and DoD Field Activities (herein referred to as "DoD Components") will fund an awards budget in FY 2023 at a level that best meets DoD Component objectives and supports the recruitment and retention of high-performing employees in accordance with reference (b). In addition, DoD Components are encouraged to allocate awards in a manner that provides for meaningful distinctions in performance; examine the ratio of monetary awards spending between ratings-based on non-ratings based awards; and, use monetary and non-monetary awards and recognition throughout the performance appraisal cycle.

DoD Components will work with their human resources offices to ensure compliance and fulfillment of collective bargaining obligations, as appropriate.

POINT OF CONTACT: Ms. Laura Larsen, DoD Awards Program Manager, Defense Civilian Personnel Advisory Service, laura.m.larsen4.civ@mail.mil.

Attachment:
As stated

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PERSONNEL AND
READINESS**UNDER SECRETARY OF DEFENSE**
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000**OCT 24 2022**MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS

SUBJECT: Department of Defense Awards Spending Guidance for Fiscal Year 2023

The Military Departments, Defense Agencies, and DoD Field Activities (herein referred to as DoD Components) will request an awards budget as a percent of non-Senior Executive Service (SES) and Senior Professional (SP) salary spending for Fiscal Year (FY) 2023. Pursuant to section 32.1(b) of Office of Management and Budget Circular No. A-11 (2021), "Preparation, Submission, and Execution of the Budget," DoD Components will fund an awards budget in FY 2023 at a level that best meets DoD Component objectives and supports the recruitment and retention of high-performing employees (Attachment 1).

Strategic use of awards and recognition supports retention of high-performing employees and those with mission critical skills. Linking performance management with recognition promotes a workplace culture of high performance and high involvement within an organization. To better align performance with awards, DoD Components are encouraged to use monetary and non-monetary awards and recognition throughout the performance appraisal cycle. As part of a comprehensive strategy to develop and foster a culture of recognition, DoD Components are encouraged to:

- Allocate awards in a manner that provides for meaningful distinctions in performance; and
- Examine, and adjust as appropriate, the ratio of monetary awards spending between ratings-based and non-ratings-based awards by FY.

Attachment 2 contains guidance to DoD Components concerning the administration of their respective civilian awards programs. Components will work with their human resources offices to ensure compliance with and fulfillment of collective bargaining obligations, as appropriate.

For questions regarding non-SES/SP employee awards, please contact Ms. Laura Larsen at laura.m.larsen4.civ@mail.mil. For questions concerning SES/SP employee awards, please contact Ms. Kimberly Markee at kimberly.c.markee.civ@mail.mil. For questions related to nonappropriated fund employees and awards, please contact Mr. Nathan Kitta at nathan.l.kitta.civ@mail.mil.

A handwritten signature in black ink, appearing to read "Gilbert R. Cisneros, Jr.", written in a cursive style.

Gilbert R. Cisneros, Jr.

Attachments:
As stated

SECTION 32—PERSONNEL COMPENSATION, BENEFITS, AND RELATED COSTS

SECTION 32—PERSONNEL COMPENSATION, BENEFITS, AND RELATED COSTS

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Summary of Changes

Provides guidance on provisional pay raise and awards estimates for the FY 2023 Budget (section [32.1](#)).

Updates provisional FERS contribution rates for FY 2022 and FY 2023 (section [32.3](#)).

32.1 How should I estimate personnel compensation in my budget request?*Personnel compensation*

(a) *Pay scales.* For the purpose of planning agency budget requests for the FY 2023 Budget, agencies should include a provisional estimate of a three percent civilian pay raise for January 2023. Agencies should consult with their OMB representative on the provisional estimate for the military pay raise for January 2023. In making their final estimates for the FY 2023 Budget, agencies should anticipate revising pay raise amounts after the President makes a pay raise decision. Your OMB representative will provide additional guidance during Budget season. The pay guidance above will apply to the statutory pay systems (General Schedule, Foreign Service, and Veterans Health Administration), the Executive Schedule, the Senior Executive Service (SES), and wage grade employees. You should be prepared to provide supporting detail on calculating pay costs, including separate identification of the wage base reflected in the submission. For compensation costs, you must explicitly justify any increases in average compensation for the budget year.

(b) *Awards and recognition.* In FY 2023 budget requests, agencies must provide the following information on agency-wide salary and awards spending: (1) an estimate of FY 2022 salary spending, excluding salary spending for Senior Executive Service (SES), Senior Level (SL), and Scientific or Professional (ST) positions, (2) an estimate of FY 2022 awards spending as a percent of FY 2022 non-SES/SL/ST salary spending, and (3) the amount requested for FY 2023 non-SES/SL/ST salary spending.

Agencies should include an awards budget in the FY 2023 budget request at a level which best meets agency objectives and supports the recruitment and retention of high performing employees. Agencies should be prepared to supply additional information on planned and actual expenditures upon request by OMB.

SECTION 32—PERSONNEL COMPENSATION, BENEFITS, AND RELATED COSTS

Awards spending is defined as the sum of: (1) individual performance awards for non-SES/SL/ST employees (Nature of Action 840) and, (2) individual contribution awards (e.g., special act awards) for non-SES/SL/ST employees (Nature of Action 849).

(c) *Hourly rates.* For all employees (as defined in [5 U.S.C. 5504\(b\)](#)), use hourly rates of compensation determined by dividing the annual rate of basic pay by 2,087, in accordance with section 15203(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99–272).

(d) *Within-grade increases.* Offset the net cost, if any, of within-grade salary increases (i.e., costs after turnover, downgrades, and other grade or step reducing events are taken into account) by savings due to greater productivity and efficiency.

(e) *Vacancies.* For vacancies expected to be filled in the budget year, use the entrance salary for the vacancies involved.

(f) *Savings in personnel compensation.* Give full consideration to savings in personnel compensation due to personnel reductions, delay in filling vacant positions, leave without pay, lag in recruitment for new positions, filling vacancies at lower rates of pay, part-time employment, and grade reduction actions. Identify terminal leave payments, including those for SES, as offsets against such savings.

(g) *Positions above grade GS/GM–15.* Reflect these positions, including SES, only to the extent that positions have been authorized in those grades by OPM or other authority, or are specifically authorized in substantive law.

(h) *Executive selection and development programs.* Include in your estimates provisions for reasonable amounts for such programs, as required under Title IV of the Civil Service Reform Act of 1978 and by implementing guidelines issued by the Office of Personnel Management.

(i) *Premium pay and overtime.* Fully justify increases over amounts for the preceding year for premium pay. In preparing estimates for overtime, you should analyze the use of overtime to ensure it is used in a prudent and efficient manner; explore all reasonable alternatives to overtime (such as improved scheduling); and ensure adequate approval, monitoring, and audit procedures are in place to avoid overtime abuses.

(j) *Special rates for experts and consultants.* Reflect these positions and rates only to the extent that they are authorized per 5 U.S.C. 3109.

(k) *Severance pay.* Estimate severance pay at the amount needed for the fiscal year. However, obligations will be incurred on a pay-period by pay-period basis, notwithstanding the fact that a liability arises at the time of an employee's separation. Your estimates must include changes in severance pay and personnel compensation that would occur upon any reduction in force.

(l) *Physicians comparability allowance.* Reflect in your estimates approved plans to pay physicians comparability allowance under 5 U.S.C. 5948. Instructions for reporting on the physicians comparability allowance program are issued separately.

(m) *Bonuses and allowances.* Reflect in your estimates approved agency plans for paying recruitment and relocation bonuses and retention allowances. You should be prepared to supply information on planned and actual expenditures upon request by OMB.

(n) *Retirement costs.* Reflect in your estimates the cost effects of changes in the distribution of employees between the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). Note that FERS contributions have changed as described in section [32.3](#).

Guidance on Awards for Department of Defense Civilian Employees

For Fiscal Year (FY) 2023, and consistent with provision of Section 32 of the Office of Management and Budget (OMB) Circular No. A-11, "Preparation, Submission, and Execution of the Budget," DoD Components will include an awards budget in FY 2023 budget request at a level which best meets Component objectives and supports the recruitment and retention of high-performing employees.

Unlike guidance in the past, there is now no limit to the ceiling or floor on awards spending. Rather, DoD Components will determine levels that best meet and support recruitment and retention of high performing employees. In so doing, DoD Components are encouraged to reference past workforce fund plans, strategic documents, and/or human capital initiatives. Lastly, DoD Components are encouraged to contact their respective comptroller or chief financial officer on awards allocation.

Applicability

Awards spending will apply to all awards programs within the Department of Defense with a few exceptions. This guidance applies to, but is not limited to the following:

- Employees covered by provisions of title 5, U.S. Code (U.S.C.) and title 5, Code of Federal Regulations (other than SES/SP, Defense Intelligence SES and Defense Intelligence SL personnel);
- Employees covered by provisions in sections 1601-1614 of title, 10 U.S.C. (Defense Civilian Intelligence Personnel System (DCIPS));
- Civilian faculty members at DoD post-secondary education institutions, employed under the authorities in section 1595 of title 10, U.S.C.;
- Foreign national employees of DoD who are eligible for monetary awards as long as restrictions do not conflict with host nation employment law or practice;
- Employees covered by the Physicians and Dentists Pay Plan, a hybrid of the Title 38 pay system; and
- Awards that would otherwise be granted through the Defense Acquisition Workforce Development Fund.

Alternative Pay Systems

This guidance applies to alternative pay systems such as the Science and Technology Reinvention Laboratories, Acquisition Demonstration Project, and DCIPS, provided that it does not conflict with specific provisions in the applicable Federal Register notice or collective bargaining agreement.

Nonappropriated Fund Employees (NAF)

Components should comply with the performance and award policies contained in DoD Instruction (DoDI) 1400.25, Volume 1404, "DoD Civilian Personnel Management System: Nonappropriated Fund (NAF) Performance Management Program," and Volume 1405, "DoD Civilian Personnel Management System: Nonappropriated Fund (NAF) Pay, Awards, and Allowances."

Political Appointees

Former President Obama's August 3, 2010 memorandum freezing discretionary awards, bonuses, and similar payments for political appointees remains in effect.

Use of Non-Monetary Awards

A fair, credible, and equitable recognition program provides managers with non-monetary options to recognize performance and contributions to the mission. Supervisors are strongly encouraged to make full use of honorary awards available within the Department to recognize and reward employee contributions throughout the appraisal year.

Recruitment, Relocation, and Retention Incentives

Recruitment, retention, and relocation (3Rs) incentives are not included in awards spending. These incentives are used as workforce shaping tools to recruit and retain highly valuable candidates and employees. DoD policy on 3Rs can be found in DoDI 1400.25, Volume 575, "Recruitment, Relocation, and Retention Incentives and Supervisory Differentials."

Labor Relations

All collective bargaining obligations must be met prior to implementing the provisions of this guidance. Collective bargaining agreements or past practices may provide for a structure and minimum award amounts or percentages based on the ratings received by employees. Management must bargain with the union prior to implementing a change to an agreement or past practice.