



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION
AND SUSTAINMENT

OCT 22 2018

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Fiscal Year 2018 Rating Cycle Pay Pool Funding Guidance for the Department of Defense Civilian Acquisition Workforce Personnel Demonstration Project (AcqDemo)

References: (a) Memorandum, USD (Personnel and Readiness), dated October 16, 2018, Subject: Guidance on Award Limitations for Department of Defense Non-Senior Executive Service/Senior-Level/Scientific or Professional Employees for Fiscal Year 2019
(b) Federal Register Notice (FRN), 82 FR 52104, November 9, 2017 as amended, Civilian Acquisition Workforce Personnel Demonstration Project (AcqDemo); Department of Defense (DoD)

The purpose of this memorandum is to provide annual Department of Defense (DoD) Civilian Acquisition Workforce Personnel Demonstration Project (AcqDemo) Pay Pool funding guidance for use during the pay pool reviews of the FY18 AcqDemo contribution period, with payout to occur in January 2019. This memorandum provides guidance within the following areas:

Contribution Rating Increase (CRI) Pay Pool Funding. Subject to any subsequent guidance issued by the Office of Personnel Management (OPM) and/or the DoD Assistant Secretary of Defense (Readiness and Force Management), minimum funding of the CRI portion of all pay pools will be set at no less than 2.0 percent, and maximum funding will be set at no more than 2.26 percent of the sum of the [base] salaries of all eligible employees in the pay pool. The range of 2.0 to 2.26 percent funding will be available in the Compensation Management Spreadsheet (CMS), for consideration and applicable Personnel Policy Board decision for those organizations undergoing their second or greater AcqDemo pay pool assessments. Organizations undergoing their first AcqDemo payout may use a range of 2.0 to 2.4 percent of basic (base) salaries.

Contribution Award (CA) Pay Pool Funding. As provided in reference (a), organizations may fund Contribution Awards up to 1.5 percent of the sum of total [aggregate] salaries of all eligible employees in the pay pool at the end of the previous fiscal year. Therefore, in accordance with this guidance, calculation of CA funding in the CMS will be no more than 1.5 percent for the FY 2018 Pay Pool Cycle, unless another limit has been identified through the collective bargaining process. The CMS will set aside 10% of the budgeted amount to be distributed during FY 2019 as on-the-spot, group, or other awards.

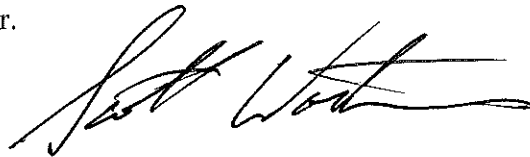
Contribution Carry Over Award Funding. Per Reference (a), Attachment 1, "When a performance-based continuing pay increase cannot be fully applied due to pay band limitations, the excess amount is generally paid as a lump sum from the funding available for continuing pay increases. Payments of this nature are not considered

performance awards under Chapter 45 of title 5 U.S.C., and are not counted against the Reference (a) budgetary limit imposed by the Office of Management and Budget (OMB)/OPM.” Therefore, the practice of rolling over individually-identified CRI, that cannot be paid as a salary increase, into a lump sum Carry Over Award (Nature of Action 885), may be followed in accordance with guidance provided in the organization’s Pay Pool Business Rules.

These spending levels remain in effect, pending additional OMB/OPM or DoD guidance, until rescinded or amended.

Compensating employees for their contribution to the organization’s mission is a fundamental principle of AcqDemo. Therefore, providing pay pools and managers with the ability to execute their programs in accordance with the provisions of AcqDemo is essential to conducting a thorough evaluation of the program’s impacts on the performance of the acquisition workforce.

We appreciate your support in this endeavor.



Scott Wortman
Program Manager, AcqDemo
Human Capital Initiatives

DISTRIBUTION:

AcqDemo Executive Council Member consisting of the following:

- Department of the Army
- Department of the Navy
- Department of the Air Force
- U.S. Marine Corps
- OUSD(A&S)
- Missile Defense Agency
- Defense Acquisition University
- Defense Contract Management Agency
- OUSD(A&S) Human Capital Initiatives



PERSONNEL AND
READINESS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

OCT 16 2018

MEMORANDUM FOR CHIEF MANAGEMENT OFFICER OF THE DEPARTMENT OF
DEFENSE
SECRETARIES OF THE MILITARY DEPARTMENTS

SUBJECT: Guidance on Award Limitations for Department of Defense Non-Senior Executive Service/Senior-Level/Scientific or Professional Employees for Fiscal Year 2019

On November 18, 2016, the Office of Management and Budget (OMB) and Office of Personnel Management (OPM) jointly published the memorandum, "Guidance on Awards for Non-SES/SL/ST Employees for Fiscal Year 2017," which provided updated budgetary limits and guidance on awards to be paid during Fiscal Year (FY) 2017 for non-Senior Executive Service/Senior-Level/Scientific or Professional (SES/SL/ST) employees. The guidance limited FY 2017 awards spending to no more than 1.5 percent of aggregate salaries of all non-SES/SL/ST employees at the end of previous fiscal year, on the combination of performance awards and individual contribution (e.g., special act) awards.

In the attached December 21, 2016, memorandum titled, "Guidance on Award Limitations for Department of Defense Non-Senior Executive Service/Senior-Level/Scientific or Professional Employees for Fiscal Year 2017," the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD(P&R)) provided supplementary guidance, which also covered alternate pay systems and Nonappropriated Fund (NAF) employees. The joint OMB/OPM memorandum is included as an attachment to the OUSD(P&R) memorandum.

On August 16, 2018, OPM advised Chief Human Capital Officers that the awards limitations and spending guidance published in FY 2017 remains in effect for FY 2019. The OUSD(P&R) supplementary guidance, dated December 21, 2016, also remains in effect. Consistent with this guidance, FY 2019 awards shall be calculated using the end of FY 2018 spending levels.

Please work with your local Human Resources and Labor and Employee Relations specialists to ensure consistent application of the awards limitation guidance and that all collective bargaining obligations are met prior to implementing any provisions contained herein.

For questions regarding Appropriated Fund employee awards, my point of contact is Ms. Iris Nelson, whom you may reach at (571) 372-1637 or dodhra.mc-alex.dcpas.mbx.hrops-lerd-perf-mgmt@mail.mil. For questions regarding NAF employee awards, my point of contact is Ms. Itzel R. Santana at (571) 372-1565 or itzel.r.santana.civ@mail.mil.

Stephanie Barna
Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness

Attachment:
As stated

PERSONNEL AND
READINESS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DEPUTY CHIEF MANAGEMENT OFFICER

SUBJECT: Guidance on Award Limitations for Department of Defense Non- Senior Executive Service/Senior-Level/Scientific or Professional Employees for Fiscal Year 2017

On November 18, 2016, the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) jointly published the memorandum, "Guidance on Award Limitations for Non-SES/SL/ST Employees for Fiscal Year 2017." This memorandum provides updated budgetary limits and guidance on awards paid during Fiscal Year (FY) 2017 for non-Senior Executive Service/Senior-Level/Scientific or Professional (SES/SL/ST) employees. Regular budgetary constraints continue on spending; however, recognizing and rewarding top performers for their accomplishments remains key to increasing contributions to mission and improving both performance and morale in the workplace.

The OMB/OPM joint guidance limits awards spending to no more than 1.5 percent of the aggregate salaries of all non-SES/SL/ST employees at the end of the previous fiscal year (FY 2016) on the combination of performance awards and individual contribution (e.g., special act) awards.

The joint guidance also removes caps for other awards and incentives that have been frozen at FY 2010 spending levels (i.e., group awards, referral bonuses, and suggestion/invention awards; recruitment, relocation, and retention incentives; and Quality Step Increases) under the OPM memorandum, "Guidance on Recruitment, Relocation, and Retention Incentives," dated January 15, 2016. Accordingly, the limits set forth in my May 23, 2016 memorandum, "Guidance on Recruitment, Relocation, and Retention Incentives for Calendar Year 2016," no longer apply. However, Components should continue to remind hiring managers to comply with applicable regulations, and to use these incentives judiciously.

The OMB/OPM guidance covers Government-wide pay systems, including General Schedule and Federal Wage System employees. Guidance on FY 2017 funding for SES/SL/ST awards was issued under my October 3, 2016 memorandum, "Senior Executive Service and Senior Professional Pay and Performance Management System-Closeout Guidance for the Fiscal Year 2016 Performance Appraisal Period." Supplemental guidance for non-SES/SL/ST employees, including alternative pay systems managed under the Department of Defense authority and nonappropriated fund (NAF) employees, is provided at Attachment 1. The OMB/OPM joint guidance is provided at Attachment 2.

Please ensure all collective bargaining obligations are met when implementing any provisions contained herein.

Should you have questions about non-NAF employee awards, my point of contact is Ms. Michele Gee, whom you may reach at (571) 372-1634 or michele.r.gee.civ@mail.mil. For questions regarding NAF employee awards, my point of contact is Mr. Nathan Kitta at (571) 372-1567 or nathan.l.kitta.civ@mail.mil.



Peter Levine
Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness

Attachments:
As stated

Guidance on Award Restrictions for Department of Defense Non-SES/SL/ST Civilian Employees

This guidance supersedes the memorandum, "Supplemental Guidance on Award Limitations for the Department of Defense Civilian Employees," dated December 11, 2014, as well as the memorandum, "Guidance on Recruitment, Relocation, and Retention Incentives for Calendar Year 2016," dated May 23, 2016.

On November 18, 2016, the Office of Management and Budget (OMB) and Office of Personnel Management (OPM), jointly released guidance memorandum M-17-07, titled "Guidance on Awards for Non-SES/SL/ST Employees for Fiscal Year 2017." The guidance limits Fiscal Year (FY) 2017 spending to no more than 1.5 percent of aggregate salaries of all employees at the end of FY 2016 on the combination of: (1) individual performance awards to non-Senior Executive Service (SES) and non-Senior-Level (SL) and Scientific or Professional (ST) employees, and (2) individual contribution awards (e.g., special act awards) for all non-SES/SL/ST employees.

If overall Government-wide discretionary funding levels are reduced below discretionary spending caps set forth in the Budget Control Act of 2011 (Public Law 112-25), each Component shall further reduce awards spending levels for these awards by an amount proportional to the Department-wide reduction, except for nonappropriated fund (NAF) awards solely funded with nonappropriated funds.

The limitations provided in this guidance apply to all non-SES/SL/ST awards programs in the Department, including NAF award programs, regardless of the source of underlying authority. Guidance specific to performance awards for the SES/SL/ST workforce has been provided under separate cover.

Applicability

Restrictions on discretionary monetary awards prescribed by OMB and OPM will apply to all awards programs in the Department of Defense (DoD) with a few exceptions. Thus, applicability of the limitations includes, 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, SL/ST, 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.

Other Spending Limits (Recruitment, Relocation, and Retention Incentives)

The November 18, 2016 OPM memorandum supersedes the OPM memorandum, "Guidance on Recruitment, Relocation, and Retention Incentives," dated January 15, 2016, and removes monetary caps for other awards that have been frozen at FY 2010 spending levels (i.e., group awards, referral bonuses, and suggestion/invention awards; recruitment, relocation and retention incentives; and Quality Step Increases). While there is no cap set for other awards and bonus programs, components should continue to comply with applicable regulations.

NAF

This guidance covers NAF employees, who include crafts and trades employees paid under the Federal Wage System, employees paid under the NAF pay band system, and employees in child and youth (CY) programs paid under the CY pay band system. Regardless of the source of funding, performance-based pay increases for employees paid under DoD NAF pay bands are not covered by the awards limits. When a performance-based continuing pay increase cannot be fully applied due to pay band limitations, the excess amount is generally paid as a lump-sum from the funding available for continuing pay increases. Payments of this nature are not considered performance awards and are not counted against the 1.5 percent budgetary limitation imposed by the attached OMB/OPM memorandum.

Alternative Pay Systems

Alternative pay systems, such as the Science and Technology Reinvention Laboratories, DCIPS, and the Acquisition Demonstration Project, rely on broad pay bands, which typically incorporate multiple General Schedule grades. The following apply to performance-based awards for alternative pay systems:

- When funding levels for performance-based compensation and/or awards are specifically identified in *Federal Register* notices, the *Federal Register* amounts are controlling. If funding levels are not prescribed by *Federal Register* language or collective bargaining agreement, then apply the limitations indicated in the OMB/OPM memorandum M-17-07, dated November 18, 2016.
- Unless pay pool funding levels are specifically identified in a Federal Register Notice or collective bargaining agreement, the pay pool funding lump sum cash awards may not exceed the 1.5 percent limitation.
- In order to ensure consistent application of OMB/OPM and Department guidance,

Components must request approval from the Deputy Assistant Secretary of Defense for Civilian Personnel Policy prior to permitting payment of discretionary cash awards that would result in a level of spending greater than the 1.5 percent limitation. The request for approval must include the detailed legal analysis from Component counsel supporting the rationale that payments of such levels are considered "legally required." This approval process does not apply to collective bargaining agreements.

- When a performance-based continuing pay increase cannot be fully applied due to pay band limitations, the excess amount is generally paid as a lump sum from the funding available for continuing pay increases. Payments of this nature are not considered performance awards under Chapter 45 of title 5, U.S.C., and are not counted against the 1.5 percent budgetary limitation imposed by OMB/OPM. However, if the excess amount is added to the funding available for performance-based bonuses and awards, such a lump-sum payment would be grouped with other awards subject to the 1.5 percent limitation.

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 the honorary awards available throughout the Department to recognize and reward hard work throughout the performance year. Recognition in any form should be done publicly to maximize awareness of good performance and encourage a culture of high performance. The limitation on Departmental awards spending should not result in a reduction in non-monetary recognition of employee performance.

Time-off awards are not counted toward the spending limit. When granting time-off awards, management should remember that time-off awards:

- Cannot exceed 80 hours in one leave year or 40 hours for a single contribution (adjusted applicably for part-time employees).
- Should be scheduled and used within 1 year after the effective date of the award.
- Cannot be converted to a cash payment under any circumstances.
- May not be transferred outside the Department or between DoD Components.

Labor Relations

Components will comply with any applicable labor relations obligations when implementing the provisions of either the OMB/OPM or this guidance.



November 18, 2016



M-17-07

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: SHAWN DONOVAN
 DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

BETH F. COBERT
 ACTING DIRECTOR, OFFICE OF PERSONNEL MANAGEMENT

SUBJECT: Guidance on Awards for Non-SES/SL/ST Employees for Fiscal Year 2017

This memorandum applies to awards paid during FY 2017 (i.e., October 1, 2016 through September 30, 2017) and provides guidance applicable to all departments and agencies (referred to collectively as agencies). The U.S. Office of Personnel Management (OPM) and Office of Management and Budget (OMB) recognize that awards programs are valuable tools to help agencies reward employee performance excellence and reinforce a high-performing culture that will help improve organizational effectiveness. Agencies should communicate to their managers and supervisors the important role that awards can have in recognizing and rewarding results and exceptional service to American citizens. Agencies should also continue to exercise the authority to provide recognition responsibly.

In exercising their discretion in this area, agencies should honor all collective bargaining obligations and agreements prior to implementation. Agencies are encouraged to communicate broadly how the awards program is being implemented and provide appropriate forums and contacts for employees to have their questions answered.

Budgetary Limitations for Individual Monetary Awards

For FY 2017, these budgetary limits apply to agency spending for non-SES/SL/ST individual monetary awards only, which include both rating-based performance awards and individual contribution (e.g., special act) awards.

Agencies may spend up to 1.5 percent of the aggregate salaries of all non-SES/SL/ST employees at the end of the previous fiscal year on the combination of (1) individual performance awards for non-SES/SL/ST employees, and (2) individual contribution awards (e.g., special act awards) for non-SES/SL/ST employees. Since the SES/SL/ST awards are being administered separately, through guidance issued under OMB Memorandum M-16-22, SES/SL/ST salaries are no longer included in the 1.5 percent of aggregate salaries for purposes of non-SES/SL/ST awards calculation.

Agencies are encouraged to support good performance management throughout the year by providing ongoing feedback and promptly and appropriately recognizing excellent achievements. The use of timely awards, such as special act awards, may improve employee engagement and contribute to a high-performing culture. Agencies are encouraged to review their awards policies to ensure they are operating awards programs that optimize employee engagement and recognition through appropriate use of the various awards authorities.

In addition to setting the individual performance and individual contribution level at a combined spending level of up to 1.5 percent of aggregate non-SES/SL/ST salaries, this memo removes monetary caps for other awards that have been frozen at FY 2010 spending levels (i.e., group awards, referral bonuses, and suggestion/invention awards; recruitment, relocation, and retention (3Rs) incentives; and Quality Step Increases). This memo supersedes the January 15, 2016, OPM memorandum (<https://www.chcoc.gov/content/guidance-recruitment-relocation-and-retention-incentives>), which provided guidance on approving exceptions to fiscal year 2010 spending limits, because these spending limits no longer apply. While there is no cap set for other awards and bonus programs falling outside of individual performance and individual contributions awards, agencies should continue to use these other programs judiciously and in compliance with applicable regulations.

Previous awards spending guidance focused on the following two groups of awards and set spending limitations on each: (1) SES/SL/ST rating-based performance awards, and (2) individual contribution awards for SES/SL/ST combined with both ratings-based performance awards and individual contribution awards for non-SES/SL/ST. To promote greater clarity and increased precision in applying and tracking awards spending, the memorandum "Guidance on Awards for SES and SL/ST employees for Fiscal Year 2017" at <https://www.whitehouse.gov/sites/default/files/omb/memoranda/2016/m-16-22.pdf> separated the respective award categories and spending limitations to address SES and SL/ST personnel separately from non-SES/SL/ST personnel (e.g., General Schedule employees).

Coverage

These budgetary limits apply to all departments and agencies for all non-SES/SL/ST employees, including General Schedule, wage grade and others, except political appointees covered by the freeze on discretionary awards spending. The President's August 3, 2010, memorandum freezing discretionary awards, bonuses, and similar payments for political appointees continues to be in effect. Agencies should continue to apply this freeze in accordance with OPM's guidance at <https://www.chcoc.gov/content/guidance-freeze-discretionary-awards-bonuses-and-similar-payments-federal-employees-serving>.

Effective Date

The budgetary limits specified in this memorandum apply to awards paid during FY 2017, with effective dates from October 1, 2016, through September 30, 2017.

Additional Information

Agency Chief Human Capital Officers and/or Human Resources Directors should contact Stephen T. Shih, Deputy Associate Director for Senior Executive Services and Performance Management, in OPM's Employee Services, at (202) 606-8046 or performance-management@opm.gov, for any questions regarding this policy. Employees should contact their agency human resources offices for assistance.

cc: Chief Human Capital Officers
Human Resources Directors
Council of the Inspectors General on Integrity and Efficiency
Inspectors General