

6

Compensation Administration

Lesson Objectives

After completing this lesson, you will be able to:

- Explain how base salary applies to CONUS and OCONUS employees.
- Describe the purpose and pieces of local market supplements (LMS) and targeted local market supplements (TLMS).
- Explain the benefits for establishing market-sensitive pay.
- Describe the effects of rate range and LMS or TLMS adjustments on base salary.
- Set pay appropriately based on provided guidelines.
- Explain the way promotions are processed under DCIPS.
- Explain the way voluntary and involuntary reductions in band are handled.
- Explain the flexibilities that Components have to address other special situations.

Topics

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LESSON 6 INTRODUCTION



Duration: Allow 2 hours for this lesson.



Instructor Notes:

- Show slide 6-1, “Lesson 6: Basic Pay Administration.”
- Participant Guide page 6-2



Lesson 6: Compensation Administration

Duration: 2 hours

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Your Notes:

**Instructor Notes:**

- Show slide 6-2, “Lesson 6 Topics.”
- Participant Guide page 6-3

**Lesson 6 Topics**

Lesson 6 Topics

- Topic 1 – Base Salary
- Topic 2 – Local Market Supplements (LMS) and Targeted Local Market Supplements (TLMS)
- Topic 3 – DCIPS Annual Structure Adjustments
- Topic 4 – Setting Pay
- Topic 5 – Other Special Situations
- Topic 6 – Foreign Language Proficiency Pay



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Your Notes:**Speaking Points:**

- During this lesson we'll discuss base salary, local market supplements (LMS), targeted local market supplements (TLMS), the concept of market-sensitive pay, and foreign language proficiency pay.
- Additionally, we will address compensation practices, rules, flexibilities, and guidance under DCIPS.
- **Many flexibilities are unique to DCIPS**, for example setting pay higher than the step 1, the extended salary range and developmental pay **for those in occupations that would be under special salary rates** under title 5.



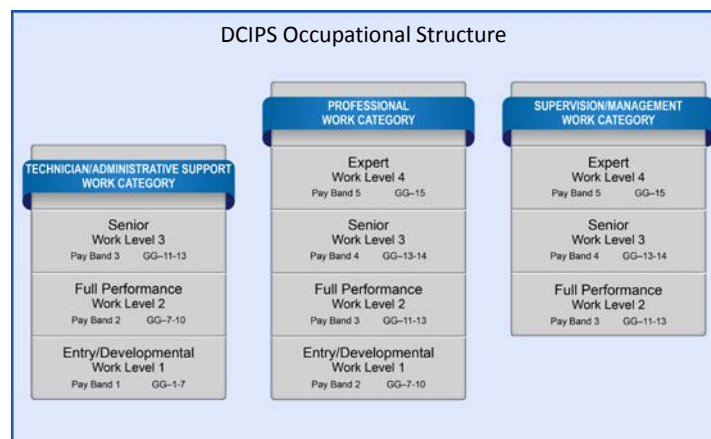
Instructor Notes:

- Show slide 6-3, “DCIPS Occupational Structure.”
- Participant Guide page 6-4



DCIPS Occupational Structure

DCIPS Occupational Structure



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Slide 6- 3

Your Notes:



Speaking Points:

- This lesson focuses on compensation elements of both the pay banded and graded structures. **Remember, there is one occupational structure for all Defense Intelligence Components and there are two separate but related pay structures.** Pay Bands retain the open bands that encompass multiple grades. Grades provide GG Grades within those bands. Both exist under the work levels of the DCIPS Occupational Structure. **Both bands and grades provide broad flexibility to Components to attract and retain quality employees, and reward their contributions to mission accomplishment.**

TOPIC 1: BASE SALARY



Instructor Notes:

- Show slide 6-4, “Basic Principles.”
- Participant Guide page 6-5



Basic Principles

DCIPS Compensation System Basic Principles

- Provides pay opportunities that enable flexible and effective recruitment, management, and retention of a high-quality, high-performing workforce
- Promotes a high-performance culture
- Recognizes employee performance and contributions to the mission
- Focuses on total compensation



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Your Notes:



Speaking Points:

The DCIPS compensation architecture is based on a strong foundation of basic principles, which includes the performance culture that we talked about in Lesson 2. We will start this lesson by discussing these basic principles of the compensation architecture:

- Provides pay opportunities that **enable flexible and effective** recruitment, management, and retention of a highly qualified, high-performing workforce.
- **Promotes a high-performance culture** within the Defense Intelligence Components.
- **Recognizes employee performance** and capability increases through:
 - Base-pay increases, bonuses and promotions linked to performance in the banded structure.
 - Recognition mechanisms in the graded structure that include performance-based within-grade increases, inter- and intra-work level promotions, base-pay increase monetary awards, and performance-based bonuses.
- **Combines performance-based pay with the traditional performance and longevity-based increases** under the General Schedule in the graded structure. Employees are eligible to receive step increases every one, two, or three years (depending on eligibility as established by receiving a Performance Evaluation of Record of Successful or higher in the most recent performance period).
- **Employees in the graded structure may also be eligible for base-pay increase monetary awards resulting in step increases.** The DCIPS Quality Increase (DQI) results in a one-step increase, while the DCIPS Sustained Quality Increase (SQI) results in a two-step increase. These rewards are the only mechanism by which an employee may advance into the extended range of the grade (beyond step 10) to the equivalent of the virtual step 12 rate.
- The term “virtual step 12” is used to indicate the top rate of the range as the rate that would be paid if there was a 12th step. The base-pay increase monetary awards are explained in more detail in Lesson 10 on

Awards and Recognition.

- The compensation philosophy **focuses on total compensation**. Cash compensation (salary and bonuses) is only one piece of total compensation.
- When you discuss compensation with employees, **focus on total compensation and not just salaries and bonus potential**. As a side note, bonuses and awards are not guarantees or entitlements. Receiving a bonus or award one year should not create the expectation to receive one the next year.
- **Total compensation** includes many things in addition to salary and potential bonuses. Government employees are entitled to ten paid holidays a year and can participate in the Thrift Savings Plan, with entitlement for portions to be matched by the Government. Some Components may offer student loan repayment or tuition reimbursement. Additionally, some positions may be eligible for overtime or night pay differentials.
- When discussing compensation with employees or candidates, **emphasize the package**, but take care not to try to value things like childcare centers, parking, or gymnasiums when setting pay as these are very personal and may or may not appeal to various candidates and employees. However, it is important to note that while these are not a part of pay, they can be important to an applicant when deciding to accept an offer.
- The first concept in understanding compensation architecture is seeing **how total compensation is calculated**. Let's look at some key terms used to calculate basic pay of the total compensation package.

What You Should Know:

Compensation Foundation

- DCIPS compensation architecture is intended to promote a high-performance culture and enable flexible and effective recruitment, management, and retention of a highly qualified, high-performing workforce.
- The compensation architecture recognizes employee performance and capability increases through:
 - Base-pay increases, bonuses and promotions linked to performance in the

banded structure.

- Recognition mechanisms in the graded structure that include performance-based within-grade increases, inter- and intra-work level promotions, base-pay increase monetary awards, and performance-based bonuses.
- DCIPS compensation architecture combines performance-based pay with the traditional performance and longevity-based increases under the General Schedule in the graded structure. Employees are eligible to receive step increases every one, two, or three years (depending on eligibility as established by receiving a Performance Evaluation of Record of Successful or higher in the most recent performance period).
- Employees in the graded structure may also be eligible for base-pay increase monetary awards resulting in step increases. The DCIPS Quality Increase (DQI) results in a one-step increase, while the DCIPS Sustained Quality Increase (SQI) results in a two-step increase. These rewards are the only mechanism by which an employee may advance into the extended range of the grade (beyond step 10) to the equivalent of the virtual step 12 rate.
- The term “virtual step 12” is used to indicate the top rate of the range as the rate that would be paid if there was a 12th step. The base-pay increase monetary awards are explained in more detail in Lesson 11 on Awards and Recognition.
- The compensation philosophy is focused on total compensation. Cash compensation (salary and bonuses) is only one component of total compensation. Premium pay, other cash incentives and allowances, benefits, retirement, Thrift Savings Plan (TSP), and leave are examples of other items that make up the total compensation package.

**Instructor Notes:**

- Show slide 6-5, “Key Terms.”
- Participant Guide page 6-7

**Key Terms****Total Compensation Key Terms**

- Base pay
- Local Market Supplement (LMS)
- Targeted Local Market Supplement (TLMS)
- Basic pay



Basic pay = Base pay + LMS (or TLMS)

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Your Notes:

- Refer participants to ***Compensation Terms*** in the *What You Should Know* box on page 6-7 of the Participant Guide and ask them to follow along as you discuss the speaking points.



Speaking Points:

- **Base Pay** is an employee's salary rate before any local market supplement (LMS), targeted local market supplement (TLMS), or other adjustment is added.
- The **Local Market Supplement (LMS)** is an addition to the base pay of employees assigned to a **geographic region that reflects the labor market in that region**. These rates generally correspond to the locality rates established by the Office of Personnel Management (OPM) for the General Schedule (GS).
- **Targeted Local Market Supplement (TLMS)** is another type of addition to the base pay of employees **established in response to labor market conditions not fully addressed** by the Pay Band or Grade rate ranges and LMSs. To ensure that qualified Intelligence Community employees are hired and retained, TLMSs may be established for employees in specific:
 - Local market areas (or worksites) that are a subset of, or that cross, established locality area boundaries
 - Occupations or specializations (e.g. polygraphers)TLMSs may cover one or more work categories and/or work levels, inclusive of employees in both the pay bands and grades included in the work level(s). An employee receiving a TLMS cannot also receive an LMS.
- **Basic Pay** is an employee's regular rate of pay for premium pay and retirement calculations. It consists of base pay and any LMS or TLMS supplement. Other allowances and entitlements such as Cost-of-Living Allowance (COLA), post differentials, and danger pay are not part of basic pay. **Basic pay = Base pay + LMS (or TLMS)**. Another way to look at it is that base pay plus an LMS or TLMS equals *adjusted* or *basic pay*.
- The base pay structure provides a common pay structure for worldwide use. LMS or TLMS are added to base pay to reflect regional, occupational, organizational, or other labor market requirements.
- LMS or TLMS **serve the same function** under DCIPS as locality pay and special salary rate supplements serve within the General Schedule.
- **An employee cannot receive both LMS and TLMS.**

What You Should Know:

Compensation Terms

- **Base Pay** is an employee's salary rate before any local market supplement (LMS), targeted local market supplement (TLMS), or other adjustment is added.
- The **Local Market Supplement (LMS)** is an addition to the base pay of employees assigned to a geographic region that reflects the labor market in that region. These rates generally correspond to the locality rates established by the Office of Personnel Management (OPM) for the General Schedule (GS).
- **Targeted Local Market Supplement (TLMS)** is another type of addition to the base pay of employees established in response to labor market conditions that are not fully addressed by the pay band or grade rate ranges and LMSs. TLMS may be established for employees in specified local market areas (or worksites) that are a subset of, or that cross, established locality area boundaries. They may also be established for employees in specific occupations or specializations that require separate interventions to ensure that qualified employees can be hired and retained in support of the intelligence mission. They may cover one or more work categories and/or work levels, inclusive of employees at both the pay bands and grades included in the work level(s).
- **Basic Pay** is an employee's regular rate of pay for premium pay and retirement calculations. It consists of base pay and any LMS or TLMS supplement. Other allowances and entitlements such as Cost-of-Living Allowance (COLA), post differentials, and danger pay are not part of basic pay. Basic pay = Base pay + LMS (or TLMS). Another way to look at it is that base pay plus an LMS or TLMS equals *adjusted* or *basic pay*.
- The base pay structure provides a common pay structure for worldwide use. LMS or TLMS are added to base pay to reflect regional, occupational, organizational or other labor market requirements.
- LMS or TLMS serve the same function in DCIPS as locality pay and special salary rate supplements serve within the General Schedule.
- An employee cannot receive both LMS and TLMS.



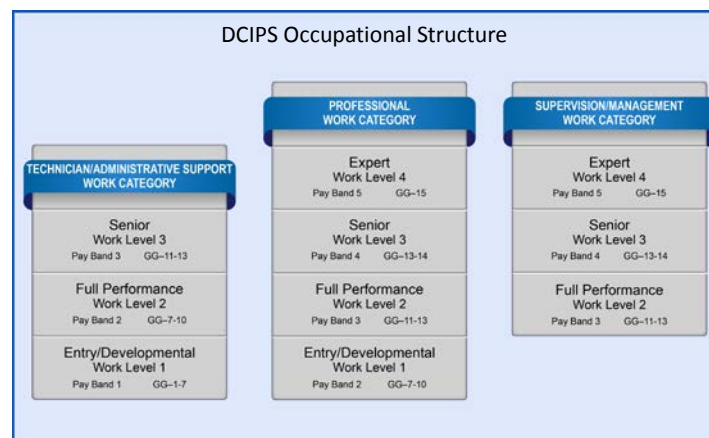
Instructor Notes:

- Show slide 6-6, “DCIPS Occupational Structure.”
- Participant Guide page 6-9



DCIPS Occupational Structure

DCIPS Occupational Structure



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Your Notes:

- Refer participants to *Basic Pay and the DCIPS Occupational Structure* in the *What You Should Know* box on pages 6-9_6-10 of the Participant Guide and ask them to follow along as you discuss the speaking points.

**Speaking Points:**

- Emphasize the highlighted text in the WYSK box below.
- **The extended pay range provides flexibility to recognize outstanding performers who may be at the top of their band or grade. They can be recognized through base pay increase monetary awards if they are in the graded structure, or performance based pay increases if they are in the banded structure, that permit their salaries to go above the step 10 of their grade or the equivalent in the banded structure.**
- The extended pay range cannot be used for initial pay setting unless doing so is required to retain an employee's pay or for specially situated employees who would be on a special salary rate if under title 5.

What You Should Know:*Base Pay and the DCIPS Occupational Structure*

- Under DCIPS policy, **base salary is linked to General Schedule salary rates** for those operating under both pay bands and grades.
- In the pay band structure, **that linkage is only to the first step of the lowest GS grade consolidated into the pay band, and the equivalent of a virtual 12th step of the highest grade** consolidated into the pay band. The easiest way to understand this is to look at the band and grade alignment provided on the DCIPS Occupational Structure that we learned about in Lesson 3. Note that of the five pay bands, **all but Band 5 encompass multiple grades** and their corresponding salary ranges.
- In the graded structure, each work level contains the individual GG grades and steps that correspond to the GG grades that make up the open pay ranges for each pay band.
- **The DCIPS Occupational Structure serves as the foundation of compensation by creating a common structure that is aligned through the work levels.**
- An employee's alignment to a pay band or grade determine his/her worldwide base pay range.
- **Within the banded structure, the work levels align to five broad pay bands. The 15 GG grades are consolidated into these five broad pay bands,** allowing for enhanced flexibility in setting hiring salaries, assigning work and rewarding

high performance. An employee's salary can be anywhere within the broad pay band.

- **All Defense Intelligence positions are aligned to the common work levels. Once the work level is identified,** those in the pay banded structure are **assigned a pay band** and those in the graded structure are assigned one of the **GG grades** available in the assigned work level. Reference the DCIPS Occupational Structure graphic to see how the 15 GG grades are grouped into work levels by work category.
- The pay banded structure establishes a pay range for each pay band **with a minimum and a maximum pay rate, with its mid-point halfway between the minimum and maximum.** An employee's pay range depends on the pay band to which his or her position is assigned.
- **The graded structure establishes a grouping of GG grades for each work level that parallels the banded structure.** The pay range of an employee depends on both the work level, and GG grade to which he or she is assigned.
- USD(I), in conjunction with USD (P&R), may adjust pay band rate ranges annually, or as necessary. Adjustments to rate ranges are made based on factors such as labor markets and Intelligence Community compensation rates.
- The graded structure is adjusted using the same process, but generally is aligned to the pay rates established for the General Schedule.
- A change to Volume 2006 will provide the following update: "When GS pay rates are adjusted based on an Executive order or by an act of Congress, DCIPS grade rate ranges and pay bands will be adjusted automatically based on the applied percentage derived from the updated GS rates to ensure consistency among GS and DCIPS. Employees in organizations operating under the DCIPS banded structure may be precluded from receiving a base pay increase due to poor performance as specified in Volume 2012."



Speaking Points:

- As we talked about earlier, in addition to base-pay, employees may receive LMS or TLMS. Next, we are going to talk about these supplements in more detail.

TOPIC 2: LOCAL MARKET SUPPLEMENTS (LMS) AND TARGETED LOCAL MARKET SUPPLEMENTS (TLMS)



Instructor Notes:

- Show slide 6-7, “LMS and TLMS.”
- Participant Guide page 6-11



LMS and TLMS

LMS and TLMS

- Allows Components to compete more effectively for highly skilled employees
- Replaces GS locality pay and special rate supplements
- Included in basic pay
 - Basic pay = base pay + LMS or TLMS
 - Employees may receive an LMS or TLMS, but not both
- Considered when calculating many of the Federal benefits



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Your Notes:

- Refer participants to **LMS** and **TLMS** in the *What You Should Know* box on pages 6-11_6-12 of the Participant Guide. The information is shown below for your reference.



Speaking Points:

- Provisions such as **LMS and TLMS** allow the **Defense Intelligence Components to compete** more effectively in the marketplace for highly skilled employees.
- LMS and TLMS replace both GS locality pay and special rate supplements. **There are no special salary rates under DCIPS.**
- **Employees may receive an LMS or a TLMS, but not both.**
- Remember that Basic pay = Base pay + LMS or TLMS. Allowances and entitlements such as COLA, post differentials, and danger pay are not part of basic pay.
- LMS and TLMS are considered when calculating many of the Federal benefits.
- Note: **If NSA is represented**, you may clarify that NSA is still using special rate supplements at this time.
- Take a few minutes to read through the information in the ***LMS*** and ***TLMS What You Should Know*** box on pages 6-13_6-14 of the Participant Guide.

What You Should Know:

LMS and TLMS

- The LMS or TLMS is an additional payment to employees in specified local market areas and is added to their base salaries.
- These supplements are established in response to labor market conditions that the pay band rate ranges or the GG grade rate ranges do not adequately cover. These supplements are calculated as a percentage of base salary. The USD(I) in conjunction with the USD (P&R), sets and adjusts them, usually annually, or as necessary. TLMS may be reduced or eliminated at the discretion of the USD(I).
- **LMS areas are identical to the OPM established locality pay areas.** Where LMS rates do not enable the Defense Intelligence components to hire and retain their workforce, either regionally or occupationally, TLMS rates may be established to meet the specific requirements.
- **Special salary rates have been phased out and replaced by increased salary-setting flexibility.** The DCIPS special salary rate strategy is as follows:

What You Should Know:

- Pay bands or graded compensation structures accommodate current special salary rates through flexibilities to set pay in the band or grade rate range.
- TLMS is available as a tool to accommodate special market requirements that may develop. DCIPS policy allows consideration of TLMS in situations where salary-setting flexibility is insufficient to address recruiting and retention requirements. (Note: A government-wide pay freeze or similar action could impact or restrict DCIPS policy's ability to establish new TLMS rates.)
- Additional pay structures may be considered to accommodate special market considerations if the combination of DCIPS basic salary and LMS or TLMS cannot address the requirement adequately.
- LMS and TLMS are considered when calculating:
 - Retirement deductions, contributions, and benefits
 - Life insurance premiums and benefits
 - Premium pay
 - Severance pay
 - Overseas allowances and differentials
- Basic pay is used when calculating:
 - Recruitment, relocation, and retention incentives
 - Lump-sum payments for accumulated and accrued annual leave
 - Other payments and adjustments DoD authorizes
 - Overseas allowances and differentials



Speaking Points:

- Are there any questions pertaining to what you read in the **LMS** and **TLMS** *What You Should Know* box?
- Next, we will discuss how LMS and TLMS amounts are determined.

**Instructor Notes:**

- Show slide 6-8, “Setting and Adjusting LMS and TLMS.”
- Participant Guide page 6-13

**Setting and Adjusting LMS and TLMS****Setting and Adjusting LMS and TLMS**

- Who has the authority to set or adjust LMS and TLMS?
- What does DCIPS consider when determining the monetary value of LMS and TLMS?
- What is DCIPS LMS linked to?
- What are occupational TLMSs analogous to?
- Is an LMS portable?
- Is a TLMS portable?

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Your Notes:

- Refer participants to *LMS and TLMS – Setting and Adjusting* in the *What You Should Know* box on pages 6-13_6-14 of the Participant Guide. Information is shown below for your reference.
- Conduct a Q&A session. Suggested questions and answers are provided in the speaking points.

**Speaking Points:**

- Who has the authority to set or adjust LMS and TLMS? (*Answer:* The Under Secretary of Defense (Intelligence) in conjunction with the Under Secretary of Defense (Personnel and Readiness.)
- What does DCIPS policy consider when determining the monetary value of LMS and TLMS? (*Answer:* Recruitment and retention in support of mission, labor market conditions, and rates of pay at other Federal agencies.)
- What is DCIPS LMS linked to? (*Answer:* OPM locality pay rates.)
- What are occupational TLMSs analogous to? (*Answer:* GG/GS special salary rates.)
- Is an LMS portable? (*Answer:* No, an LMS is not portable. When an employee moves into a different geographic area, he or she receives the LMS for the locale of the new position. Employees do not retain a higher LMS.)
- Is a TLMS portable? (*Answer:* A TLMS may or may not be portable. In general, a TLMS will be treated as an LMS, if it has been established based on a geographic area/locality requirement. However, an occupation-specific TLMS may transfer with an employee to another position, but a geographic-specific TLMS will not. Guidance will be published for any TLMS that may be established regarding its applicability.)

What You Should Know:***LMS and TLMS –Setting and Adjusting***

- USD(I), in conjunction with USD (P&R), has authority to set or adjust LMS and TLMS.
- In determining the monetary value of these supplements, DCIPS considers:
 - Recruitment and retention in support of mission
 - Labor market conditions
 - Rates of pay at other Federal agencies
- **DCIPS LMS is linked to OPM locality pay rates.** If there is a requirement to

What You Should Know:

establish something for an area not considered by OPM, or that is higher than OPM rates, USD(I) will use TLMS.

- Within the same local market area, different supplements may be necessary and approved for different occupations or pay bands or grades; however, none is planned currently.
- DCIPS policy also may identify the TLMS that applies to a specific geographic area, occupation, work level, pay band, or grade. Coverage may be defined and limited by DCIPS policy.
- Occupational TLMSs are analogous to GG/GS special salary rates. An example of an occupational TLMS is the TLMS for polygraphers.
- **As with Locality Pay, LMS is not portable.** When an employee moves into a different geographic area, he or she receives the LMS for the locale of the new position. Employees do not retain a higher LMS. For example, when someone moves to a locality where the amount of the LMS is lower than it is where he or she last worked, he or she does not retain the higher pay amount.
- **This applies to detailees and JDAs also.** Generally, employees receive LMS of area where they work, not where they used to work or will return to work when the assignment ends, however, the number of days of an assignment may impact this.
- **A TLMS may or may not be portable.** In general, a **TLMS will be treated as an LMS, if it has been established based on a geographic area/locality** requirement. However, an occupation-specific TLMS may carry with an employee to another position, but a geographic-specific TLMS will not. Guidance will be published for any TLMS that may be established regarding its applicability.



Speaking Points:

- Both the basic pay (as determined in the pay band rate range or graded work level structure) and the LMS or TLMS will change over time. Let's look at how adjustments are made.

TOPIC 3: DCIPS ANNUAL STRUCTURE ADJUSTMENTS



Instructor Notes:

- Show slide 6-9, “Annual Structure Adjustments.”
- Participant Guide page 6-15



Annual Structure Adjustments

Annual Structure Adjustments

Applies to both pay banded and graded compensation structures:

- Reviewed annually
- Linked to the annual Congressional pay increase process
- Adjusted at the same rate and at the same time as the General Schedule
- LMS rates are adjusted to correspond to locality rate increases
- Each TLMS is reviewed annually to determine whether the business case exists for its continuation
- Employee performance may affect eligibility to receive an LMS or TLMS



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Your Notes:



Speaking Points:

- In terms of annual structure adjustments, the following apply to both the pay-banded and graded compensation structures:
 - Reviewed annually
 - Linked to the annual Congressional pay increase process
 - Adjusted at the same rate and at the same time as the General Schedule
 - LMS rates are adjusted to correspond to locality rate increases
 - Each TLMS is reviewed annually to determine whether the business case exists for its continuation; it may be decreased,

increased, or eliminated

- Employee performance may affect eligibility to receive an LMS or TLMS
- Let's look at annual structure adjustments in more detail.



Instructor Notes:

- Refer participants to *DCIPS Annual Structure Adjustments* in the *What You Should Know* box on pages 6-15_6-17 of the Participant Guide. Information is shown below for your reference.
- Ask for volunteers to read aloud the bullets in the *What You Should Know* box.
- As applicable, pause between bullets to answer participant questions.

What You Should Know:

DCIPS Annual Structure Adjustments

- An employee's performance affects his or her eligibility for pay increases under either the banded or graded compensation structure. Employees in a banded compensation structure **receive salary increases based on annual Performance Evaluations of Record through a pay pool. They must have an evaluation of record of successful or above to be considered.** In the graded structure, employees advance through the grade by receiving within-grade increases.
- Current policy stipulates that all employees whose Performance Evaluation of Record **is at least Minimally Successful receive all increases to the LMS or TLMS** associated with their duty station. (Note: The annual structure adjustment policies changed in January 2010 upon advice of legal counsel. Employees rated Unacceptable receive the January adjustment. Only NGA has the authority to withhold annual adjustments from Unacceptable employees.) Denying LMS or TLMS due to an Unacceptable Performance Evaluation of Record has been removed in a change to Volume 2006 that is currently in coordination.
- When GS locality rates are adjusted based on an Executive order or by an act of Congress, corresponding DCIPS LMS rates based on GS locality rates will be adjusted automatically by the same percentage as the GS locality rates. Adjustments to DCIPS LMS rates based on GS locality rates will be effective the first full pay period beginning in January of each year. Any adjustments to LMS rates that have been created must be approved by the USD(I), in conjunction with

What You Should Know:

the USD(P&R).

- When there is an increase to the minimum of the rate range, employees in the pay banded structure receive a percentage increase in base salary equal to the percentage increase in the minimum of their rate range. Employees in the graded structure receive the Congressional adjustment to base pay.
- DCIPS policy currently adjusts both the pay band rate ranges and the graded structure to parallel any increases granted to the General Schedule.
- In a pay banded compensation structure, an employee who does not receive a pay increase because of performance below the Successful level may find that his or her salary falls below the minimum for the pay band. When that employee later improves performance and receives a Performance Evaluation of Record of Successful or above, and becomes eligible for a salary increase, the salary is raised to at least the minimum for the pay band. Such an increase would be granted during the next annual performance-based pay increase exercise.
- Employees in the banded structure who do not have a current Performance Evaluation of Record when the rate ranges are increased receive a percentage increase in base salary equal to the percentage increase in the rate range minimum; it is presumed such employees are performing at least at the Successful level.
- Employees who are **on pay retention receive 50%** of any increase to the maximum of the rate range, or to the maximum rate for their GG grade in the graded structure, including the extended pay range. If the rate range adjustment causes the pay band or grade maximum to exceed an employee's retained rate, pay retention terminates and the employee may receive the full pay increase, or that portion of the increase to align the employee's salary to the maximum for his or her pay band or grade.
- When an LMS is increased or decreased as a result of the annual market analysis or for other reasons (e.g., Executive order), the adjustment applies to all employees receiving the supplement regardless of current performance evaluation rating of record. Pay retention pursuant to this Volume does not apply in the case of a reduction in an employee's pay that results from a reduction in an LMS. This reduction in an employee's pay does not constitute an adverse action. The USD(I), in conjunction with the USD (P&R), sets, modifies, or eliminates DCIPS TLMS based on mission staffing challenges, labor market conditions, and comparability with similarly situated employees of other federal agencies and the Department of Defense and any other factors.
 - The completed phase out of the non-foreign area TLMS is an example of

What You Should Know:

the modifications of a TLMS.

- A Change to Volume 2006 that is currently in coordination will stipulate that “when GS locality pay rates are adjusted based on an Executive order or by an act of Congress, any TLMS rate that is directly linked to a specific DCIPS local market area corresponding to a GS locality pay area will be adjusted automatically by the same percentage as the GS locality rates. Such TLMS rates will be effective the first full pay period beginning in January of each year.”

**Speaking Points:**

- Now that we understand the facets of basic pay, let's look at how pay is set.

TOPIC 4: SETTING PAY



Instructor Notes:

- Show slide 6-10, “Setting Pay.”
- Participant Guide page 6-18



Setting Pay

Setting Pay



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Your Notes:

- Refer participants to ***Setting Pay*** in the *What You Should Know* box on pages 6-18_6-21 of the Participant Guide. Information is shown below for your reference.
 - Conduct a Q&A session. Suggested questions and answers are provided in the speaking points.
-



Speaking Points:

- When employees are hired or transfer to a new position, what factors should be taken into consideration when pay setting? (*Answer:* The employee's qualifications for the position or role for which he/she was selected; the Component's hiring guidelines; the employee's salary history in related positions to the extent Component guidelines allow.)
- True or False? You should evaluate an individual employee's experience relative to the experience of other employees. (*Answer:* False, you should evaluate an individual employee's experience relative to the requirements of the job and mission, not to the experience of other employees.)
- Under DCIPS policy, where is an employee's pay initially set? (*Answer:* An employee's pay is initially set between the minimum and midpoint of the rate range for his/her pay band or grade. In the graded structure, this generally is between step 1 and step 5 of the grade. In the banded structure, this is generally between the minimum and the midpoint of the pay band. In all cases, the offer is based on analysis of applicant qualifications in the context of the position and component hiring guidelines.)
- What does the midpoint of the rate range (pay band or GG grade) represent? (*Answer:* The average labor market value of an employee fully proficient in the work of the position. Employees whose pay falls below the midpoint generally advance more quickly as they approach the midpoint, and more slowly as they move beyond it in recognition of their progression to or above the average labor market value of a fully proficient employee performing that work.)
- How is the midpoint principle applied in the banded structure? (*Answer:* The concept is captured in the algorithm used to determine performance-based salary increases.)
- How is the midpoint principle applied in the graded structure? (*Answer:* The midpoint principle is used in progressing employee pay through the General Schedule. Employees who are low in the steps of their grade receive step increases equal to approximately 3% of salary every year for the first three years. From steps 4 through 6 (midway through the grade, i.e., the average labor market value of an employee fully proficient in the work of the position) employees receive step increases every two years, which averages out to an increase of approximately

1.5% per year. At steps 7 through 10 (top of the grade) employees receive step increases every three years, which averages out to approximately 1% increase per year.)

- In what cases are pay increases not permitted for a reassignment within the graded structure? (*Answer:* 1) Same grade reassignments when an employee moves between Defense Intelligence organizations, or for reassignments from a banded position to a graded position within the same work level (except that salary may have to be increased to equal a specific step within the grade.); 2) When an employee moves from a non-Defense Intelligence organization to a Defense Intelligence organization; 3) Reassignments within the same Defense Intelligence organization.)
 - When may a pay increase be permitted for a reassignment within the graded structure? (*Answer:* When an employee moves from a non-IC, non-DoD organization to a Defense Intelligence organization.)
 - Upon approval from an authorized management official, for what reasons may pay be set higher? (*Answer:* A critical mission need, difficulty filling the position, and/or superior qualifications.)
 - In what cases may Components offer higher starting salaries without authorization from a management official? (*Answer:* For certain occupations that have initial pay setting at higher starting salaries to remain on par with employees in the same occupations outside of the Defense Intelligence Components, i.e., market rates.)
 - What are the 3Rs and what are they for? (*Answer:* Recruitment, Relocation, and Retention incentives. They provide flexibility to help “close a deal” with an applicant when conditions for their application apply and it is not appropriate to set salary higher in the pay band or grade rate range.)
 - While not offered by all Components, what are examples of non-cash factors? (*Answer:* Flexible work schedules, advanced leave earning rate eligibility based on private-sector or other public sector experience, teleworking, student loan repayment.)
-

What You Should Know:

Setting Pay

- The pay setting flexibilities available in DCIPS policy provide Components with an increased ability to set pay competitively for top talent.
- When employees are hired or are transferring to a new position, setting pay takes into consideration many factors, including:
 - The employee's qualifications for the position or role for which selected. (Note: An individual employee's experience is evaluated relative to the requirements of the job and mission, not to the experience of other employees.)
 - The Component's hiring guidelines.
 - The employee's salary history in related positions, to the extent Component guidelines allow.
- Each Component must develop and publish pay-setting guidelines aligned to DCIPS policy and provide them to USD(I) for oversight and consistency purposes. These guidelines drive the salary-setting process.
- Components have the flexibility to set pay for new hires consistent with their own guidelines aligned to DCIPS policy, the requirements of the position, and the employee's qualifications, anywhere between the minimum and maximum of the pay band rate range or the GG grade in the graded structure, but generally not higher than the midpoint of the pay band or GG grade. **For purposes of pay setting, the minimum and maximum of the pay band and grade rate ranges are defined as the step 1 to the step 10. Initial pay setting is not permitted above the step 10** of the highest grade encompassed in a pay band, or of the step 10 of any grade, except when doing so is required to retain an employee's pay or for specially situated employees who would be on a special salary rate under title 5.
- Under DCIPS policy, an employee's pay is initially set between the minimum and midpoint of the rate range for his/her pay band or grade, with the exact placement determined through considerations noted above. **In the graded structure, this generally is between step 1 and step 5** of the grade. In the banded structure, this is generally between the minimum and the midpoint of the pay band. In all cases, the offer is based on analysis of applicant qualifications in the context of the position and component hiring guidelines, not against other candidates' qualifications.
- When setting pay, the goal is to keep pay competitive with the market and use the

What You Should Know:

midpoint approach. The midpoint principle assumes the midpoint of the rate range (pay band or GG grade) represents the average labor market value of an employee fully proficient in the work of the position. Employees whose pay falls below the midpoint generally advance more quickly as they approach the midpoint, and more slowly as they move beyond it in recognition of their progression to or above the average labor market value of a fully proficient employee performing that work.

- In the pay banded structure, this concept is captured in the algorithm used to determine performance-based salary increases.
- In the graded structure, the changes in waiting periods as an employee advances through the with-in grade steps represent the same principle. The midpoint principle is used in progressing employee pay through the General Schedule. Employees who are low in the steps of their grade receive step increases equal to approximately 3% of salary every year for the first three years. From steps 4 through 6 (midway through the grade, i.e., the average labor market value of an employee fully proficient in the work of the position) employees receive step increases every two years, which averages out to an increase of approximately 1.5% per year. At steps 7 through 10 (top of the grade) employees receive step increases every three years, which averages out to approximately 1% increase per year. For current employees moving into new positions, the following guidance **can help determine the appropriate salary:**
 - Pay increases are not permitted for same grade reassignments when an employee moves between Defense Intelligence organizations, or for reassignments from a banded position to a graded position within the same work level (except that salary may have to be increased to equal a specific step within the grade).
 - Pay increases are not permitted for reassignments when an employee moves from a non-Defense Intelligence organization to a Defense Intelligence organization (except as noted above).
 - Pay increases are not permitted for reassignments within the same Component.
- Components may define management approval levels and procedures for setting pay for all positions within DCIPS policy. In the event a Component notes a requirement to set pay outside of policy, a justification must be provided to USD(I) seeking an exception to policy.

What You Should Know:

- Pay may be set higher, upon approval from an authorized management official, if it is necessary due to a critical mission need, difficulty filling the position, and/or special qualifications.
 - DCIPS does not use the title 5 criteria for superior qualifications, instead identifying the qualifications of the candidate in relation to the requirements of the position.
- DCIPS policy does not include special salary rates. Instead, policy provides for Component flexibility in setting pay. Certain occupations may have initial pay setting at higher starting salaries to remain on par with employees in the same occupations outside of Defense Intelligence Components, i.e., market rates. In these cases, Component hiring guidelines may permit offers at higher starting salaries without authorization from a management official.
- Recruitment, Relocation, and Retention incentives (known as the 3Rs) are available, consistent with DCIPS policy and Component guidelines, to provide flexibility to help “close a deal” with an especially desirable applicant when conditions for their application apply and it is not appropriate to set salary higher in the pay band or grade rate range.
- While not offered by all Components, there are non-cash factors in the hiring process, such as availability of flexible work schedules, advanced leave earning rate eligibility based on private sector or other public sector experience, and teleworking. Before including non-cash factors in pay setting considerations, consult Component guidelines to determine what non-cash factors are available and the stipulations for their use.
- While DCIPS policy provides pay setting flexibility, this flexibility is not to be used to disadvantage other IC, Department of Defense, or Defense Intelligence organizations; nor is it to be used to support candidate negotiations between multiple Defense Intelligence organizations. These rules limit predatory competition within the Enterprise and the IC.
- Pay setting is a management responsibility that is based on concrete guidelines and performed with engagement, advice, and data from Human Resources, according to Component-specific practices.
- Components must develop local pay setting guidance that helps hiring managers and HR know the appropriate pay setting practices and know how to handle situations where the employee wants more than the market value can support.

Exercise 6-1: Setting Pay



Instructor Notes:

- Show slide 6-11, “Setting Pay Exercise.”
- Participant Guide page 6-22



Setting Pay Exercise

This exercise is intended to help you understand that selectees bring many assets to a new position, such as education, training, experience, and past performance that should be considered when setting pay in relation to the requirements of the positions.

- Each group will read the case study.
- Review the hypothetical Component guidelines and the Professional Work Category DCIPS Salary Table.
- Discuss the possible responses to the case study.
- Record how your group arrived at its answers and any special considerations.
- Provide both the salary and the grade/step for each.
- Assign a spokesperson to share your group’s responses with the other groups.

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Slide 6-11

Your Notes:

- **This exercise helps participants understand that selectees bring many assets to a new position**, such as education, training, experience, and past performance **that should be considered** when setting pay in relation to the requirements of the positions.



Speaking Points:

- Let's see what's involved in setting pay by trying an activity.
- Related to our discussion on Components developing local pay setting guidance, this exercise contains a high-level sample set of guidelines for a hypothetical Component. **These are not intended to represent a specific set of guidelines in any current Component, but contain the type of elements that would be considered in establishing guidelines:** requirements of the job, external market factors, and applicant experience. Applicant current salaries or salary expectations come into play only to the extent that guidelines allow flexibility within a limited range to consider the request in the context of the job requirements, qualifications, and equity.



Allow 15 minutes for this activity.



Instructor Notes:

- Divide the class into groups of three or four participants to discuss the possible responses to the case study.
- Refer participants to Exercise 6-1: Setting Pay on page 6-22 of the Participant Guide.
- Advise participants to reference the Professional Work Category DCIPS Salary Table on page 6-24 of the Participant Guide when determining their answers.
- Have a spokesperson from each group share with the other groups how his/her group arrived at their answers.
- The full exercise with participant instructions is below for your reference.
- The Answer Key is on page 6-35 in the Instructor Guide and in the Supplemental Reference Guide, Tab 16, pages 14-15.



Instructions

- Read the case study.
- Review the hypothetical Component guidelines and the Professional Work Category DCIPS Salary Table. Discuss the possible responses to the case study. Note how your group arrived at its answers and any special considerations. Provide both the salary and the grade/step for each.
- Assign a spokesperson to share your group's responses with the other groups.

Setting Pay Case Study

- Adam, the supervisor, is hiring several new program analysts into his division. They are all being placed in the Professional Work Category at Work Level 1 (Professional, Entry/Developmental). He has asked you to advise him in determining how to set their starting grade and salary.
- The background of the selectees is as follows:
 1. Selectee 1 just graduated with a BA in public administration (GPA of 4.0).
 2. Selectee 2 just graduated with an MA in operations research (GPA 3.0).
 3. Selectee 3 has a BA in management information systems and two years of directly related experience. Selectee 3 is currently making \$58,000 and is being hired to work in Washington, DC.
 4. Selectee 4 has four years of directly related experience and a BA in public policy. Selectee 4 is currently making \$66,000.
 5. Selectee 5 received a BA in business administration about five years ago, but experience has limited application to the position being filled. Selectee 5 is currently earning \$55,000.
 6. Selectee 6 is employed in a non-DCIPS agency performing related work in a support position, has three years of experience, and has completed two years toward a BA in business administration. The selectee is currently a GS-7 step 3.
- For purposes of this exercise, assume the following Component guidelines:
 - Bachelor's degree with no relevant experience: GG-7/3.

- Master's degree with no relevant work experience: GG-8/3 to GG-9/3 depending on the relevance of the degree program to the job requirements.
- Bachelor's degree with 1 to 3 years' work experience: GG-8/1 to GG—9/5 based on quality of experience and relevance to job for which selected.
- Bachelor's degree with 3 to 5 years' experience: GG-9/1 to GG-11/3 based on quality and relevance of experience.
- Recruitment incentives of up to \$5000 may be used to close the deal for highly-sought applicants.

Discussion Questions:

1. How will you recommend setting the pay of each selectee?
2. How will you advise Adam to respond if Selectee 2 asks him to consider a higher salary offer? Selectee 5?



DCIPS Professional Work Category and Associated Work Levels

OPM Salary Table for the Locality Pay Area of Washington-Baltimore-Northern Virginia, DC-MD-VA-WV-PA

	Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10
ENTRY/ DEVELOPMENTAL Work Level 1 Pay Band 2 GG 7-10	7	\$42,209	\$43,616	\$45,024	\$46,431	\$47,838	\$49,246	\$50,653	\$52,061	\$53,468	\$54,875
	8	\$46,745	\$48,303	\$49,861	\$51,418	\$52,976	\$54,534	\$56,092	\$57,649	\$59,207	\$60,765
	9	\$51,630	\$53,350	\$55,070	\$56,791	\$58,511	\$60,232	\$61,952	\$63,673	\$65,393	\$67,114
	10	\$56,857	\$58,752	\$60,648	\$62,544	\$64,439	\$66,335	\$68,230	\$70,126	\$72,022	\$73,917
FULL PERFORMANCE Work Level 2 Pay Band 3 GG 11-13	11	\$62,467	\$64,548	\$66,630	\$68,712	\$70,794	\$72,876	\$74,958	\$77,040	\$79,122	\$81,204
	12	\$74,872	\$77,368	\$79,864	\$82,359	\$84,855	\$87,350	\$89,846	\$92,341	\$94,837	\$97,333
	13	\$89,033	\$92,001	\$94,969	\$97,936	\$100,904	\$103,872	\$106,839	\$109,807	\$112,774	\$115,742
SENIOR Work Level 3 Pay Band 4 GG 13-14	13	\$89,033	\$92,001	\$94,969	\$97,936	\$100,904	\$103,872	\$106,839	\$109,807	\$112,774	\$115,742
	14	\$105,211	\$108,717	\$112,224	\$115,731	\$119,238	\$122,744	\$126,251	\$129,758	\$133,264	\$136,771
EXPERT Work Level 4 Pay Band 5 GG 15	15	\$123,758	\$127,883	\$132,009	\$136,134	\$140,259	\$144,385	\$148,510	\$152,635	\$155,500	\$155,500

Exercise 6-1: Setting Pay—Answer Key



1. How will you recommend setting the pay of each selectee?

1. *Selectee 1 just graduated with a BA in public administration (GPA of 4.0). Selectee 1 would be hired at 7/3 (\$45,024) based on the guidelines.*
2. *Selectee 2 just graduated with an MA in operations research (GPA 3.0). Selectee 2 has a master's degree in a program that is directly relevant to the job requirements; following the hiring guidelines, you could offer between 8/3 and 9/3. While most components do not use single grade intervals for professional work category positions, a component could choose to. Components in the two grade interval progression following the guidelines would offer between 9/1 and 9/3.*
3. *Selectee 3 has a BA in management information systems and two years of directly related experience. Selectee 3 is currently making \$58,000 and is being hired to work in Washington, DC. Selectee 3 has a bachelor's degree and 2 years of experience. His current salary is \$58,000. The guidelines allow you to go up to 9/5, which is \$58,511, because it is directly related experience. However, with only two years of experience, the grade 9 at a lower step might be more appropriate. Depending on your assessment of the quality of experience, you could go with the higher offer, lower offer, or perhaps pair a lower offer with a recruitment incentive of \$3000 - \$5000.*
4. *Selectee 4 has four years of directly related experience and a BA in public policy. Selectee 4 is currently making \$66,000. Selectee 4 has four years' experience, and currently makes \$66,000. You could match that at GG-10/6, which is within the hiring guidelines. Alternatively, you could go with a lower offer that is below the midpoint of the grade and offer a hiring bonus. You would not offer higher than grade 10 because the person is being hired for entry/developmental work level.*
5. *Selectee 5 received a BA in business administration about five years ago, but experience has limited application to the position being filled. Selectee 5 is currently earning \$55,000. Selectee 5 has a bachelor's degree, but work experience is not qualifying for the current position.*

Consequently, the offer would be a GG-7 step 3 (\$45,024). In this case, the applicant's current salary would not come into play, because the qualifications for the job are limited to the entry level. You could potentially consider a recruitment incentive, if appropriate.

6. *Selectee 6 is employed in a non-DCIPS agency performing related work in a support position, has three years of experience, and has completed two years toward a BA in business administration. The selectee is currently a GS-7 step 3.* Selectee 6 is a government employee, and could be offered either a lateral transfer at 7/3 or a promotion to 9 based on assessment of qualifications.
2. How will you advise Adam to respond if Selectee 2 asks him to consider a higher salary offer? Selectee 5?
 - a. You could consider a salary up to the 9/3 salary which is \$55,070; however, if that does not satisfy the selectee, there is no further appropriate negotiation. At that point, Adam could discuss other benefits of employment, including such things as work-life balance programs, the quality of the work, or long-term potential within the field.
 - b. For Selectee 5, there is no room to negotiate further based on the requirements of the job and the experience contained in the resume. The selectee will need to consider other factors in his/her employment decision, including future career potential and desire to join the intelligence mission.



Speaking Points:

- As a developmental position, an employee may be appointed to any GG grade within the Entry/Developmental Work Level (Work Level 1) based on his/her qualifications and requirements of the position to which he/she will be assigned. Component alignment guidelines should use the top-down approach we discussed in Lesson 3 to determine the appropriate mission category, work category, work level, Grade, and occupational group. Once the grade is determined, then Component pay setting guidelines should be used to determine the appropriate step within the grade.
- Now that we have a sense of how pay is set when an employee joins a Component, let's look at how employee salary progresses.

**Instructor Notes:**

- Show slide 6-12, “Reassignment.”
- Participant Guide page 6-26

**Reassignment**

- What is a reassignment?
- Are employees eligible for pay increases upon reassignment?
- What is an employee-initiated reassignment?
- What is a management-directed reassignment?
- When will a reassignment occur competitively?
- Which two work categories are considered equivalent for noncompetitive reassignments?

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Slide 6-12

Your Notes:**Speaking Points:**

- The Defense Intelligence Enterprise values broad experience. That’s the purpose of the Joint Duty Assignment program. Broad experience will be rewarded throughout an employee’s career by opening new opportunities for employee assignments and experiences.
Reassignments are another way to obtain broad experience.
- DCIPS policy establishes specific rules governing staffing and pay issues, such as reassignments, that are supplemented by Component-specific guidance.
- **Reassignments are an opportunity to develop and expand skills, support the mission, and enhance performance.**

**Instructor Notes:**

- Refer participants to **Reassignment** in the *What You Should Know* box on pages 6-26_6-27 of the Participant Guide. Information is shown below for your reference.
- Conduct a Q&A session. Suggested questions and answers are provided in the speaking points.

**Speaking Points:**

- What is a reassignment? (*Answer:* When an employee moves (voluntarily or involuntarily) to a different position within his or her work level and pay band or grade within his or her Component.)
- Are employees eligible for pay increases upon reassignment? (*Answer:* No, regardless of whether the reassignment is voluntary or involuntary.)
- What is an employee-initiated reassignment? (*Answer:* A voluntary reassignment at the employee's request.)
- What is a management-directed reassignment? (*Answer:* A reassignment initiated by management. While the employee may desire or support the reassignment, this action is considered involuntary. Management directed assignments are not considered adverse actions.)
- When will a reassignment occur competitively? (*Answer:* When the reassignment is to a work category with a higher pay band or grade potential than the current position, such as if an employee were moving from the Technician/Administrative Support Work Category to the Professional Work Category. The employee is still moving to the same work level, pay band, or grade as his/her current position, but because of the new work category, the key wording here is the pay band or grade potential of the new position.)
- Which two work categories are considered equivalent for noncompetitive reassignments? (*Answer:* The Professional Work Category and the Supervision/Management Work Category.)

What You Should Know:

Reassignment

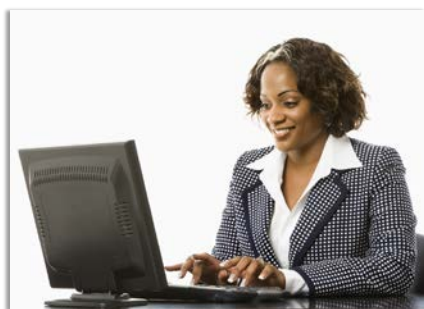
- A **reassignment** occurs when an employee moves, voluntarily or involuntarily, to a different position within his or her work level and pay band or grade **within his or her Component**.
- An **employee-initiated reassignment** is a voluntary reassignment at the employee's request, normally initiated by an employee applying for a vacant position through an advertised vacancy announcement, or otherwise requested for personal reasons.
- A **management-directed reassignment** is a reassignment initiated by management. While the employee may desire or support the reassignment, this action is considered involuntary. It normally does not include the employee applying through an advertised vacancy announcement. Management directed reassignments are not considered adverse actions.
- Under DCIPS policy, employees are not eligible for pay increases upon reassignment, whether voluntary or involuntary.
- A reassignment may occur competitively or noncompetitively. A reassignment will normally use the Component's formal, competitive process outlined in its merit placement policy when the reassignment is to a work category with a higher pay band or grade potential than the current position, such as if an employee were moving from the Technician/Administrative Support Work Category to the Professional Work Category.
 - The employee is still moving to the same work level, pay band, or grade as his/her current position, but is moving to a new work category. The employee now has increased pay band or grade potential in the new position.
- When a reassignment happens noncompetitively, the Component will ensure that the employee being reassigned meets the qualification requirements associated with the new position. The Professional Work Category and the Supervision/Management Work Category are considered equivalent for this purpose.
- Reassignments are seen as an opportunity for the employee to develop and expand his or her skills, further support the mission, and enhance individual and team performance.

**Speaking Points:**

- As an HR Practitioner, you should encourage employees to seek out new and challenging assignments. Reassignments offer them the opportunity to expand their skills, enhance their resumes, develop their networks, and position themselves for larger performance payouts without reductions to their current salaries.
- Next, let's consider what happens when an employee moves from one work level, pay band, or grade to another.

**Instructor Notes:**

- Show slide 6-13, "Promotion."
- Participant Guide page 6-28

**Promotion****Promotion**

A promotion occurs when an employee is advanced to a higher pay band or grade

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Slide 6- 13

Your Notes:

- Refer participants to ***Promotions*** in the *What You Should Know* box on page 6-28 of the Participant Guide and ask them to follow along as you discuss the speaking points.

**Speaking Points:**

- A promotion occurs when an employee is advanced to a higher pay band or grade. We address it in this lesson to understand setting pay for a promotion.

What You Should Know:*Promotions*

- A promotion occurs when an employee is advanced to a higher pay band or grade.
- **Promotions usually occur in one of two ways:**
 - Employee applies and is selected for promotion through an advertised vacancy announcement.
 - Component considers employees for promotion during the annual pay cycle, as part of the pay pool process. (This approach is common in rank-in-person organizations).
- Promotion in the pay-banded structure occurs when an employee moves **from one pay band to a higher pay band**. With a promotion, **an employee's pay increases by 6 percent, or to the minimum of the new band, whichever is greater**. Pay cannot be lower than the minimum or higher than the step 10 rate for the highest grade in the pay band.
- In the **graded structure**, promotions occur when an employee moves **from one grade to another higher grade**. Promotions may be within or between work levels, depending on the grades involved. Both are treated as General Schedule promotions with increases computed by going two steps up in the current grade, finding the salary in the next higher grade, then rounding up to the closest step, or to the minimum of the next grade.

**Speaking Points:**

- Now, let's look at reductions in band or grade and pay retention.

**Instructor Notes:**

- Show slide 6-14, “Reduction in Band or Grade Scenarios.”
- Participant Guide page 6-30

**Reduction in Band or Grade Scenarios**

Reduction in Band or Grade Scenarios

- Voluntary reduction at employee’s request
- Involuntary reduction resulting from a management-directed action
- Involuntary reduction resulting from an adverse action



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Your Notes:

**Speaking Points:**

- While the more traditional progression is from one work level and pay band/grade to the next, sometimes a voluntary reduction in band or grade may fit an employee's developmental requirement or be desired, while other reductions are considered to be involuntary.
- There are three reduction in band or grade scenarios:
 - Voluntary reduction at employee's request
 - Involuntary reduction resulting from a management-directed action
 - Involuntary reduction resulting from an adverse action

**Instructor Notes:**

- Refer participants to ***Reduction in Band or Grade*** in the *What You Should Know* box on page 6-30_6-31 of the Participant Guide. Information is shown below for your reference.
- Give participants a few minutes to read through the material then ask for volunteers to explain the three reduction in band/grade scenarios:
 - Voluntary reduction at employee's request
 - Involuntary reduction resulting from a management-directed action
 - Involuntary reduction resulting from an adverse action

**Speaking Points:**

- There are a couple of additional points to know about an involuntary reduction resulting from a management-directed action.
 - First, involuntary reductions resulting from management-directed actions occur in certain limited circumstances, such as through an **Adjustment in Force. In such circumstances, special rules apply to help avoid or reduce the number of employees displaced.**
 - Second, **involuntary reductions resulting from management-directed actions may not be used as a form of adverse, performance-based, or disciplinary action.**

What You Should Know:

Reduction in Band or Grade

- A reduction in band or grade occurs when an employee moves, voluntarily or involuntarily, to a position in a lower pay band or grade.
- **Voluntary reduction at employee's request:** When an employee voluntarily requests a reduction to a lower pay band/grade, the employee's salary may be set at a rate no higher than his current rate of pay. In the graded structure, pay can be increased to the extent necessary to match the employee's pay to the nearest step in the new grade, up to the maximum rate for the grade that is not lower than the employee's current salary. Under no circumstances may the employee's salary be set higher than the maximum of the pay band. The extended salary range is used to set pay in this scenario. The employee is not eligible for pay retention.
- **Involuntary reduction resulting from a management-directed action:** An employee agrees to a reduction to a lower pay band or grade as a result of a management-directed reassignment that is not the result of an adverse, performance-based or disciplinary action.
 - The employee's salary is matched at the new grade or band and rounded up to align with a step under the graded structure, if necessary.
 - If the employee's salary at the time of reduction exceeds the maximum rate for the new grade, even with the extended pay range to the virtual step 12, he or she is entitled to indefinite pay retention at the new grade.
 - Likewise, if the employee's salary at the time of reduction exceeds the maximum rate for the new pay band, he or she is entitled to indefinite pay retention at the new band.
 - A reduction to prevent separation would be an example of this type of involuntary reduction.
- **Involuntary reduction as a result of an adverse action:** When an employee is involuntarily reduced to a lower pay band or grade through adverse, performance-based, or disciplinary action procedures resulting from poor performance or misconduct, the employee's salary may be reduced, but not to a point lower than the minimum of the new band, or grade. Under no circumstance may the employee's salary be set higher than the maximum of the pay band or grade to which the employee is reduced. The employee is not eligible for pay retention.

**Instructor Notes:**

- Show slide 6-15, “Pay Retention.”
- Participant Guide page 6-32

**Pay Retention**

Pay Retention

Pay retention is used to prevent a reduction in salary when an employee's former rate of pay exceeds the maximum rate of the employee's new pay band or grade

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Slide 6- 15

Your Notes:

- Refer participants to ***Pay Retention*** in the *What You Should Know* box on page 6-32 of the Participant Guide and ask them to follow along as you discuss the speaking points.



Speaking Points: (This is the exact text found in the PG WYSK box “Pay Retention”)

- Depending on the reason for the reduction in band, work level, or grade, an employee may be eligible for pay retention.
- Earlier we practiced setting pay for new employees. Now we’re going to practice setting pay for reassigned or promoted employees.

What You Should Know:

Pay Retention

- **Pay retention is used to prevent a reduction in salary** when an employee’s former rate of pay exceeds the maximum rate of the employee’s new pay band or grade.
- Voluntary reductions at the employee’s request do not make the employee eligible for pay retention.
- Employees affected by involuntary reductions resulting from a management-directed action where the employee’s salary at the time of reduction in the new pay band or grade exceeds the maximum rate, including the extended pay range for those in the graded structure, are entitled to indefinite pay retention.
- Pay retention remains in effect until:
 - The rate range of the pay band or grade of the new position encompasses the employee’s retained rate.
 - The employee is assigned to a pay band or grade where pay can be set.
- Employees on pay retention are **eligible to receive 50% of an increase** to the maximum of the rate range or grade (including LMS/TLMS). Employees on pay retention are eligible for performance payout in the form of a bonus.
- **Grade or band retention is not authorized under DCIPS policy.**

Exercise 6-2: Setting Pay for Reassigned or Promoted Employees



Instructor Notes:

- Show slide 6-16, “Setting Pay Exercise #2.”
- Participant Guide page 6-33



Setting Pay Exercise #2

- Determine how pay would be set for each scenario provided.
- Go to ‘Exercise 6-2: Setting Pay for Reassigned or Promoted Employees’ on page 6-33 of the Participant Guide for the scenarios.
- Assign a spokesperson to share your answers with the other groups.

Your Notes:

- Divide the class into three groups.
- Refer participants to Exercise 6-2: Setting Pay for Reassigned or Promoted Employees on page 6-33 of the Participant Guide.
- Using the information covered up to this point in this lesson, ask the participants to decide how they would set pay in each of the scenarios and why.
- Have a spokesperson from each group share with the other groups how his/her group arrived at their answers.
- The full exercise with participant instructions is shown below.
- The Answer Key is on page 6-51 in the Instructor Guide and in the Supplemental Reference Guide, Tab 16, pages 16-17.



- Allow 15 minutes for this activity.

**Instructions:**

- Using the information covered up to this point in this lesson, determine how pay would be set for each scenario below and why.
- Assign a spokesperson for your group to share your answers with the other groups.

Case Studies:**Scenario 1**

Robin is being reassigned from a Program Analyst, Professional Work Category, Full Performance Work Level (Work Level 2) position at the GG-12 in Atlanta to a Program Analyst position at the same work category, work level, and grade in Washington, DC.

How is her pay set?

Scenario 2

Roger is about to take a reassignment, at the same work level and grade, within his department and is currently on pay retention. Recently he received an Outstanding (5) Performance Evaluation of Record. Roger's supervisor, Alice, wants to increase his base salary.

Can she, and if so, by how much?

Scenario 3

Doug is a Human Resources Management Officer, Professional Work Category, Full Performance Work Level (Work Level 2), GG-13. He has applied for an entry-level analyst position, Entry/Developmental Work Level (Work Level 1). He has a Master's degree in political science, meets the entry-level qualification requirements for this position, and brings with him years of experience in the Intelligence Community. He is excited about the new position because it provides a new career path for him that is more in line with his career goals. If he were selected, HR has determined this position would be at the GG-10 level, the highest grade encompassed in the Entry/Developmental Work Level.

How may the supervisor set Doug's pay? (Assume his current salary is GG-13 step 5.)

Scenario 4

Charles is a GG-13 employee with pay retention.

1. If no other event occurs that would terminate Charles's eligibility, how long can he remain on pay retention?
2. Describe two scenarios that could have placed Charles on pay retention.
3. If Charles performs above the unacceptable level, will he get an increase to his base salary?
4. If the work level and grade to which he is assigned is adjusted, is he eligible for any corresponding increase to his base salary?

Scenario 5

Marilyn is an Intelligence Specialist. She is moving from her current agency where she is an Intelligence Specialist, Professional Work Category, Full Performance Work Level (Work Level 2) at the GG-12 to another Defense Intelligence Component to take a reassignment as a Professional Work Category, Full Performance Work Level Intelligence Specialist position at pay band 3, which offers her the chance to develop her skills and meet new challenges. Can she get a salary increase when she moves to the new Agency?

Exercise 6-2: Pay Setting Examples—Answer Key



Scenario 1

Robin's base salary should be set at her existing rate of pay (i.e., same grade and step). In addition, Robin will no longer get LMS for the Atlanta area; instead, her LMS will be recalculated to reflect the rate in Washington, DC. If Atlanta is a lower LMS area than DC, her LMS would increase but decrease if the reassignment was reversed.

Scenario 2

Because Roger is on pay retention, he cannot receive a salary increase until the rate range of his pay band or grade of the new position encompasses his retained rate, or until Roger is assigned to a pay band or grade where pay can be set.

Specific to this example, Roger's salary cannot be increased through this reassignment because it is a reassignment within the same work level at the same grade. Roger will be considered for a performance-based bonus through the pay pool process. Pay pool decisions are not a part of the pay setting process. Roger cannot receive a base-pay increase monetary award because he is on pay retention.

Scenario 3

Because this is a voluntary change to a lower grade, in this case because Doug wants to change his career path, pay retention does not apply. His salary would be set at the maximum rate for the grade of the position to which he will be assigned that does not exceed his current rate. Because he will be reassigning from a GG 13/5 to a GG-10 position, the maximum pay setting for him is at the GG-10/12. Roger's pay will be reduced through this reassignment. Pay setting in the position should consider his experience and education, in light of the contributions he will bring in the new position when setting his pay.

Scenario 4

1. Indefinitely until his pay band rate range catches up with his current salary.
2. Examples: Involuntary reduction resulting from a management-directed action or after an Adjustment in Force or NSPS conversion out.
3. No.
4. Yes, if the adjustment places his current pay lower than the maximum of his new grade.

Scenario 5

No, she cannot get a salary increase because she is taking a reassignment at the same work category and work level; however, because she is moving from a graded position to a pay banded position, she is permitted to receive a within-grade-increase buy-in prorated to represent time served towards her next regularly scheduled step increase, if applicable. It's important to remember that if she is already at the step 10, she is at the highest step and this buy-in would not apply. A reassignment is defined as a movement within a pay band, which does not qualify for a salary increase.

**Speaking Points:**

- Of course, there are always exceptions to every rule. Let's look at how pay is affected for people with some unusual circumstances.
-

TOPIC 5: OTHER SPECIAL SITUATIONS



Instructor Notes:

- Show slide 6-17, “Special Situations.”
- Participant Guide page 6-37



Special Situations

Special Situations Related to Pay

- Developmental Progression Programs
- Continuation of Documented Career Ladders
- Non-foreign area OCONUS (outside the contiguous United States) TLMS rates



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Your Notes:

- Refer participants to *Special Situations Related to Pay* in the *What You Should Know* box on pages 6-37_6-38 of the Participant Guide. Information is shown below for your reference.



Speaking Points:

- There are **three special situations** related to pay:
 - Developmental Progression Programs
 - Continuation of Documented Career Ladders
 - Non-foreign area OCONUS (outside the contiguous United States) TLMS rates
- Take a few minutes to read about each of these special situations.

What You Should Know:

Special Situations Related to Pay

- **Developmental Progression Programs:** As discussed in Lesson 5, DCIPS policy requires all Professional Work Category employees hired into the Entry/Developmental Work Level to be in Developmental Progression Programs.
- The philosophy behind developmental progression is rewarding achievement of established goals related to experience, knowledge, and development.
- The programs begin with competitive selection to a developmental position and ends when the employee progresses to the pre-determined end point.
- DCIPS policy does not provide for the use of career ladders. Components may choose to include salary or grade progression as a part of developmental progression.
- Developmental programs seek to support employee development as they progress through the Entry/Developmental Work Level and then to and/or through the Full Performance Work Level, **to a Component established end point in the Full Performance Work Level.** Developmental progression for employees in the pay banded compensation structure may include salary increases while developmental progression for employees in the graded compensation structure may include the grades encompassed with the Entry/Developmental and Full Performance Work Levels.
- Developmental progression establishes an expectation between the employee and the supervisor, and an expected end point within the Full Performance Work Level. Employees in developmental programs will advance through the Entry/Developmental grades (or the Entry/Developmental pay band) in accordance with rules established at the Defense Intelligence Component level,

What You Should Know:

and in accordance with Volume 2005.

- Developmental progression terminates at the Full Performance level once the employee has reached the termination point designated by the Component.
- Employees may not be placed into a developmental progression program if hired into a position at the Full Performance level.
- Individual Components establish their developmental programs and receive approval from the USD(I).
- **Continuation of Documented Career Ladders: DCIPS policy does not have career ladders** but a special rule provides that employees in career-ladders prior to conversion to a Defense Intelligence position are converted according to their current position and grade, not the target grade. Employees in documented career ladders at the time of conversion to pay bands, or who are in them at transition to the graded structure, have those career ladders continued, and receive scheduled progression to the documented target grade in accordance with pre-determined requirements.
- **Non-foreign area OCONUS (outside the contiguous United States) TLMS rates:** The general non-foreign area TLMS rates have been phased-out. The need for any occupation- or location-specific TLMS rates will be evaluated in the future.



Speaking Points:

- We've covered the basic rules about pay administration. Now let's discuss Foreign Language Proficiency Pay (FLPP)

TOPIC 6: FOREIGN LANGUAGE PROFICIENCY PAY (FLPP)



Instructor Notes:

- Show slide 6-16, “Foreign Language Proficiency Pay.”
- Participant Guide page 6-39



Foreign Language Proficiency Pay

Foreign Language Proficiency Pay (FLPP)

- Volume 2016, established in April 2015, assigns responsibility and required activities to administer FLPP
- FLPP is not considered when determining basic pay rate
- The minimum qualifying language skill level will not be less than Interagency Language Roundtable (ILR) Level 2
- Total amount of FLPP may not exceed \$55,000 in a calendar year
- Termination of FLPP cannot be grieved



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Your Notes:

- Refer participants to *Foreign Language Proficiency Pay (FLPP)* in the *What You Should Know* box on pages 6-39_6-41 of the Participant Guide. Information is shown below for your reference.

**Speaking Points:**

- Volume 2016 was released in April 2015 establishing policy and responsibilities for foreign language proficiency pay (FLPP).
- Key items to note about FLPP
 - Not considered a part of the employee's basic pay, and therefore does not count when calculating benefits such as retirement and insurance
 - Not paid to an employee on LWOP or other unpaid status in excess of 10 consecutive work days, or in an extended paid absence in excess of 30 consecutive work days
 - FLPP is managed to maximize the accession, development, maintenance, enhancement and utilization of critical skills to support mission activities.
- The minimum qualifying language skill level will not be less than Interagency Language Roundtable (ILR) Level 2 proficiency.
- The process and procedures for administering foreign language pay must be complementary to DoDI 1340.27 and DoDI 5160.70.
 - Payments are only made to employees serving in a position or subject to assignment to a position in which proficiency in that language facilitates performance of officially assigned intelligence or intelligence-related duties.
 - Structured programs must be in plans to determine the appropriate payment.
- FLPP should be used to attract and retain a qualified cadre of foreign language professionals necessary to accomplish the mission.
- Take a few minutes to read more details about FLPP and how it is used to retain top talent..

What You Should Know:***Foreign Language Proficiency Pay (FLPP)***

- Volume 2016, from April 2015, established policy, assigned responsibility and provided procedures for administering foreign language proficiency pay (FLPP).
- FLPP is not considered part of an employee's rate of basic pay, and is not counted towards retirement, insurance, or other benefits related to basic pay.

- FLPP is not paid if an employee is in LWOP or other unpaid status in excess of 10 consecutive work days, or in an extended paid absence in excess of 30 consecutive work days.
- Foreign language proficiency is a critical competency of the Defense Intelligence Components.
 - FLPP is managed to maximize the accession, development, maintenance, enhancement and utilization of critical skills to support mission activities.
 - The need for these capabilities are derived from National Intelligence priorities and Combatant Command intelligence requirements.
 - New requirements guide the recruitment, development and retention of the foreign language workforce.
- Employees are encouraged to occupy positions requiring languages on the Defense Intelligence Foreign Languages of Interest (DILI) list to receive special pay, time for classroom maintenance and immersion training.
- The minimum qualifying language skill level will not be less than Interagency Language Roundtable (ILR) Level 2 proficiency. The certification table is noted below.

ILR	Certification Schedule
Level 3 or above in Listening and Reading Modalities	No later than 36 months and no earlier than 6 months from last administration of test in that foreign language
Level 3 or above in Speaking Modality	No later than 24 months and no earlier than 6 months from last administration of test in that foreign language
Level 2 and 2+ in Listening, Reading, and Speaking Modalities	No later than 12 months and no earlier than 6 months from last administration of test in that foreign language

- Recertification requirements interrupted by deployment in support of a contingency operation may be extended for a period of 180 days starting on the date on which the employee is released from the assignment or, on a case by case basis, to comply with applicable law or to accommodate extraordinary circumstances.
- The process and procedures for administering foreign language pay must be complementary to DoDI 1340.27 and DoDI 5160.70.
 - Payments are only made to employees serving in a position or subject to assignment to a position in which proficiency in that language facilitates performance of officially assigned intelligence or intelligence-related duties.

- Structured programs must be in plans to determine the appropriate payment.
- Components will consider the following factors, at a minimum, in developing their foreign language pay programs:
 - Language, modality and skill level, including whether compensation is appropriate for proficiency in multiple languages.
 - The extent to which the employee performs mission-related tasks requiring the language.
 - Strategic or contingency operational needs for the specific language in support of the mission.
 - The difficulty of recruiting or retaining employees with specific language skills.
 - Any need to retain critical language skills, even if the employee does not use those skills on a regular basis.
- Total amount of language pay made available to an employee will be determined by the Component, and may not exceed \$55,000 per calendar year.
 - Employees currently receiving above this maximum will be brought into compliance in a phased manner.
 - When necessary to support mission requirements, Components may request exceptions to the calendar year limitation.
- Employees on external rotational assignments receive authorization of FLPP at the discretion of the employing Component
- Components are required to report, in writing, progress annually to USD(I). The report must include:
 - A copy of the Component's current foreign language pay policy or guidance, and copies of any related documents or communications issued on foreign language pay since last report.
 - Total number of language-coded authorizations.
 - Total number of Defense Intelligence employees receiving pay and the total amount paid to employees.
 - Other items as noted in Volume 2016.
- FLPP should be used to attract and retain a qualified cadre of foreign language professionals necessary to accomplish the mission.
- FLPP may be terminated at any time, and is not an item that is open for to file a

grievance.

Your Notes:

LESSON 6 REVIEW



Instructor Notes:

- Show slide 6-19, “Lesson 6 Review.”
- Participant Guide page 6-42



Lesson 6 Review

Lesson 6 Review

- Topic 1 – Base Salary
- Topic 2 – Local Market Supplements (LMS) and Targeted Local Market Supplements (TLMS)
- Topic 3 – DCIPS Annual Structure Adjustments
- Topic 4 – Setting Pay
- Topic 5 – Other Special Situations
- Topic 6 – Foreign Language Proficiency Pay



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Your Notes:

- Review the lesson’s topics.
 - Ask the participants if they have any questions about what was
-

covered in this lesson.

**Speaking Points:**

- In this lesson, you learned the unique policies and procedures for compensation administration that are designed to provide Components with the flexibility to hire and retain the most highly qualified people.
 - You learned about basic salary, LMS, TLMS, pay adjustments, setting pay, special pay situations and FLPP.
-

Lesson Transition:

In Lesson 7, we will discuss the performance management process.
