



Department of Defense

Instruction

NUMBER 1400.25-V2006

USD(P&R)

SUBJECT: DoD Civilian Personnel Management System: Volume 2006, Defense Civilian Intelligence Personnel System (DCIPS) Compensation Administration

References: See Enclosure 1

1. PURPOSE. In accordance with the authority in DoD Directives 5104.02 and 5143.01 (References (a) and (b)) and the guidance in DoD Directives 1400.25, and 1400.35 (References (c) and (d)) and Intelligence Community Directive Number 653 (Reference (e)), this Instruction:

a. Establishes core policies, definitions, responsibilities, procedures, and delegations for the design of the DCIPS compensation administration.

b. Supports the application of this structure to individual positions covered by DCIPS.

2. APPLICABILITY.

a. The 2000 series of this Instruction applies to:

(1) OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense (hereafter referred to collectively as the "DoD Components").

(2) Positions and employees of the Defense Intelligence Components.

(3) Positions and employees within the Military Departments and DoD Components assigned duties that are considered to have an intelligence function and that have been designated for coverage by the Head of the Component with the concurrence of the Under Secretary of Defense for Intelligence (USD(I)).

b. The 2000 series of this Instruction does not apply to employees covered by the Federal Wage System or equivalent, non-appropriated fund employees, or foreign national employees. It does not

apply to members of the Defense Intelligence Senior Executive System or the Defense Intelligence Senior Level unless specifically addressed in other Volumes of this Instruction.

3. DEFINITIONS. See Glossary.

4. POLICY. It is DoD policy that compensation practices for DCIPS-covered employees shall:

a. Be competitive to attract and retain a high-quality workforce dedicated to the intelligence mission and consistent with practices promulgated by the Office of the Director of National Intelligence (ODNI) as agreed upon by the Department of Defense.

b. Provide appropriate consideration to the relationship to the National Security Personnel System (NSPS) and other Departmental policies.

c. Provide a basis for linking performance-based pay increases and bonuses to individual accomplishments, demonstrated competencies, and contributions to organizational results.

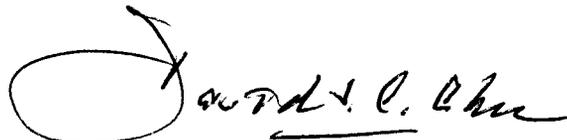
d. Provide for special demands on DCIPS-covered employees created by unique working conditions and deployment requirements.

5. RESPONSIBILITIES. See Enclosure 2.

6. PROCEDURES. An overview of the DCIPS compensation administration and procedures for implementing it are provided in Enclosure 3.

7. RELEASIBILITY. UNLIMITED. This Instruction is approved for public release. Copies may be obtained through the Internet from the DoD Issuances Web Site at <http://www.dtic.mil/whs/directives>.

8. EFFECTIVE DATE. This Instruction is effective immediately.



David S. C. Chu
Under Secretary of Defense for
Personnel and Readiness

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ENCLOSURE 1

REFERENCES

- (a) DoD Directive 5124.02, "Under Secretary of Defense for Personnel and Readiness (USD(P&R))," June 23, 2008
- (b) DoD Directive 5143.01, "Under Secretary of Defense for Intelligence (USD(I))," November 23, 2005
- (c) DoD Directive 1400.25, "DoD Civilian Personnel Management System," November 25, 1996
- (d) DoD Directive 1400.35, "Defense Civilian Intelligence Personnel System (DCIPS)," September 24, 2007
- (e) Intelligence Community Directive Number 653, "Compensation Administration Requirements"
- (f) Sections 1596 and 1601-1614 of title 10, United States Code
- (g) Chapters 53, 55, 57, and 59 of title 5, United States Code
- (h) 5 Code of Federal Regulations
- (i) Department of State Standardized Regulations
- (j) Title 29, Fair Labor Standards Act of 1938

ENCLOSURE 2

RESPONSIBILITIES

1. UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS (USD(P&R)). The USD(P&R) shall coordinate with the USD(I) on the development of DCIPS compensation administration policies and monitor their effects on Department-wide personnel readiness.

2. UNDER SECRETARY OF DEFENSE FOR INTELLIGENCE (USD(I)). The USD(I) shall, in conjunction with the USD(P&R), prescribe policies governing the design and administration of the DCIPS compensation administration structure and practices in accordance with DoDDs 1400.35, and 1400.25 (References (c) and (d)) and Intelligence Community Directive 653 (Reference (e)) and provide oversight to ensure compliance within the Defense Intelligence Components.

3. SECRETARIES OF THE MILITARY DEPARTMENTS, HEADS OF THE DEFENSE INTELLIGENCE AGENCIES, AND HEADS OF NON-INTELLIGENCE DoD COMPONENTS. The Secretaries of the Military Departments, Heads of the Defense Intelligence Agencies, and Heads of DoD Components shall:

a. Establish guidance for implementing DCIPS compensation policies and practices to DCIPS-covered positions, and shall be accountable for compliance with policies established in this Instruction and any subsequent Departmental guidance.

b. Develop, publish, and maintain current qualifications criteria for all DCIPS job titles, in coordination with the USD(I);

4. DEFENSE INTELLIGENCE HUMAN RESOURCES BOARD (DIHRB). The DIHRB, in accordance with DoD Directive 1400.35 (Reference (d)), shall consider business cases for DCIPS compensation policy, or changes to existing policy, and advise the USD(I) of their positions and recommendations.

ENCLOSURE 3

OVERVIEW OF THE DCIPS COMPENSATION ADMINISTRATION

1. GENERAL STRUCTURE. DCIPS will implement a world-wide base compensation structure consistent with the goals and principles of the Compensation Philosophy (Appendix 1). For DCIPS-covered employees the structure consists of five broad pay bands aligned initially to the General Schedule, but that will be aligned to labor market factors that enable the Defense Intelligence Components to effectively recruit, develop and retain a high-quality workforce in support of mission.

a. Establishing Pay Schedules and Band Rate Ranges. In accordance with Section 1601 of title 10, USC (Reference (f)), the Deputy Secretary of Defense (DepSecDef) will establish and adjust base pay schedules and pay band rate ranges based on the General Schedule and other federal schedule adjustments, and appropriate labor market data analysis. Consideration will be given to the rate ranges established by the Department of Defense in Volume 1930 of this Instruction and the recommendation of the USD(I), in conjunction with the USD(P&R).

(1) DCIPS positions will be assigned to the DCIPS pay band structure in accordance with position classification criteria established in Volume 2007 of this Instruction for the DCIPS occupational system. Each DCIPS position will be assigned to a pay band based on its responsibilities represented by its job title, work level, occupational group, work category and mission category.

(2) At initial implementation, DCIPS pay band rate ranges shall correspond to the rate ranges (extended by two steps) for the Title 10 General Schedule-equivalent (GG) grades grouped into each pay band, as depicted in Appendix 2.

(3) Adjusting Base Pay Band Rate Ranges. The DepSecDef, may adjust pay band rate ranges annually, or as necessary, on the recommendation of the USD(I), in conjunction with the USD(P&R), to ensure the ability of the Defense Intelligence Components to compete for and retain a high-quality workforce in support of the mission. Such recommendations to the DepSecDef shall consider relevant labor markets, NSPS and Intelligence Community compensation rates, and adjustments to the General Schedule and other federal pay systems. Pay band rate ranges may be adjusted in the following ways:

(a) Increase the minimum and maximum rates for each pay band by the amount of the General Schedule increase for the GG grades corresponding to each DCIPS pay band;

(b) Increase or decrease the midpoint of each pay band by the adjusted market rate change, and compute range minimums and maximums to maintain the approved range spread, subject to any applicable Federal compensation limitations;

(c) Increase or decrease the midpoint of each pay band by the adjusted market rate change, compute range minimums and maximums to establish new range spreads that reflect prevailing market practice and are responsive to IC recruitment and retention requirements.

(4) Effective Dates of Base Rate Range Adjustments. Rate ranges will be reviewed for possible adjustment annually. New rate ranges will be effective the first full pay period beginning in January of each year. New or revised ranges also may be issued with effective dates other than January, with DepSecDef approval, on the recommendation of the USD(I) and in conjunction with the USD(P&R), in response to specific recruiting and retention demands.

2. LOCAL MARKET SUPPLEMENTS. Pay band rate ranges will be adjusted by local market supplements that reflect the difference between the DCIPS base rate structure and labor market rates for the DCIPS locality area. Local market supplement rates will be set either based on General Schedule locality rates relative to the DCIPS base rate structure, or based on tailored labor market analyses conducted in accordance with generally accepted compensation practices and approved by the DepSecDef on the recommendation of the USD(I) and in conjunction with the USD(P&R).

a. Local market supplement rates are established separate from the General Schedule locality rates established for the same period and will also consider rates established for the NSPS and for other IC Components.

b. Local market supplements will be established as additions to the rate range for each of the DCIPS base rate pay bands, and will be considered basic pay for computation of all entitlements, including retirement. Standard local market supplement areas are listed in Appendix 3.

c. Local market rates for areas other than those listed in Appendix 3 may be established by DepSecDef where a mission-based business case is not covered in this Instruction.

d. Local market supplements will be granted to employees otherwise eligible at the beginning of the first full pay period following their permanent assignment to a specific locality area qualifying for a local market supplement. The local market supplement will be computed as a percentage of pay added to their personal base pay rate. Eligibility for a particular local market supplement rate ends at the beginning of the first full pay period following permanent assignment to another local market supplement area.

e. Adjusting Local Market Supplements. The DepSecDef, on the recommendation of the USD(I) in conjunction with the USD(P&R), may increase or decrease local market supplements at any time as required by mission requirements, but normally will make any required adjustments to coincide with annual adjustments to the General Schedule locality rate structures. Regardless of the supplement authorized under this paragraph, an employee's adjusted salary may not exceed the rate for Executive Level IV by more than 5 percent. The local market supplement for the employee shall be reduced as necessary to comply with this limitation.

f. Eligibility for Local Market Supplement Adjustment Increase. When a local market supplement is increased:

(1) Employees who have a current rating of record of “minimally successful” or above shall receive any applicable local market supplement increase for the occupation, specialization, pay band, and geographic location to which they are assigned.

(2) Employees who have a current rating of record of “unacceptable” shall not receive any applicable local market supplement increase for the occupation, specialization, pay band, and geographic location to which they are assigned. If the employee’s rating of record for a subsequent appraisal period is above “unacceptable,” the employee shall receive an increase in the local market supplement so that the supplement is equal to the supplement for the employee’s occupation, pay band, and geographic location; this increase shall be prospective.

(3) Employees who do not have a current rating of record when a supplement is adjusted shall receive any applicable local market supplement increase for the occupation, specialization, pay band, and geographic location to which they are assigned.

(4) Employees who are on pay retention with a current rating of record above “unacceptable” shall receive any applicable local market supplement increase for the occupation, specialization, pay band, and geographic location of the position to which they are assigned.

g. Decrease in Local Market Supplement. When a local market supplement is decreased as a result of the annual market analysis, the decrease applies to all employees receiving the supplement regardless of current rating of record. Pay retention under this Instruction does not apply in the case of a reduction in an employee’s pay that results from a reduction in a local market supplement.

h. Temporary Assignments or Relocations. For an employee who is temporarily reassigned to a different local market area, the official worksite remains unchanged (i.e., the location of the permanent assignment), unless the employee is authorized to receive relocation expenses under Chapter 57 of title 5 (Reference (g) (including expenses in conjunction with an extended assignment resulting in a temporary change of station)).

3. TARGETED LOCAL MARKET SUPPLEMENT. Targeted local market supplements may be implemented within the DCIPS pay band structure under appropriate circumstances. Targeted local market supplements are established following the same principles as the Local Market Supplement above. However, the targeted local market supplement may be established for employees in specified local market areas (or worksites) that are a subset of, or cross established locality area boundaries; and 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 are established in response to labor market conditions that are not fully addressed by the DCIPS pay band rate ranges and application of the other tools for maintaining DCIPS market sensitivity. These targeted local market supplements shall be established as extensions of the standard DCIPS pay band rate ranges and shall be set and adjusted as indicated in Appendix 2.

a. Setting and Adjusting Targeted Local Market Supplements. Except as provided in paragraph c below, the DepSecDef will set, modify, or eliminate, as needed, targeted local market supplements. In determining the amount of the targeted local market supplement, mission staffing challenges, labor market conditions, availability of funds, comparability with similarly situated employees of other Federal agencies, and any other relevant factors shall be considered.

b. Relationship to Local Market Supplements. Targeted Local Market Supplements may not be paid in addition to a Local Market Supplement. Targeted Local Market Supplements include consideration of the total market situation with regard to the targeted situation.

c. Special provision applicable to foreign and non-foreign OCONUS locations. This provision provides authority for Defense Intelligence Components currently paying special rates or allowances equivalent to the Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV (WDC) locality rate to employees assigned to foreign or non-foreign OCONUS locations to reestablish those rates under this regulation as a common Targeted Local Market Supplement equivalent to the WDC locality rate under this regulation. This provision also extends authority to other Defense Intelligence Components not currently paying special rates or allowances equivalent to the Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV (WDC) to adopt the Targeted Local Market Supplement established by this provision for their employees assigned to foreign and non-foreign OCONUS locations.

4. ESTABLISHMENT OF ADDITIONAL DCIPS BASE COMPENSATION RATE RANGES.

Should labor market conditions warrant, the DepSecDef, on the advice of the USD(I) in conjunction with the USD(P&R), may establish new DCIPS Base Compensation Rate Ranges applicable to specific occupational groups or specialties. Generally, such action would be taken only when it has been demonstrated that other flexibilities within DCIPS compensation policy are no longer able to ensure Defense Intelligence ability to staff and retain a quality workforce in the targeted occupational or specialty groups required to execute the Defense Intelligence mission. Generally, such action would be required only when the market situation in the targeted workforce group is such that separate policy considerations are deemed necessary to maintain the integrity of the DCIPS compensation framework.

a. Establishment of Business Case. Recommendations to the DepSecDef requesting establishment of new DCIPS base compensation rate ranges shall be supported by:

(1) Detailed analysis of recruiting and retention issues regarding the targeted occupational/specialty groups, and supporting evidence that other actions within the existing DCIPS policy framework are insufficient to ensure successful maintenance of the required workforce.

(2) Labor market analysis supporting broad volatility in the national labor market for the targeted occupations/specialties suggesting the requirement for a separate policy framework for the occupations/specialties.

(3) An accompanying plan for ongoing review of the effectiveness of the new base compensation structure, and trigger indicators for phasing the new structure back into the core DCIPS framework as conditions warrant.

b. All policies regarding local market supplements, targeted local market supplements, and base rate-range maintenance are applicable to any new DCIPS base compensation rate ranges.

c. Eligibility for New DCIPS Base Compensation Rate Ranges. When a new DCIPS rate range is created, the rate range applies to employees who are assigned to a position with the same occupation or specialization for which the new rate range was created. Performance rating is not an indicator of whether or not an employee should be assigned to a rate range. Employees on DCIPS indefinite pay retention will remain on pay retention unless, when re-assigned to the new schedule, the employee's base pay falls within the base pay band ranges of the new rate range. In that case, the compensation administration guidelines for an employee not on pay retention will apply.

5. OTHER DCIPS TOOLS FOR MAINTAINING COMPENSATION MARKET

COMPETITIVENESS. Local circumstances may suggest the need for pay flexibilities less dramatic than the establishment of a new compensation base schedule or local market supplements. Under DCIPS, two additional flexibilities will be available to address more subtle market competitive pressures. These are the targeted situational adjustment and the variable control point

a. Targeted Situational Adjustment. Employee base pay can be increased through the pay pool decision process for incumbents in targeted groups. Targeted situational adjustments are additional payments to employees in specified local markets, missions, occupations, specializations and/or pay band levels. They are established locally in response to labor market conditions that are not fully addressed by pay band rate ranges. Adjustments are made either during the pay pool decision process or after the performance payout is determined. A Targeted Situational Adjustment intervention generally would be appropriate to address a short-term market anomaly that does not warrant a broader policy change, such as a Targeted Local Market Supplement or new rate ranges.

(1) Setting and Adjusting Targeted Situational Adjustments. Components will set the compensation administration guidelines for Targeted Situational Adjustments, and advise USD(I) of implementation plans.

(2) Budget. No additional funds will be available to aggregate Component pay pool funding for targeted situational adjustments. All such local decisions to implement this flexibility will be funded out of existing aggregate pay pool funding.

(3) Eligibility for Targeted Situational Adjustment. Components will establish eligibility criteria in their compensation administration guidelines and will determine employees eligible to receive targeted situational adjustments based on those criteria. Components will

ensure compliance with merit system principles and consistent application of the guidelines within the Component.

(4) Component heads will report the use and results of targeted situational adjustments to the USD(I) as part of their annual report of their performance-based compensation decisions.

b. Variable Control Point. In certain circumstances, it may be appropriate to establish control points within a pay band that are above or below the midpoint. These control points are appropriate when market rates for a specific occupation or occupational specialty, or a work level(s) within that occupation or occupational specialty, differ significantly from those other occupations assigned to the rate range. In such situations, the establishment of additional control points may be used to accelerate or moderate the rate of increase within the pay band for the affected occupations sufficiently to preclude the need for additional targeted local market supplements or a new base compensation structure. The variable control point applicable to an employee is determined by the employee's occupation, specialization, work category, work level, pay band, and official worksite.

(1) Establishing Variable Control Points. Components may submit requests for the establishment of additional control points to the USD(I). All requests must be accompanied by supporting market analysis and an assessment of the effects the additional control points are expected to have on recruitment and retention of the affected occupations or specialties. The USD(I) will determine whether such control points will be established applicable to a specific Component, or to all DCIPS employees in the affected occupation or specialties.

(2) Funding for Variable Control Point. No additional funding will be added to Component pay pool as a result of the establishment of additional control points.

(3) Adjusting or Terminating Variable Control Points. Variable control points are established for a period of one year. Absent an action by the USD(I) to continue or increase an individual control point, other than the standard range midpoint, all variable control points will terminate prior to initiation of the annual compensation decision process for DCIPS employees. Components may submit requests to continue or modify individual control points, based on supportive business case analysis, during the annual review of DCIPS compensation competitiveness. Based on the substance of the Component submission, the USD(I) will determine to continue, adjust or terminate those control points in response to appropriate market analysis.

c. Determining Official Worksite. Implementation of some of the tools for maintaining compensation market competitiveness requires establishment of an official worksite for an employee.

(1) The official worksite is the location where the employee regularly performs his or her duties or, if the employee's work involves regular travel or the employee's work location varies on a daily basis, where his or her work activities are based, as determined by the

employing Component. The employing DoD Component must document an employee's official worksite on an employee's Notification of Personnel Action (Standard Form 50 or equivalent).

(2) For an employee covered by a telework agreement who is scheduled (while in duty status) to report at least once a week on a regular and recurring basis to the regular worksite for the employee's position of record, the regular worksite is the official worksite. However, for an employee whose work location varies on a daily basis, the employee need not report at least once a week to the established official worksite (where the employee's work activities are based) as long as the employee is performing work within the local market area for that worksite at least once a week on a regular and recurring basis. If an employee covered by a telework agreement does not meet the requirements described above, the employee's official worksite is the location of the employee's telework site. An authorized management official may make a temporary exception in appropriate situations, such as when an employee is recovering from an injury or medical condition that prevents the employee from commuting to the regular worksite.

6. BASE COMPENSATION LIMITATION. The DCIPS base compensation rate ranges, and any associated supplements that are included as base compensation for retirement and other benefit determinations, will comply with Federal compensation guidelines on compensation limitations contained in title 5, USC (Reference (g)), including those limitations established under 5CFR (Reference (h)) pertaining to NSPS.

7. CONVERSION INTO DCIPS COMPENSATION STRUCTURE. On the effective date of a Component's implementation of the DCIPS compensation structure for its workforce, employees will be converted into the DCIPS compensation structure in accordance with the following guidance:

a. Placement in DCIPS Pay Band. Employees will be placed in the DCIPS pay band that corresponds to their DCIPS work category and General Schedule (or GG) grade on the effective date of conversion, except that no employee may be placed in a pay band that is higher than the highest pay band authorized for his/her work category.

b. Special Placement Guidance for GS/GG-13s.

(1) Employees whose current grade is GS/GG-13, and whose work category is Technician, will be placed in DCIPS pay band 3.

(2) Employees whose work category is Professional or Management, and who are in GS/GG-13 step 1 or 2 on the date of conversion, will be placed in DCIPS pay band 3.

(3) Employees whose work category is Professional or Management, and who are in GS/GG-13 steps 3-12 on the date of conversion, will be placed in DCIPS pay band 4.

c. Special Placement Guidance for GS/GG-7s. For employees whose current grade is GS/GG-7, those whose work category is Technician will be placed in DCIPS pay band 1; those whose work category is Professional or Management will be placed in DCIPS pay band 2.

d. Employees whose personal GS/GG grade exceeds the maximum GS/GG equivalency within the authorized DCIPS pay band levels for their work category shall be placed in the highest DCIPS pay band available to their work category. If the employee's salary exceeds the maximum rate for the DCIPS pay band into which he/she is placed, he/she is entitled to indefinite pay retention under provisions contained in paragraph 7(i).

e. Exceptions to the placement guidance provided in paragraph 7(a) may be approved by the USD(I) on request of the Head of a Defense Intelligence Component or Head of a DoD Component having Intelligence employees, supported by the specific business case for approving the variance to policy.

f. Buy-in of Within-grade Increase (WGI). All employees will convert into DCIPS at their current base pay rate, adjusted for the pro-rata share of their next WGI earned at the date of conversion. The pro-rata share adjustment will be computed as follows: Full calendar days completed toward next due date divided by calendar days in waiting period times value of WGI. Due dates for conversion computation purposes shall be adjusted in accordance with 5CFR, (Reference (h)) requirements for periods in non-pay-status that would normally have affected the WGI due date. The annualized WGI buy-in amount will be added to the employee's base pay rate on the effective date of conversion to establish the initial salary rate under DCIPS. Employees at the 10th step or higher of their title 10 General-Schedule-equivalent (GG) grade at the time of conversion shall not be eligible for a buy-in adjustment in base pay.

g. Exceptions to Buy-in of Within-grade Increase (WGI). Employees under a pay banded system on the date of conversion to DCIPS, who do not have WGI eligibility under their current system, are not eligible for a WGI buy-in on conversion to DCIPS. After the initial mass conversion to DCIPS, new hires into DCIPS generally will not receive a WGI buy-in, except as described in paragraph 9b(3) of this Volume. Employees who come under DCIPS coverage as a result of a transfer of function from a non-DCIPS organization may receive a WGI buy-in, with USD(I) approval.

h. Eligibility for Multiple Buy-ins. Employees who are converted into a DCIPS pay band in one Component, who later are hired by another Defense Intelligence Component that has not yet converted to DCIPS pay bands and who is converted back to the GG schedule on appointment to the new Component is eligible for a Within-grade Increase Buy-in on conversion of the employee's Defense Intelligence Component to DCIPS.

i. Pay Retention. Employees who fall above the maximum of the pay band range for their work category and level on the effective date of conversion will be placed in indefinite pay retention status until such time as the periodic DCIPS base compensation pay band rate-range increases have resulted in the employee's retained salary rate being less than or equal to the DCIPS base compensation pay band rate maximum. The employee will not be eligible for within-band base pay increases until such time as his/her base pay rate becomes less than or equal to the range maximum for his/her pay band, through either increases in the rate range of the employee's pay band, or promotion to a higher pay band within which the employee's salary

falls. Employees in pay retention status may be considered for a performance bonus. Local Market Supplement adjustments will continue to be paid annually.

8. PROGRESSION THROUGH THE PAY BAND. Employees will progress through the pay band based on performance and personal base rate level within the pay band. Guidance for performance-based pay increases is contained in V2012 of this Instruction.

9. PAY SETTING.

a. Setting Pay on Initial DCIPS Appointment from the Federal service outside of DoD, or from outside the Federal service. The rate of pay for an employee newly appointed from outside the DoD competitive and excepted services, or from outside the Federal service, shall be set in accordance with the following guidelines:

(1) Newly appointed DCIPS employees shall be placed in an appropriate pay band based on the following:

(a) Equivalency determination based on General Schedule or equivalent grades held outside of DCIPS in the Federal service in the same occupation or specialty and job title to which the individual is being appointed; or

(b) Qualifying work or educational experience established for the work category, occupation or specialty, and work level, and job title.

(2) Newly appointed DCIPS employees shall have their base pay rate determined based on the following:

(a) Initial individual salaries may be set anywhere between the minimum and the maximum rate of a pay band, but normally at or below the midpoint of the pay band. Decisions on initial salaries shall be based on individual experience and qualifications for the position to which the appointment is being made, and shall include specific labor market, salary history, and internal equity considerations, and such other considerations that comply with merit principles and guidance contained in paragraph 9(b).

(b) Initial salary offers will be established from a total compensation perspective, considering the combined DCIPS base compensation and any available local market supplements. DCIPS base compensation for a newly appointed employee will be established by backing out the local market supplement or targeted local market supplement percentage to arrive at the appointed base pay rate.

(c) For employees appointed from a General Schedule appointment, specific consideration may be given to the period of time completed toward a periodic step increase in the previous position at the time of appointment.

b. Setting Pay on Appointment to a DCIPS Position from a non-Intelligence DoD Component. DCIPS authorities available in this Volume should not be used to provide competitive advantage in recruiting employees to DCIPS positions from other DoD Components. Pay-setting practices when hiring non-Intelligence employees generally should parallel those used within DCIPS, except:

(1) For NSPS employees:

(a) Consideration may be given to experience and current pay levels in determining DCIPS pay band placement where DCIPS and NSPS bands overlap.

(b) When a transfer occurs such that an employee will not be evaluated for a pay increase in either NSPS or DCIPS, consideration may be given to a pay increase the employee would have been likely to receive, based on performance, had he or she not been appointed to DCIPS.

(2) For General Schedule or equivalent employees, consideration may be given to time completed toward a step increase under the General Schedule, to a bona fide career ladder promotion expectation and to the employee's highest previous salary rate in determining the appropriate DCIPS salary.

(3) Employees in General Schedule or equivalent positions may be offered a WGI Buy-In as part of the salary negotiation process, if the employee is otherwise being offered a lateral transfer at his/her current salary. Procedures contained in paragraph 7(f) of this Volume shall be applied to determine the amount of any such increase in salary.

c. Establishing Guidelines for New Appointment Salary Setting. The Head of each Defense Intelligence Agency, the Secretaries of the Military Departments, or the Head of a non-Intelligence Component with DCIPS positions shall establish salary setting guidelines for new appointments within DCIPS, in coordination with the USD(I). These guidelines will, at a minimum, include:

(1) Labor market indicators to be used to set salary offer ranges in the area for which the Component is recruiting, by occupation/specialty and work level, and relationship to hiring experience during the previous year;

(2) Guidance for evaluating experience and work history in establishing the initial salary offer;

(3) Specific guidance for consideration of prior salary history;

(4) Guidance for consideration of internal equity in making a salary offer;

(5) Circumstances under which an appointment salary above the midpoint of the pay band rate range may be considered;

(6) Specific flexibility available to a hiring official within the salary range to negotiate initial salary, consistent with other guidance and merit system principles; and

(7) Frequency of review of salary offer ranges.

10. SETTING PAY UPON LATERAL TRANSFER BETWEEN DCIPS COMPONENTS.

DCIPS employees who accept or are directed to move without a break in service within the Department of Defense and the Intelligence Community, will be moved at their current salary as of the effective date of the movement, except as follows:

a. An employee whose movement occurs effective on a date such that he/she is not eligible for consideration for an annual performance-based pay increase in the losing Component. In such a situation, if the employee was evaluated as "Successful" or above, the hiring manager in the gaining Component may, at his/her discretion, consider the employee for a salary increase of not more than would have been available to another employee in the gaining Component with the same performance history, at a comparable position in the pay band to which being appointed, and performing comparable work.

b. An employee whose movement occurs effective on a date such that he/she is not eligible for a within-pay-band developmental salary increase for which he/she would have been eligible had the movement not occurred. In such a situation the hiring manager in the gaining Component may, at his/her discretion, consistent with Component published guidelines, and in consultation with the losing Component, adjust the employee's salary on the effective date of the movement by an amount not greater than that which would have been received as a developmental salary increase in the losing Component.

11. SETTING PAY UPON PROMOTION. A promotion occurs when an employee moves to a higher pay band within the DCIPS base compensation structure, either within his or her current Component or another Defense Intelligence Component. Upon the effective date of the promotion, an employee will receive a base pay increase of six percent of base pay rate, or the minimum rate for the pay band to which the employee is being promoted, whichever is greater. In no case will an employee's rate of pay be set higher than the maximum rate for the pay band.

12. VOLUNTARY REDUCTION TO LOWER PAY BAND. When an employee voluntarily requests and is approved to move to a lower pay band, the employee's rate of pay in the new pay band may be set at a rate not higher than his/her current rate, but may not exceed the maximum for the new pay band. Pay retention is not authorized under a voluntary reduction to a lower pay band.

13. INVOLUNTARY REDUCTION TO LOWER PAY BAND AS A RESULT OF ADVERSE ACTION. When an employee is involuntarily moved to a lower pay band through adverse action procedures (as a result of poor performance and/or misconduct), the authorizing

management official may reduce the employee's base pay rate by the amount directed in the adverse action decision in accordance with guidelines established in Volume 2009 of this Instruction and Component supplemental guidance, but to an amount not less than the minimum for the pay band to which reduced. In no case may the employee's salary exceed the maximum for the pay band to which reduced. An employee's annual compensation may not be reduced under involuntary procedures more than once in a 12-month period.

14. INVOLUNTARY REDUCTION TO LOWER PAY BAND AS A RESULT OF ADJUSTMENT IN FORCE (AIF). When an employee is involuntarily moved to a lower pay band through adjustment in force (AIF) procedures outlined in Volume 2004 of this Instruction, the employee's salary will not be reduced. If the employee's salary at the time of reduction exceeds the maximum rate for the pay band, he/she shall be entitled to indefinite pay retention.

15. INVOLUNTARY REDUCTION TO LOWER PAY BAND AS A RESULT OF MANAGEMENT-DIRECTED ACTION. When an employee agrees to a reduction to a lower pay band as a result of a management-directed reassignment that is not the result of adverse action, the reassignment will be treated as a reduction as a result of AIF. If the employee's salary at the time of reduction exceeds the maximum rate for the pay band, he/she shall be entitled to indefinite pay retention.

16. EMPLOYEES WITH STATUTORY RETURN OR REEMPLOYMENT RIGHTS TO A POSITION CONVERTED TO DCIPS DURING THEIR ABSENCE. Employees returning to a DCIPS position under a statutory entitlement shall have their initial DCIPS salary set such that they receive all entitlements to salary adjustments that they would have received under governing General Schedule regulations, and will be eligible for a WGI Buy-In in accordance with paragraph 7(b) of this Volume.

17. OTHER COMPENSATION ADMINISTRATION AUTHORITIES AND LIMITATIONS. Compensation authorities and limitations contained in Intelligence Directive 653 (Reference e)), Sections 1601-1614 of title 10 USC (Reference (f)), and the Department of State Standardized Regulations (Reference (i)), applicable to other than base and locality structure administration, and not otherwise addressed in this subchapter, are applicable to DCIPS employees. Specific coverage includes:

a. Additional Compensation-Related Entitlements.

(1) Premium pay. DCIPS employees are eligible for premium pay, including overtime, holiday pay, Sunday pay, night pay differential, annual premium pay for administratively uncontrollable overtime, subject to requirements and limitations specified in Chapter 55 of title 5 (Reference (g)).

(2) Overtime under the Fair Labor Standards Act of 1938 (Reference (j)), under work and regional eligibility criteria specified in Sections 1601-1614, Title 10, USC (Reference (f)).

(3) Compensatory time off in lieu of overtime (Chapter 55 of title 5 (Reference (g))).

(4) Post differentials for environmental conditions at overseas posts authorized under the Department of State Standardized Regulations (Reference (i)).

(5) Post differentials for non-foreign posts authorized under Chapter 59, title 5 (Reference (g)).

(6) Danger Pay in foreign areas authorized under Department of State Standardized Regulations (Reference (i)).

(7) Cost of Living allowances authorized under Chapter 59 of title 5 (Reference (g)) for non-foreign areas and Department of State Standardized Regulations (Reference (i)) for foreign areas.

(8) Hazard pay for unhealthful working conditions authorized under Chapter 59, title 5 (Reference (g)).

(9) Physicians Comparability Allowance authorized under Chapter 59, title 5 (Reference (g)).

(10) Foreign Language Incentive Pay authorized under Section 1596 of title 10 (Reference (f)) and Departmental, Agency or Service implementing instructions.

(11) Other special incentives authorized under section 1603 and 1605 of title 10 (Reference (f)).

b. Recruitment, Retention and Relocation Incentives. Payment of special incentives to attract, retain and encourage the relocation of employees critical to the mission of an organization will be provided subject to implementing regulations contained in 5 CFR, Chapter I (Reference (h)). Those incentives are available to Components responsible for DCIPS employees, subject to the following requirements:

(1) That Components with DCIPS employees develop recruitment, relocation, and retention incentive plans in accordance with parts 575.107, 575.207, and 575.307 of 5 CFR (Reference (h)) and forward those plans for USD(I) review and approval.

(2) That USD(I) will be the approving and oversight official for those actions specified in Reference in 5 CFR (Reference(h)) requiring OPM approval or oversight.

c. Aggregate Compensation Limitation.

(1) Except as provided in paragraph 18(a)2 of this Volume, no additional payment (premium pay, allowance, differential, bonus, award, or other similar cash payment) may be paid to an employee in a calendar year if, or to the extent that, when added to the adjusted salary paid to the employee for service performed as an employee in the Department or in another Federal agency, the payment would cause the total to exceed the rate for Executive Level I in effect on the last day of that calendar year.

(2) The USD(I) may provide for a higher aggregate compensation limitation equal to the rate payable under Section 104 of reference (f) in effect on the last day of the calendar year in the case of specified categories of employees for whom a waiver has been authorized.

(3) The limitation applies to the total amount of aggregate compensation actually received by an employee during the calendar year without regard to the period of service for which such compensation is received.

(4) Aggregate compensation is defined by reference (e) and is the total of:

- (a) Adjusted salary received as an employee of the Department of Defense.
- (b) Premium pay.
- (c) Incentive awards and performance-based cash awards.
- (d) Recruitment and relocation incentives.
- (e) Retention incentives.
- (f) Post differentials.
- (g) Danger pay allowance.
- (h) Extended assignment incentives.
- (i) Post differentials based on environmental conditions for employees stationed outside the continental United States or in Alaska.
- (j) Physicians comparability allowances.
- (k) Foreign Language Proficiency Pay.
- (l) Continuation of pay.
- (m) Other similar payments authorized under reference Section 1603 of title 10 (Reference (f)), excluding back pay due to an unjustified personnel action under Section 5596 of Chapter 55 of title 5 (Reference (g)) (for payments that were due in a previous calendar year); overtime pay under the Fair Labor Standards Act of 1938 of title 29 (Reference (j)), and Part 551

of 5 CFR (Reference (h)); severance pay; non-foreign area cost-of-living allowances; and lump-sum payments for accumulated and accrued annual leave on separation.

(n) Other payments and adjustments authorized under this Volume as specified by DoD implementing issuances.

(o) Payments received from another agency during the calendar year, prior to employment with the Department, that are subject to the limitations of Part 530, Subpart B of 5 CFR (Reference (h)).

(5) Administration of Aggregate Compensation Limitation.

(a) At the time a payment (other than adjusted salary) is authorized for an employee, the employee may not receive any portion of such payment that, when added to the estimated aggregate compensation the employee is projected to receive, would cause the aggregate compensation actually received by the employee during the calendar year to exceed the limitation applicable to the employee at the end of the calendar year.

(b) Payments that are creditable for retirement purposes (e.g., law enforcement availability pay (LEAP) or standby premium pay) and that are paid to an employee at a regular fixed rate each pay period may not be deferred or discontinued for any period of time in order to make another payment that would otherwise cause an employee's pay to exceed any limitation described in or established by this section.

(c) If the estimated aggregate compensation to which an employee is entitled exceeds the applicable limitation for the calendar year, the Component shall defer all authorized payments (other than adjusted salary) at the time when otherwise continuing such payments would cause the aggregate compensation actually received by any employee during the calendar year to exceed the applicable limitation. Any portion of a payment deferred under this paragraph shall become available for payment.

(d) If the Component makes an incorrect estimate of aggregate compensation at an earlier date in the calendar year, the sum of an employee's remaining payments of adjusted salary (which may not be deferred) may exceed the difference between the aggregate compensation the employee has actually received to date in that calendar year and the applicable limitation. In this case, the employee will become indebted to the Component for any amount paid in excess of the aggregate limitation. To the extent that the excess amount is attributable to amounts that should have been deferred and would have been payable at the beginning of the next calendar year, the debt shall be nullified on January 1 of the next calendar year. As part of the correction of the error, the excess amount shall be deemed to have been paid on January 1 of the next calendar year (when the debt was extinguished) as if it were a deferred excess payment and must be considered part of the employee's aggregate compensation for the new calendar year.

(6) Payment of Excess Amounts.

(a) Any amount that is not paid to an employee because of the annual aggregate compensation limitation shall be paid in a lump-sum payment at the beginning of the following calendar year. Any amount paid the following calendar year shall be taken into account for purposes of applying the limitations with respect to such calendar year.

(b) If a lump-sum payment causes an employee's estimated aggregate compensation to exceed the applicable limitation, the Department shall consider only the employee's adjusted salary and payments that are creditable for retirement purposes in determining the extent to which the lump-sum payment may be paid and shall defer all other payments, in order to pay as much of the excess amount as possible. Any payments deferred under this paragraph, including any portion of the excess amount that was not payable, shall become payable at the beginning of the next calendar year.

(c) If an employee moves to another Federal agency or to another position in the Department not covered by DCIPS, and, at the time of the move, the employee has received payments in excess of the aggregate limitation under Section 5307 of Chapter 53, title 5 (Reference (g)), the employee's indebtedness for the excess amount received shall be deferred from the effective date of the transfer until the beginning of the next calendar year. Effective January 1 of the new calendar year, the debt shall be nullified and the excess amount shall be considered toward that year's aggregate limitation.

(d) If an employee transfers to another agency and, at the time of the transfer, the employee has excess payments deferred to the next calendar year, the provisions of section 530.204(c) of 5 CFR (Reference (h)) shall apply.

(7) The following conditions permit payment of excess aggregate compensation without regard to calendar year limitation:

a. If an employee dies, the excess amount is payable immediately as part of the settlement of accounts, in accordance with Section 5582 of Chapter 55 of title 5 (Reference (g));

b. If an employee separates from Federal service, the entire excess amount is payable following a 30-day break in service. If the individual is reemployed in Federal service within the same calendar year as the separation, any previous payment of an excess amount must be considered part of that year's aggregate compensation for the purpose of applying the aggregate limitation for the remainder of the year.

APPENDIX 1 TO ENCLOSURE 3

COMPENSATION PHILOSOPHY

The DoD Intelligence Components, as a community, will implement a compensation strategy as part of a human capital strategy and an integrated business process, which aligns with and supports their individual and collective organization mission, goals and objectives. For the first time, DoD Intelligence Components will share an overarching compensation architecture intended to support the DoD goal of facilitating interchange of personnel across the DoD Intelligence Components in the interest of expanding individual perspective in solving intelligence problems. The shared compensation architecture will consider Director of National Intelligence (DNI) human capital initiatives, thereby facilitating the exchange of personnel within the larger Intelligence Community, further increasing individual perspective in problem solving.

DCIPS recognizes that, while pay is not the only factor in the satisfaction of the DoD Intelligence workforce, competitive compensation is the cornerstone for recruiting, retaining and motivating the type of employees needed by the DoD Intelligence Components. The management of compensation of individual employees under DCIPS will be consistent with the needs and objectives specified in the Quadrennial Defense Review, Defense Intelligence Guidance and National Intelligence Strategy, regarding the disposition of funds for employee compensation, recognition and reward, and endeavors to:

Provide employees with a total compensation package comprising both salary and benefits that recognizes and rewards performance and productivity, while maintaining internal equity and a market-competitive position, within the financial resources available.

Maintain a compensation system that is legally compliant, consistent with the DoD and individual agency policies and guidelines and is in accordance with the Government's commitment to merit system principles.

Provide for a compensation system that is portable, scalable, operable and sustainable and supports the desired outcomes of collaboration, cooperation, information-sharing, personnel exchange and shared mission awareness among the DoD Intelligence Components.

Provide pay opportunities that enable the flexible and effective recruitment, management, and retention of a high-quality, high-performance workforce, with the results-oriented competencies necessary to plan and accomplish the DoD intelligence missions.

Provide a reward system that motivates employees to increase performance contributions, and results in levels of employee performance that are commensurate with total compensation.

Provide fair, equitable and consistent salary treatment and provide for appropriate promotion, reassignment, transfer and developmental opportunities.

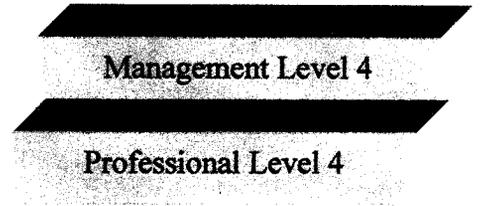
Promote a work environment which encourages employee productivity, innovation and performance excellence through increased satisfaction, commitment and engagement.

Optimize the delivery of reward and recognition to employees in order to maximize motivation and accomplishment of organizational objectives.

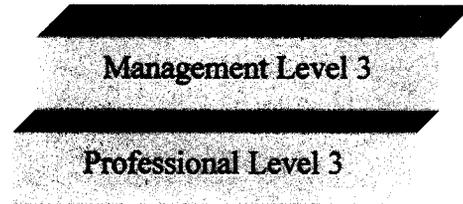
APPENDIX 2 TO ENCLOSURE 3

DCIPS PAY BANDS

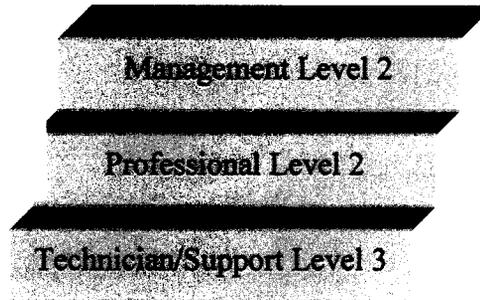
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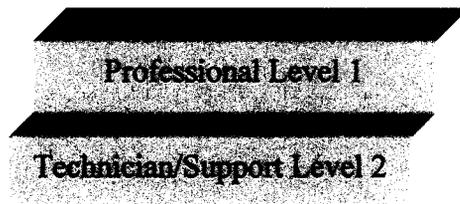
Pay Band 4
GG-13/01-GG-14/12



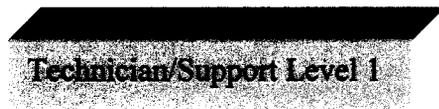
Pay Band 3
GG-11/01-13/12



Pay Band 2
GG-07/01-10/12



Pay Band 1
GG-01/01-07/12



APPENDIX 3 TO ENCLOSURE 3STANDARD LOCAL MARKET SUPPLEMENT AREAS

Local Market Supplement Area Definitions. Most of the place names listed below and in the attached spreadsheet are counties. The Federal Information Processing Standards (FIPS) geographic codes consist of a two-digit State and three-digit county identifier. These geographic codes are derived from the Worldwide Geographic Location Codes, 1993, and are on the Internet at <http://www.itl.nist.gov/fipspubs/by-num.htm>. The District of Columbia is identified by its State code only. Please note that Berwick town, Eliot town, Kittery town, South Berwick town, and York town in York County, ME, remain in the Boston locality pay area, while the remainder of York County, ME, remains in the "Rest of U.S." locality pay area. State, city, and county geographic codes are listed for applicable cities and towns in York County, ME. State, city, and county codes also are listed for Edwards Air Force Base, in Kern County, CA, which is part of the Los Angeles locality pay area, and for the Federal Correctional Complex, Butner, NC, which is part of the new Raleigh-Durham-Cary, NC locality pay area. These are the only exceptions to the use of State/county codes.

| | |
|---|---|
| <u>Atlanta-Sandy Springs-Gainesville, GA-AL</u> | <u>Miami-Fort Lauderdale-Miami Beach, FL</u> |
| <u>Boston-Worcester-Manchester, MA-NH-ME-RI</u> | <u>Milwaukee-Racine-Waukesha, WI</u> |
| <u>Buffalo-Niagara-Cattaraugus, NY</u> | <u>Minneapolis-St. Paul-St. Cloud, MN-WI</u> |
| <u>Chicago-Naperville-Michigan City, IL-IN-WI</u> | <u>New York-Newark-Bridgeport, NY-NJ-CT-PA</u> |
| <u>Cincinnati-Middletown-Wilmington, OH-KY-IN</u> | <u>Philadelphia-Camden-Vineland, PA-NJ-DE-MD</u> |
| <u>Cleveland-Akron-Elyria, OH</u> | <u>Phoenix-Mesa-Scottsdale, AZ</u> |
| <u>Columbus-Marion-Chillicothe, OH</u> | <u>Pittsburgh-New Castle, PA</u> |
| <u>Dallas-Fort Worth, TX</u> | <u>Portland-Vancouver-Beaverton, OR-WA</u> |
| <u>Dayton-Springfield-Greenville, OH</u> | <u>Raleigh-Durham-Cary, NC</u> |
| <u>Denver-Aurora-Boulder, CO</u> | <u>Richmond, VA</u> |
| <u>Detroit-Warren-Flint, MI</u> | <u>Sacramento--Arden-Arcade--Truckee, CA-NV</u> |
| <u>Hartford-West Hartford-Willimantic, CT-MA</u> | <u>San Diego-Carlsbad-San Marcos, CA</u> |
| <u>Houston-Baytown-Huntsville, TX</u> | <u>San Jose-San Francisco-Oakland, CA</u> |
| <u>Huntsville-Decatur, AL</u> | <u>Seattle-Tacoma-Olympia, WA</u> |
| <u>Indianapolis-Anderson-Columbus, IN</u> | <u>Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV</u> |
| <u>Los Angeles-Long Beach-Riverside, CA</u> | <u>Rest of U.S.</u> |

GLOSSARY

DEFINITIONS

The following definitions apply only to this Instruction and serve as the basic compensation administration taxonomy for Defense Intelligence Component civilian employees and DCIPS positions.

adjusted market rate change. An amount established by the analysis of market data for all Defense Intelligence locality areas, adjusted in accordance with standard practice to create a national Defense Intelligence “base structure” that has reference back to the General Schedule base structure.

base compensation structure. The unadjusted worldwide pay structure applicable to all DCIPS employees unadjusted for local or market differences.

base rate pay band. A single rate range within the DCIPS base compensation structure that establishes the range of pay for a work category, occupational group and work level.

control point. A target point within a DCIPS pay band that serves as a reference point for establishing the relationship between employee base compensation and the relevant labor market, and for moderating the rate of progression for an employee through a pay band.

developmental salary increase. A formal process for managing salary advancement outside the annual performance-based compensation decision process for developmental employees in professional occupations that is designed to maintain their competitive position as they acquire full-performance capabilities.

local market supplement. An addition to the base compensation of employees assigned to a geographic region, or an occupation within a geographic or range of geographic regions, that reflects the competitive requirements for the applicable labor market. On initial implementation of DCIPS, this amount generally will correspond to General Schedule locality rates, and is considered part of base compensation. The Targeted Labor Market Supplement is considered base pay for retirement purposes.

midpoint. The point halfway between the minimum and maximum of a pay band. The midpoint is the default control point for all DCIPS pay bands and serves as the reference point for establishing the relationship between DCIPS rate ranges and the applicable labor market.

personal base pay rate. The base rate of pay, reported as an annualized, hourly, biweekly, or monthly rate, to which an individual employee is entitled based on pay band level and individual performance.

rate range. The salary available within a pay band between the minimum and maximum base pay rate for the pay band.

targeted labor market supplement. An addition to the base compensation of employees assigned to a specific occupation or locality not appropriately recognized by a Local Market Supplement. The Targeted Labor Market Supplement is considered base pay for retirement purposes.



Department of Defense Instruction

NUMBER 1400.25-V2006

USD(P&R)

SUBJECT: DoD Civilian Personnel Management System: Volume 2006, Defense Civilian Intelligence Personnel System (DCIPS) Compensation Administration

References: See Enclosure 1

1. PURPOSE. In accordance with the authority in DoD Directives 5104.02 and 5143.01 (References (a) and (b)) and the guidance in DoD Directives 1400.25, and 1400.35 (References (c) and (d)) and Intelligence Community Directive Number 653 (Reference (e)), this Instruction:

a. Establishes core policies, definitions, responsibilities, procedures, and delegations for the design of the DCIPS compensation administration.

b. Supports the application of this structure to individual positions covered by DCIPS.

2. APPLICABILITY.

a. The 2000 series of this Instruction applies to:

(1) OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense (hereafter referred to collectively as the "DoD Components").

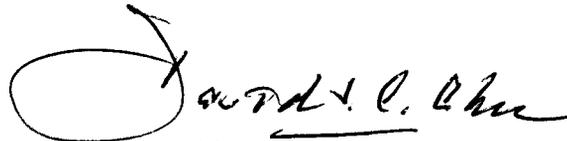
(2) Positions and employees of the Defense Intelligence Components.

(3) Positions and employees within the Military Departments and DoD Components assigned duties that are considered to have an intelligence function and that have been designated for coverage by the Head of the Component with the concurrence of the Under Secretary of Defense for Intelligence (USD(I)).

b. The 2000 series of this Instruction does not apply to employees covered by the Federal Wage System or equivalent, non-appropriated fund employees, or foreign national employees. It does not

apply to members of the Defense Intelligence Senior Executive System or the Defense Intelligence Senior Level unless specifically addressed in other Volumes of this Instruction.

3. DEFINITIONS. See Glossary.
4. POLICY. It is DoD policy that compensation practices for DCIPS-covered employees shall:
 - a. Be competitive to attract and retain a high-quality workforce dedicated to the intelligence mission and consistent with practices promulgated by the Office of the Director of National Intelligence (ODNI) as agreed upon by the Department of Defense.
 - b. Provide appropriate consideration to the relationship to the National Security Personnel System (NSPS) and other Departmental policies.
 - c. Provide a basis for linking performance-based pay increases and bonuses to individual accomplishments, demonstrated competencies, and contributions to organizational results.
 - d. Provide for special demands on DCIPS-covered employees created by unique working conditions and deployment requirements.
5. RESPONSIBILITIES. See Enclosure 2.
6. PROCEDURES. An overview of the DCIPS compensation administration and procedures for implementing it are provided in Enclosure 3.
7. RELEASIBILITY. UNLIMITED. This Instruction is approved for public release. Copies may be obtained through the Internet from the DoD Issuances Web Site at <http://www.dtic.mil/whs/directives>.
8. EFFECTIVE DATE. This Instruction is effective immediately.



David S. C. Chu
Under Secretary of Defense for
Personnel and Readiness

Enclosures

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 2. Responsibilities
 3. Overview of the DCIPS Compensation Administration
- Glossary

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ENCLOSURE 1

REFERENCES

- (a) DoD Directive 5124.02, "Under Secretary of Defense for Personnel and Readiness (USD(P&R)), June 23, 2008
- (b) DoD Directive 5143.01, "Under Secretary of Defense for Intelligence (USD(I)), November 23, 2005
- (c) DoD Directive 1400.25, "DoD Civilian Personnel Management System," November 25, 1996
- (d) DoD Directive 1400.35, "Defense Civilian Intelligence Personnel System (DCIPS)," September 24, 2007
- (e) Intelligence Community Directive Number 653, "Compensation Administration Requirements"
- (f) Sections 1596 and 1601-1614 of title 10, United States Code
- (g) Chapters 53, 55, 57, and 59 of title 5, United States Code
- (h) 5 Code of Federal Regulations
- (i) Department of State Standardized Regulations
- (j) Title 29, Fair Labor Standards Act of 1938

ENCLOSURE 2

RESPONSIBILITIES

1. UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS (USD(P&R)). The USD(P&R) shall coordinate with the USD(I) on the development of DCIPS compensation administration policies and monitor their effects on Department-wide personnel readiness.

2. UNDER SECRETARY OF DEFENSE FOR INTELLIGENCE (USD(I)). The USD(I) shall, in conjunction with the USD(P&R), prescribe policies governing the design and administration of the DCIPS compensation administration structure and practices in accordance with DoDDs 1400.35, and 1400.25 (References (c) and (d)) and Intelligence Community Directive 653 (Reference (e)) and provide oversight to ensure compliance within the Defense Intelligence Components.

3. SECRETARIES OF THE MILITARY DEPARTMENTS, HEADS OF THE DEFENSE INTELLIGENCE AGENCIES, AND HEADS OF NON-INTELLIGENCE DoD COMPONENTS. The Secretaries of the Military Departments, Heads of the Defense Intelligence Agencies, and Heads of DoD Components shall:
 - a. Establish guidance for implementing DCIPS compensation policies and practices to DCIPS-covered positions, and shall be accountable for compliance with policies established in this Instruction and any subsequent Departmental guidance.

 - b. Develop, publish, and maintain current qualifications criteria for all DCIPS job titles, in coordination with the USD(I);

4. DEFENSE INTELLIGENCE HUMAN RESOURCES BOARD (DIHRB). The DIHRB, in accordance with DoD Directive 1400.35 (Reference (d)), shall consider business cases for DCIPS compensation policy, or changes to existing policy, and advise the USD(I) of their positions and recommendations.

ENCLOSURE 3

OVERVIEW OF THE DCIPS COMPENSATION ADMINISTRATION

1. GENERAL STRUCTURE. DCIPS will implement a world-wide base compensation structure consistent with the goals and principles of the Compensation Philosophy (Appendix 1). For DCIPS-covered employees the structure consists of five broad pay bands aligned initially to the General Schedule, but that will be aligned to labor market factors that enable the Defense Intelligence Components to effectively recruit, develop and retain a high-quality workforce in support of mission.

a. Establishing Pay Schedules and Band Rate Ranges. In accordance with Section 1601 of title 10, USC (Reference (f)), the Deputy Secretary of Defense (DepSecDef) will establish and adjust base pay schedules and pay band rate ranges based on the General Schedule and other federal schedule adjustments, and appropriate labor market data analysis. Consideration will be given to the rate ranges established by the Department of Defense in Volume 1930 of this Instruction and the recommendation of the USD(I), in conjunction with the USD(P&R).

(1) DCIPS positions will be assigned to the DCIPS pay band structure in accordance with position classification criteria established in Volume 2007 of this Instruction for the DCIPS occupational system. Each DCIPS position will be assigned to a pay band based on its responsibilities represented by its job title, work level, occupational group, work category and mission category.

(2) At initial implementation, DCIPS pay band rate ranges shall correspond to the rate ranges (extended by two steps) for the Title 10 General Schedule-equivalent (GG) grades grouped into each pay band, as depicted in Appendix 2.

(3) Adjusting Base Pay Band Rate Ranges. The DepSecDef, may adjust pay band rate ranges annually, or as necessary, on the recommendation of the USD(I), in conjunction with the USD(P&R), to ensure the ability of the Defense Intelligence Components to compete for and retain a high-quality workforce in support of the mission. Such recommendations to the DepSecDef shall consider relevant labor markets, NSPS and Intelligence Community compensation rates, and adjustments to the General Schedule and other federal pay systems. Pay band rate ranges may be adjusted in the following ways:

(a) Increase the minimum and maximum rates for each pay band by the amount of the General Schedule increase for the GG grades corresponding to each DCIPS pay band;

(b) Increase or decrease the midpoint of each pay band by the adjusted market rate change, and compute range minimums and maximums to maintain the approved range spread, subject to any applicable Federal compensation limitations;

(c) Increase or decrease the midpoint of each pay band by the adjusted market rate change, compute range minimums and maximums to establish new range spreads that reflect prevailing market practice and are responsive to IC recruitment and retention requirements.

(4) Effective Dates of Base Rate Range Adjustments. Rate ranges will be reviewed for possible adjustment annually. New rate ranges will be effective the first full pay period beginning in January of each year. New or revised ranges also may be issued with effective dates other than January, with DepSecDef approval, on the recommendation of the USD(I) and in conjunction with the USD(P&R), in response to specific recruiting and retention demands.

2. LOCAL MARKET SUPPLEMENTS. Pay band rate ranges will be adjusted by local market supplements that reflect the difference between the DCIPS base rate structure and labor market rates for the DCIPS locality area. Local market supplement rates will be set either based on General Schedule locality rates relative to the DCIPS base rate structure, or based on tailored labor market analyses conducted in accordance with generally accepted compensation practices and approved by the DepSecDef on the recommendation of the USD(I) and in conjunction with the USD(P&R).

a. Local market supplement rates are established separate from the General Schedule locality rates established for the same period and will also consider rates established for the NSPS and for other IC Components.

b. Local market supplements will be established as additions to the rate range for each of the DCIPS base rate pay bands, and will be considered basic pay for computation of all entitlements, including retirement. Standard local market supplement areas are listed in Appendix 3.

c. Local market rates for areas other than those listed in Appendix 3 may be established by DepSecDef where a mission-based business case is not covered in this Instruction.

d. Local market supplements will be granted to employees otherwise eligible at the beginning of the first full pay period following their permanent assignment to a specific locality area qualifying for a local market supplement. The local market supplement will be computed as a percentage of pay added to their personal base pay rate. Eligibility for a particular local market supplement rate ends at the beginning of the first full pay period following permanent assignment to another local market supplement area.

e. Adjusting Local Market Supplements. The DepSecDef, on the recommendation of the USD(I) in conjunction with the USD(P&R), may increase or decrease local market supplements at any time as required by mission requirements, but normally will make any required adjustments to coincide with annual adjustments to the General Schedule locality rate structures. Regardless of the supplement authorized under this paragraph, an employee's adjusted salary may not exceed the rate for Executive Level IV by more than 5 percent. The local market supplement for the employee shall be reduced as necessary to comply with this limitation.

f. Eligibility for Local Market Supplement Adjustment Increase. When a local market supplement is increased:

(1) Employees who have a current rating of record of “minimally successful” or above shall receive any applicable local market supplement increase for the occupation, specialization, pay band, and geographic location to which they are assigned.

(2) Employees who have a current rating of record of “unacceptable” shall not receive any applicable local market supplement increase for the occupation, specialization, pay band, and geographic location to which they are assigned. If the employee’s rating of record for a subsequent appraisal period is above “unacceptable,” the employee shall receive an increase in the local market supplement so that the supplement is equal to the supplement for the employee’s occupation, pay band, and geographic location; this increase shall be prospective.

(3) Employees who do not have a current rating of record when a supplement is adjusted shall receive any applicable local market supplement increase for the occupation, specialization, pay band, and geographic location to which they are assigned.

(4) Employees who are on pay retention with a current rating of record above “unacceptable” shall receive any applicable local market supplement increase for the occupation, specialization, pay band, and geographic location of the position to which they are assigned.

g. Decrease in Local Market Supplement. When a local market supplement is decreased as a result of the annual market analysis, the decrease applies to all employees receiving the supplement regardless of current rating of record. Pay retention under this Instruction does not apply in the case of a reduction in an employee’s pay that results from a reduction in a local market supplement.

h. Temporary Assignments or Relocations. For an employee who is temporarily reassigned to a different local market area, the official worksite remains unchanged (i.e., the location of the permanent assignment), unless the employee is authorized to receive relocation expenses under Chapter 57 of title 5 (Reference (g) (including expenses in conjunction with an extended assignment resulting in a temporary change of station).

3. TARGETED LOCAL MARKET SUPPLEMENT. Targeted local market supplements may be implemented within the DCIPS pay band structure under appropriate circumstances. Targeted local market supplements are established following the same principles as the Local Market Supplement above. However, the targeted local market supplement may be established for employees in specified local market areas (or worksites) that are a subset of, or cross established locality area boundaries; and 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 are established in response to labor market conditions that are not fully addressed by the DCIPS pay band rate ranges and application of the other tools for maintaining DCIPS market sensitivity. These targeted local market supplements shall be established as extensions of the standard DCIPS pay band rate ranges and shall be set and adjusted as indicated in Appendix 2.

a. Setting and Adjusting Targeted Local Market Supplements. Except as provided in paragraph c below, the DepSecDef will set, modify, or eliminate, as needed, targeted local market supplements. In determining the amount of the targeted local market supplement, mission staffing challenges, labor market conditions, availability of funds, comparability with similarly situated employees of other Federal agencies, and any other relevant factors shall be considered.

b. Relationship to Local Market Supplements. Targeted Local Market Supplements may not be paid in addition to a Local Market Supplement. Targeted Local Market Supplements include consideration of the total market situation with regard to the targeted situation.

c. Special provision applicable to foreign and non-foreign OCONUS locations. This provision provides authority for Defense Intelligence Components currently paying special rates or allowances equivalent to the Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV (WDC) locality rate to employees assigned to foreign or non-foreign OCONUS locations to reestablish those rates under this regulation as a common Targeted Local Market Supplement equivalent to the WDC locality rate under this regulation. This provision also extends authority to other Defense Intelligence Components not currently paying special rates or allowances equivalent to the Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV (WDC) to adopt the Targeted Local Market Supplement established by this provision for their employees assigned to foreign and non-foreign OCONUS locations.

4. ESTABLISHMENT OF ADDITIONAL DCIPS BASE COMPENSATION RATE RANGES.

Should labor market conditions warrant, the DepSecDef, on the advice of the USD(I) in conjunction with the USD(P&R), may establish new DCIPS Base Compensation Rate Ranges applicable to specific occupational groups or specialties. Generally, such action would be taken only when it has been demonstrated that other flexibilities within DCIPS compensation policy are no longer able to ensure Defense Intelligence ability to staff and retain a quality workforce in the targeted occupational or specialty groups required to execute the Defense Intelligence mission. Generally, such action would be required only when the market situation in the targeted workforce group is such that separate policy considerations are deemed necessary to maintain the integrity of the DCIPS compensation framework.

a. Establishment of Business Case. Recommendations to the DepSecDef requesting establishment of new DCIPS base compensation rate ranges shall be supported by:

(1) Detailed analysis of recruiting and retention issues regarding the targeted occupational/specialty groups, and supporting evidence that other actions within the existing DCIPS policy framework are insufficient to ensure successful maintenance of the required workforce.

(2) Labor market analysis supporting broad volatility in the national labor market for the targeted occupations/specialties suggesting the requirement for a separate policy framework for the occupations/specialties.

(3) An accompanying plan for ongoing review of the effectiveness of the new base compensation structure, and trigger indicators for phasing the new structure back into the core DCIPS framework as conditions warrant.

b. All policies regarding local market supplements, targeted local market supplements, and base rate-range maintenance are applicable to any new DCIPS base compensation rate ranges.

c. Eligibility for New DCIPS Base Compensation Rate Ranges. When a new DCIPS rate range is created, the rate range applies to employees who are assigned to a position with the same occupation or specialization for which the new rate range was created. Performance rating is not an indicator of whether or not an employee should be assigned to a rate range. Employees on DCIPS indefinite pay retention will remain on pay retention unless, when re-assigned to the new schedule, the employee's base pay falls within the base pay band ranges of the new rate range. In that case, the compensation administration guidelines for an employee not on pay retention will apply.

5. OTHER DCIPS TOOLS FOR MAINTAINING COMPENSATION MARKET

COMPETITIVENESS. Local circumstances may suggest the need for pay flexibilities less dramatic than the establishment of a new compensation base schedule or local market supplements. Under DCIPS, two additional flexibilities will be available to address more subtle market competitive pressures. These are the targeted situational adjustment and the variable control point

a. Targeted Situational Adjustment. Employee base pay can be increased through the pay pool decision process for incumbents in targeted groups. Targeted situational adjustments are additional payments to employees in specified local markets, missions, occupations, specializations and/or pay band levels. They are established locally in response to labor market conditions that are not fully addressed by pay band rate ranges. Adjustments are made either during the pay pool decision process or after the performance payout is determined. A Targeted Situational Adjustment intervention generally would be appropriate to address a short-term market anomaly that does not warrant a broader policy change, such as a Targeted Local Market Supplement or new rate ranges.

(1) Setting and Adjusting Targeted Situational Adjustments. Components will set the compensation administration guidelines for Targeted Situational Adjustments, and advise USD(I) of implementation plans.

(2) Budget. No additional funds will be available to aggregate Component pay pool funding for targeted situational adjustments. All such local decisions to implement this flexibility will be funded out of existing aggregate pay pool funding.

(3) Eligibility for Targeted Situational Adjustment. Components will establish eligibility criteria in their compensation administration guidelines and will determine employees eligible to receive targeted situational adjustments based on those criteria. Components will

ensure compliance with merit system principles and consistent application of the guidelines within the Component.

(4) Component heads will report the use and results of targeted situational adjustments to the USD(I) as part of their annual report of their performance-based compensation decisions.

b. Variable Control Point. In certain circumstances, it may be appropriate to establish control points within a pay band that are above or below the midpoint. These control points are appropriate when market rates for a specific occupation or occupational specialty, or a work level(s) within that occupation or occupational specialty, differ significantly from those other occupations assigned to the rate range. In such situations, the establishment of additional control points may be used to accelerate or moderate the rate of increase within the pay band for the affected occupations sufficiently to preclude the need for additional targeted local market supplements or a new base compensation structure. The variable control point applicable to an employee is determined by the employee's occupation, specialization, work category, work level, pay band, and official worksite.

(1) Establishing Variable Control Points. Components may submit requests for the establishment of additional control points to the USD(I). All requests must be accompanied by supporting market analysis and an assessment of the effects the additional control points are expected to have on recruitment and retention of the affected occupations or specialties. The USD(I) will determine whether such control points will be established applicable to a specific Component, or to all DCIPS employees in the affected occupation or specialties.

(2) Funding for Variable Control Point. No additional funding will be added to Component pay pool as a result of the establishment of additional control points.

(3) Adjusting or Terminating Variable Control Points. Variable control points are established for a period of one year. Absent an action by the USD(I) to continue or increase an individual control point, other than the standard range midpoint, all variable control points will terminate prior to initiation of the annual compensation decision process for DCIPS employees. Components may submit requests to continue or modify individual control points, based on supportive business case analysis, during the annual review of DCIPS compensation competitiveness. Based on the substance of the Component submission, the USD(I) will determine to continue, adjust or terminate those control points in response to appropriate market analysis.

c. Determining Official Worksite. Implementation of some of the tools for maintaining compensation market competitiveness requires establishment of an official worksite for an employee.

(1) The official worksite is the location where the employee regularly performs his or her duties or, if the employee's work involves regular travel or the employee's work location varies on a daily basis, where his or her work activities are based, as determined by the

employing Component. The employing DoD Component must document an employee's official worksite on an employee's Notification of Personnel Action (Standard Form 50 or equivalent).

(2) For an employee covered by a telework agreement who is scheduled (while in duty status) to report at least once a week on a regular and recurring basis to the regular worksite for the employee's position of record, the regular worksite is the official worksite. However, for an employee whose work location varies on a daily basis, the employee need not report at least once a week to the established official worksite (where the employee's work activities are based) as long as the employee is performing work within the local market area for that worksite at least once a week on a regular and recurring basis. If an employee covered by a telework agreement does not meet the requirements described above, the employee's official worksite is the location of the employee's telework site. An authorized management official may make a temporary exception in appropriate situations, such as when an employee is recovering from an injury or medical condition that prevents the employee from commuting to the regular worksite.

6. BASE COMPENSATION LIMITATION. The DCIPS base compensation rate ranges, and any associated supplements that are included as base compensation for retirement and other benefit determinations, will comply with Federal compensation guidelines on compensation limitations contained in title 5, USC (Reference (g)), including those limitations established under 5CFR (Reference (h)) pertaining to NSPS.

7. CONVERSION INTO DCIPS COMPENSATION STRUCTURE. On the effective date of a Component's implementation of the DCIPS compensation structure for its workforce, employees will be converted into the DCIPS compensation structure in accordance with the following guidance:

a. Placement in DCIPS Pay Band. Employees will be placed in the DCIPS pay band that corresponds to their DCIPS work category and General Schedule (or GG) grade on the effective date of conversion, except that no employee may be placed in a pay band that is higher than the highest pay band authorized for his/her work category.

b. Special Placement Guidance for GS/GG-13s.

(1) Employees whose current grade is GS/GG-13, and whose work category is Technician, will be placed in DCIPS pay band 3.

(2) Employees whose work category is Professional or Management, and who are in GS/GG-13 step 1 or 2 on the date of conversion, will be placed in DCIPS pay band 3.

(3) Employees whose work category is Professional or Management, and who are in GS/GG-13 steps 3-12 on the date of conversion, will be placed in DCIPS pay band 4.

c. Special Placement Guidance for GS/GG-7s. For employees whose current grade is GS/GG-7, those whose work category is Technician will be placed in DCIPS pay band 1; those whose work category is Professional or Management will be placed in DCIPS pay band 2.

d. Employees whose personal GS/GG grade exceeds the maximum GS/GG equivalency within the authorized DCIPS pay band levels for their work category shall be placed in the highest DCIPS pay band available to their work category. If the employee's salary exceeds the maximum rate for the DCIPS pay band into which he/she is placed, he/she is entitled to indefinite pay retention under provisions contained in paragraph 7(i).

e. Exceptions to the placement guidance provided in paragraph 7(a) may be approved by the USD(I) on request of the Head of a Defense Intelligence Component or Head of a DoD Component having Intelligence employees, supported by the specific business case for approving the variance to policy.

f. Buy-in of Within-grade Increase (WGI). All employees will convert into DCIPS at their current base pay rate, adjusted for the pro-rata share of their next WGI earned at the date of conversion. The pro-rata share adjustment will be computed as follows: Full calendar days completed toward next due date divided by calendar days in waiting period times value of WGI. Due dates for conversion computation purposes shall be adjusted in accordance with 5CFR, (Reference (h)) requirements for periods in non-pay-status that would normally have affected the WGI due date. The annualized WGI buy-in amount will be added to the employee's base pay rate on the effective date of conversion to establish the initial salary rate under DCIPS. Employees at the 10th step or higher of their title 10 General-Schedule-equivalent (GG) grade at the time of conversion shall not be eligible for a buy-in adjustment in base pay.

g. Exceptions to Buy-in of Within-grade Increase (WGI). Employees under a pay banded system on the date of conversion to DCIPS, who do not have WGI eligibility under their current system, are not eligible for a WGI buy-in on conversion to DCIPS. After the initial mass conversion to DCIPS, new hires into DCIPS generally will not receive a WGI buy-in, except as described in paragraph 9b(3) of this Volume. Employees who come under DCIPS coverage as a result of a transfer of function from a non-DCIPS organization may receive a WGI buy-in, with USD(I) approval.

h. Eligibility for Multiple Buy-ins. Employees who are converted into a DCIPS pay band in one Component, who later are hired by another Defense Intelligence Component that has not yet converted to DCIPS pay bands and who is converted back to the GG schedule on appointment to the new Component is eligible for a Within-grade Increase Buy-in on conversion of the employee's Defense Intelligence Component to DCIPS.

i. Pay Retention. Employees who fall above the maximum of the pay band range for their work category and level on the effective date of conversion will be placed in indefinite pay retention status until such time as the periodic DCIPS base compensation pay band rate-range increases have resulted in the employee's retained salary rate being less than or equal to the DCIPS base compensation pay band rate maximum. The employee will not be eligible for within-band base pay increases until such time as his/her base pay rate becomes less than or equal to the range maximum for his/her pay band, through either increases in the rate range of the employee's pay band, or promotion to a higher pay band within which the employee's salary

falls. Employees in pay retention status may be considered for a performance bonus. Local Market Supplement adjustments will continue to be paid annually.

8. PROGRESSION THROUGH THE PAY BAND. Employees will progress through the pay band based on performance and personal base rate level within the pay band. Guidance for performance-based pay increases is contained in V2012 of this Instruction.

9. PAY SETTING.

a. Setting Pay on Initial DCIPS Appointment from the Federal service outside of DoD, or from outside the Federal service. The rate of pay for an employee newly appointed from outside the DoD competitive and excepted services, or from outside the Federal service, shall be set in accordance with the following guidelines:

(1) Newly appointed DCIPS employees shall be placed in an appropriate pay band based on the following:

(a) Equivalency determination based on General Schedule or equivalent grades held outside of DCIPS in the Federal service in the same occupation or specialty and job title to which the individual is being appointed; or

(b) Qualifying work or educational experience established for the work category, occupation or specialty, and work level, and job title.

(2) Newly appointed DCIPS employees shall have their base pay rate determined based on the following:

(a) Initial individual salaries may be set anywhere between the minimum and the maximum rate of a pay band, but normally at or below the midpoint of the pay band. Decisions on initial salaries shall be based on individual experience and qualifications for the position to which the appointment is being made, and shall include specific labor market, salary history, and internal equity considerations, and such other considerations that comply with merit principles and guidance contained in paragraph 9(b).

(b) Initial salary offers will be established from a total compensation perspective, considering the combined DCIPS base compensation and any available local market supplements. DCIPS base compensation for a newly appointed employee will be established by backing out the local market supplement or targeted local market supplement percentage to arrive at the appointed base pay rate.

(c) For employees appointed from a General Schedule appointment, specific consideration may be given to the period of time completed toward a periodic step increase in the previous position at the time of appointment.

b. Setting Pay on Appointment to a DCIPS Position from a non-Intelligence DoD Component. DCIPS authorities available in this Volume should not be used to provide competitive advantage in recruiting employees to DCIPS positions from other DoD Components. Pay-setting practices when hiring non-Intelligence employees generally should parallel those used within DCIPS, except:

(1) For NSPS employees:

(a) Consideration may be given to experience and current pay levels in determining DCIPS pay band placement where DCIPS and NSPS bands overlap.

(b) When a transfer occurs such that an employee will not be evaluated for a pay increase in either NSPS or DCIPS, consideration may be given to a pay increase the employee would have been likely to receive, based on performance, had he or she not been appointed to DCIPS.

(2) For General Schedule or equivalent employees, consideration may be given to time completed toward a step increase under the General Schedule, to a bona fide career ladder promotion expectation and to the employee's highest previous salary rate in determining the appropriate DCIPS salary.

(3) Employees in General Schedule or equivalent positions may be offered a WGI Buy-In as part of the salary negotiation process, if the employee is otherwise being offered a lateral transfer at his/her current salary. Procedures contained in paragraph 7(f) of this Volume shall be applied to determine the amount of any such increase in salary.

c. Establishing Guidelines for New Appointment Salary Setting. The Head of each Defense Intelligence Agency, the Secretaries of the Military Departments, or the Head of a non-Intelligence Component with DCIPS positions shall establish salary setting guidelines for new appointments within DCIPS, in coordination with the USD(I). These guidelines will, at a minimum, include:

(1) Labor market indicators to be used to set salary offer ranges in the area for which the Component is recruiting, by occupation/specialty and work level, and relationship to hiring experience during the previous year;

(2) Guidance for evaluating experience and work history in establishing the initial salary offer;

(3) Specific guidance for consideration of prior salary history;

(4) Guidance for consideration of internal equity in making a salary offer;

(5) Circumstances under which an appointment salary above the midpoint of the pay band rate range may be considered;

(6) Specific flexibility available to a hiring official within the salary range to negotiate initial salary, consistent with other guidance and merit system principles; and

(7) Frequency of review of salary offer ranges.

10. SETTING PAY UPON LATERAL TRANSFER BETWEEN DCIPS COMPONENTS.

DCIPS employees who accept or are directed to move without a break in service within the Department of Defense and the Intelligence Community, will be moved at their current salary as of the effective date of the movement, except as follows:

a. An employee whose movement occurs effective on a date such that he/she is not eligible for consideration for an annual performance-based pay increase in the losing Component. In such a situation, if the employee was evaluated as "Successful" or above, the hiring manager in the gaining Component may, at his/her discretion, consider the employee for a salary increase of not more than would have been available to another employee in the gaining Component with the same performance history, at a comparable position in the pay band to which being appointed, and performing comparable work.

b. An employee whose movement occurs effective on a date such that he/she is not eligible for a within-pay-band developmental salary increase for which he/she would have been eligible had the movement not occurred. In such a situation the hiring manager in the gaining Component may, at his/her discretion, consistent with Component published guidelines, and in consultation with the losing Component, adjust the employee's salary on the effective date of the movement by an amount not greater than that which would have been received as a developmental salary increase in the losing Component.

11. SETTING PAY UPON PROMOTION. A promotion occurs when an employee moves to a higher pay band within the DCIPS base compensation structure, either within his or her current Component or another Defense Intelligence Component. Upon the effective date of the promotion, an employee will receive a base pay increase of six percent of base pay rate, or the minimum rate for the pay band to which the employee is being promoted, whichever is greater. In no case will an employee's rate of pay be set higher than the maximum rate for the pay band.

12. VOLUNTARY REDUCTION TO LOWER PAY BAND. When an employee voluntarily requests and is approved to move to a lower pay band, the employee's rate of pay in the new pay band may be set at a rate not higher than his/her current rate, but may not exceed the maximum for the new pay band. Pay retention is not authorized under a voluntary reduction to a lower pay band.

13. INVOLUNTARY REDUCTION TO LOWER PAY BAND AS A RESULT OF ADVERSE ACTION. When an employee is involuntarily moved to a lower pay band through adverse action procedures (as a result of poor performance and/or misconduct), the authorizing

management official may reduce the employee's base pay rate by the amount directed in the adverse action decision in accordance with guidelines established in Volume 2009 of this Instruction and Component supplemental guidance, but to an amount not less than the minimum for the pay band to which reduced. In no case may the employee's salary exceed the maximum for the pay band to which reduced. An employee's annual compensation may not be reduced under involuntary procedures more than once in a 12-month period.

14. INVOLUNTARY REDUCTION TO LOWER PAY BAND AS A RESULT OF ADJUSTMENT IN FORCE (AIF). When an employee is involuntarily moved to a lower pay band through adjustment in force (AIF) procedures outlined in Volume 2004 of this Instruction, the employee's salary will not be reduced. If the employee's salary at the time of reduction exceeds the maximum rate for the pay band, he/she shall be entitled to indefinite pay retention.

15. INVOLUNTARY REDUCTION TO LOWER PAY BAND AS A RESULT OF MANAGEMENT-DIRECTED ACTION. When an employee agrees to a reduction to a lower pay band as a result of a management-directed reassignment that is not the result of adverse action, the reassignment will be treated as a reduction as a result of AIF. If the employee's salary at the time of reduction exceeds the maximum rate for the pay band, he/she shall be entitled to indefinite pay retention.

16. EMPLOYEES WITH STATUTORY RETURN OR REEMPLOYMENT RIGHTS TO A POSITION CONVERTED TO DCIPS DURING THEIR ABSENCE. Employees returning to a DCIPS position under a statutory entitlement shall have their initial DCIPS salary set such that they receive all entitlements to salary adjustments that they would have received under governing General Schedule regulations, and will be eligible for a WGI Buy-In in accordance with paragraph 7(b) of this Volume.

17. OTHER COMPENSATION ADMINISTRATION AUTHORITIES AND LIMITATIONS. Compensation authorities and limitations contained in Intelligence Directive 653 (Reference e)), Sections 1601-1614 of title 10 USC (Reference (f)), and the Department of State Standardized Regulations (Reference (i)), applicable to other than base and locality structure administration, and not otherwise addressed in this subchapter, are applicable to DCIPS employees. Specific coverage includes:

a. Additional Compensation-Related Entitlements.

(1) Premium pay. DCIPS employees are eligible for premium pay, including overtime, holiday pay, Sunday pay, night pay differential, annual premium pay for administratively uncontrollable overtime, subject to requirements and limitations specified in Chapter 55 of title 5 (Reference (g)).

(2) Overtime under the Fair Labor Standards Act of 1938 (Reference (j)), under work and regional eligibility criteria specified in Sections 1601-1614, Title 10, USC (Reference (f)).

(3) Compensatory time off in lieu of overtime (Chapter 55 of title 5 (Reference (g))).

(4) Post differentials for environmental conditions at overseas posts authorized under the Department of State Standardized Regulations (Reference (i)).

(5) Post differentials for non-foreign posts authorized under Chapter 59, title 5 (Reference (g)).

(6) Danger Pay in foreign areas authorized under Department of State Standardized Regulations (Reference (i)).

(7) Cost of Living allowances authorized under Chapter 59 of title 5 (Reference (g)) for non-foreign areas and Department of State Standardized Regulations (Reference (i)) for foreign areas.

(8) Hazard pay for unhealthful working conditions authorized under Chapter 59, title 5 (Reference (g)).

(9) Physicians Comparability Allowance authorized under Chapter 59, title 5 (Reference (g)).

(10) Foreign Language Incentive Pay authorized under Section 1596 of title 10 (Reference (f)) and Departmental, Agency or Service implementing instructions.

(11) Other special incentives authorized under section 1603 and 1605 of title 10 (Reference (f)).

b. Recruitment, Retention and Relocation Incentives. Payment of special incentives to attract, retain and encourage the relocation of employees critical to the mission of an organization will be provided subject to implementing regulations contained in 5 CFR, Chapter I (Reference (h)). Those incentives are available to Components responsible for DCIPS employees, subject to the following requirements:

(1) That Components with DCIPS employees develop recruitment, relocation, and retention incentive plans in accordance with parts 575.107, 575.207, and 575.307 of 5 CFR (Reference (h)) and forward those plans for USD(I) review and approval.

(2) That USD(I) will be the approving and oversight official for those actions specified in Reference in 5 CFR (Reference(h)) requiring OPM approval or oversight.

c. Aggregate Compensation Limitation.

(1) Except as provided in paragraph 18(a)2 of this Volume, no additional payment (premium pay, allowance, differential, bonus, award, or other similar cash payment) may be paid to an employee in a calendar year if, or to the extent that, when added to the adjusted salary paid to the employee for service performed as an employee in the Department or in another Federal agency, the payment would cause the total to exceed the rate for Executive Level I in effect on the last day of that calendar year.

(2) The USD(I) may provide for a higher aggregate compensation limitation equal to the rate payable under Section 104 of reference (f) in effect on the last day of the calendar year in the case of specified categories of employees for whom a waiver has been authorized.

(3) The limitation applies to the total amount of aggregate compensation actually received by an employee during the calendar year without regard to the period of service for which such compensation is received.

(4) Aggregate compensation is defined by reference (e) and is the total of:

- (a) Adjusted salary received as an employee of the Department of Defense.
- (b) Premium pay.
- (c) Incentive awards and performance-based cash awards.
- (d) Recruitment and relocation incentives.
- (e) Retention incentives.
- (f) Post differentials.
- (g) Danger pay allowance.
- (h) Extended assignment incentives.
- (i) Post differentials based on environmental conditions for employees stationed outside the continental United States or in Alaska.
- (j) Physicians comparability allowances.
- (k) Foreign Language Proficiency Pay.
- (l) Continuation of pay.
- (m) Other similar payments authorized under reference Section 1603 of title 10 (Reference (f)), excluding back pay due to an unjustified personnel action under Section 5596 of Chapter 55 of title 5 (Reference (g)) (for payments that were due in a previous calendar year); overtime pay under the Fair Labor Standards Act of 1938 of title 29 (Reference (j)), and Part 551

of 5 CFR (Reference (h)); severance pay; non-foreign area cost-of-living allowances; and lump-sum payments for accumulated and accrued annual leave on separation.

(n) Other payments and adjustments authorized under this Volume as specified by DoD implementing issuances.

(o) Payments received from another agency during the calendar year, prior to employment with the Department, that are subject to the limitations of Part 530, Subpart B of 5 CFR (Reference (h)).

(5) Administration of Aggregate Compensation Limitation.

(a) At the time a payment (other than adjusted salary) is authorized for an employee, the employee may not receive any portion of such payment that, when added to the estimated aggregate compensation the employee is projected to receive, would cause the aggregate compensation actually received by the employee during the calendar year to exceed the limitation applicable to the employee at the end of the calendar year.

(b) Payments that are creditable for retirement purposes (e.g., law enforcement availability pay (LEAP) or standby premium pay) and that are paid to an employee at a regular fixed rate each pay period may not be deferred or discontinued for any period of time in order to make another payment that would otherwise cause an employee's pay to exceed any limitation described in or established by this section.

(c) If the estimated aggregate compensation to which an employee is entitled exceeds the applicable limitation for the calendar year, the Component shall defer all authorized payments (other than adjusted salary) at the time when otherwise continuing such payments would cause the aggregate compensation actually received by any employee during the calendar year to exceed the applicable limitation. Any portion of a payment deferred under this paragraph shall become available for payment.

(d) If the Component makes an incorrect estimate of aggregate compensation at an earlier date in the calendar year, the sum of an employee's remaining payments of adjusted salary (which may not be deferred) may exceed the difference between the aggregate compensation the employee has actually received to date in that calendar year and the applicable limitation. In this case, the employee will become indebted to the Component for any amount paid in excess of the aggregate limitation. To the extent that the excess amount is attributable to amounts that should have been deferred and would have been payable at the beginning of the next calendar year, the debt shall be nullified on January 1 of the next calendar year. As part of the correction of the error, the excess amount shall be deemed to have been paid on January 1 of the next calendar year (when the debt was extinguished) as if it were a deferred excess payment and must be considered part of the employee's aggregate compensation for the new calendar year.

(6) Payment of Excess Amounts.

(a) Any amount that is not paid to an employee because of the annual aggregate compensation limitation shall be paid in a lump-sum payment at the beginning of the following calendar year. Any amount paid the following calendar year shall be taken into account for purposes of applying the limitations with respect to such calendar year.

(b) If a lump-sum payment causes an employee's estimated aggregate compensation to exceed the applicable limitation, the Department shall consider only the employee's adjusted salary and payments that are creditable for retirement purposes in determining the extent to which the lump-sum payment may be paid and shall defer all other payments, in order to pay as much of the excess amount as possible. Any payments deferred under this paragraph, including any portion of the excess amount that was not payable, shall become payable at the beginning of the next calendar year.

(c) If an employee moves to another Federal agency or to another position in the Department not covered by DCIPS, and, at the time of the move, the employee has received payments in excess of the aggregate limitation under Section 5307 of Chapter 53, title 5 (Reference (g)), the employee's indebtedness for the excess amount received shall be deferred from the effective date of the transfer until the beginning of the next calendar year. Effective January 1 of the new calendar year, the debt shall be nullified and the excess amount shall be considered toward that year's aggregate limitation.

(d) If an employee transfers to another agency and, at the time of the transfer, the employee has excess payments deferred to the next calendar year, the provisions of section 530.204(c) of 5 CFR (Reference (h)) shall apply.

(7) The following conditions permit payment of excess aggregate compensation without regard to calendar year limitation:

a. If an employee dies, the excess amount is payable immediately as part of the settlement of accounts, in accordance with Section 5582 of Chapter 55 of title 5 (Reference (g));

b. If an employee separates from Federal service, the entire excess amount is payable following a 30-day break in service. If the individual is reemployed in Federal service within the same calendar year as the separation, any previous payment of an excess amount must be considered part of that year's aggregate compensation for the purpose of applying the aggregate limitation for the remainder of the year.

APPENDIX 1 TO ENCLOSURE 3

COMPENSATION PHILOSOPHY

The DoD Intelligence Components, as a community, will implement a compensation strategy as part of a human capital strategy and an integrated business process, which aligns with and supports their individual and collective organization mission, goals and objectives. For the first time, DoD Intelligence Components will share an overarching compensation architecture intended to support the DoD goal of facilitating interchange of personnel across the DoD Intelligence Components in the interest of expanding individual perspective in solving intelligence problems. The shared compensation architecture will consider Director of National Intelligence (DNI) human capital initiatives, thereby facilitating the exchange of personnel within the larger Intelligence Community, further increasing individual perspective in problem solving.

DCIPS recognizes that, while pay is not the only factor in the satisfaction of the DoD Intelligence workforce, competitive compensation is the cornerstone for recruiting, retaining and motivating the type of employees needed by the DoD Intelligence Components. The management of compensation of individual employees under DCIPS will be consistent with the needs and objectives specified in the Quadrennial Defense Review, Defense Intelligence Guidance and National Intelligence Strategy, regarding the disposition of funds for employee compensation, recognition and reward, and endeavors to:

Provide employees with a total compensation package comprising both salary and benefits that recognizes and rewards performance and productivity, while maintaining internal equity and a market-competitive position, within the financial resources available.

Maintain a compensation system that is legally compliant, consistent with the DoD and individual agency policies and guidelines and is in accordance with the Government's commitment to merit system principles.

Provide for a compensation system that is portable, scalable, operable and sustainable and supports the desired outcomes of collaboration, cooperation, information-sharing, personnel exchange and shared mission awareness among the DoD Intelligence Components.

Provide pay opportunities that enable the flexible and effective recruitment, management, and retention of a high-quality, high-performance workforce, with the results-oriented competencies necessary to plan and accomplish the DoD intelligence missions.

Provide a reward system that motivates employees to increase performance contributions, and results in levels of employee performance that are commensurate with total compensation.

Provide fair, equitable and consistent salary treatment and provide for appropriate promotion, reassignment, transfer and developmental opportunities.

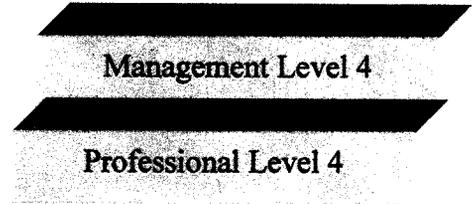
Promote a work environment which encourages employee productivity, innovation and performance excellence through increased satisfaction, commitment and engagement.

Optimize the delivery of reward and recognition to employees in order to maximize motivation and accomplishment of organizational objectives.

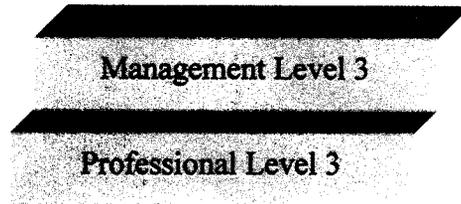
APPENDIX 2 TO ENCLOSURE 3

DCIPS PAY BANDS

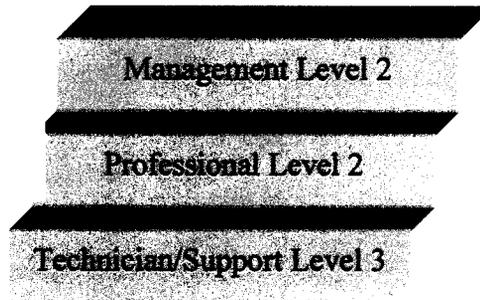
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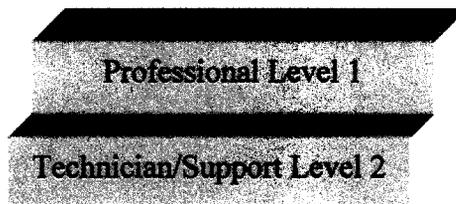
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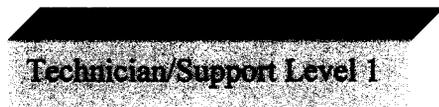
Pay Band 3
GG-11/01-13/12



Pay Band 2
GG-07/01-10/12



Pay Band 1
GG-01/01-07/12



APPENDIX 3 TO ENCLOSURE 3STANDARD LOCAL MARKET SUPPLEMENT AREAS

Local Market Supplement Area Definitions. Most of the place names listed below and in the attached spreadsheet are counties. The Federal Information Processing Standards (FIPS) geographic codes consist of a two-digit State and three-digit county identifier. These geographic codes are derived from the Worldwide Geographic Location Codes, 1993, and are on the Internet at <http://www.itl.nist.gov/fipspubs/by-num.htm>. The District of Columbia is identified by its State code only. Please note that Berwick town, Eliot town, Kittery town, South Berwick town, and York town in York County, ME, remain in the Boston locality pay area, while the remainder of York County, ME, remains in the "Rest of U.S." locality pay area. State, city, and county geographic codes are listed for applicable cities and towns in York County, ME. State, city, and county codes also are listed for Edwards Air Force Base, in Kern County, CA, which is part of the Los Angeles locality pay area, and for the Federal Correctional Complex, Butner, NC, which is part of the new Raleigh-Durham-Cary, NC locality pay area. These are the only exceptions to the use of State/county codes.

| | |
|---|---|
| <u>Atlanta-Sandy Springs-Gainesville, GA-AL</u> | <u>Miami-Fort Lauderdale-Miami Beach, FL</u> |
| <u>Boston-Worcester-Manchester, MA-NH-ME-RI</u> | <u>Milwaukee-Racine-Waukesha, WI</u> |
| <u>Buffalo-Niagara-Cattaraugus, NY</u> | <u>Minneapolis-St. Paul-St. Cloud, MN-WI</u> |
| <u>Chicago-Naperville-Michigan City, IL-IN-WI</u> | <u>New York-Newark-Bridgeport, NY-NJ-CT-PA</u> |
| <u>Cincinnati-Middletown-Wilmington, OH-KY-IN</u> | <u>Philadelphia-Camden-Vineland, PA-NJ-DE-MD</u> |
| <u>Cleveland-Akron-Elyria, OH</u> | <u>Phoenix-Mesa-Scottsdale, AZ</u> |
| <u>Columbus-Marion-Chillicothe, OH</u> | <u>Pittsburgh-New Castle, PA</u> |
| <u>Dallas-Fort Worth, TX</u> | <u>Portland-Vancouver-Beaverton, OR-WA</u> |
| <u>Dayton-Springfield-Greenville, OH</u> | <u>Raleigh-Durham-Cary, NC</u> |
| <u>Denver-Aurora-Boulder, CO</u> | <u>Richmond, VA</u> |
| <u>Detroit-Warren-Flint, MI</u> | <u>Sacramento--Arden-Arcade--Truckee, CA-NV</u> |
| <u>Hartford-West Hartford-Willimantic, CT-MA</u> | <u>San Diego-Carlsbad-San Marcos, CA</u> |
| <u>Houston-Baytown-Huntsville, TX</u> | <u>San Jose-San Francisco-Oakland, CA</u> |
| <u>Huntsville-Decatur, AL</u> | <u>Seattle-Tacoma-Olympia, WA</u> |
| <u>Indianapolis-Anderson-Columbus, IN</u> | <u>Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV</u> |
| <u>Los Angeles-Long Beach-Riverside, CA</u> | <u>Rest of U.S.</u> |

GLOSSARY

DEFINITIONS

The following definitions apply only to this Instruction and serve as the basic compensation administration taxonomy for Defense Intelligence Component civilian employees and DCIPS positions.

adjusted market rate change. An amount established by the analysis of market data for all Defense Intelligence locality areas, adjusted in accordance with standard practice to create a national Defense Intelligence “base structure” that has reference back to the General Schedule base structure.

base compensation structure. The unadjusted worldwide pay structure applicable to all DCIPS employees unadjusted for local or market differences.

base rate pay band. A single rate range within the DCIPS base compensation structure that establishes the range of pay for a work category, occupational group and work level.

control point. A target point within a DCIPS pay band that serves as a reference point for establishing the relationship between employee base compensation and the relevant labor market, and for moderating the rate of progression for an employee through a pay band.

developmental salary increase. A formal process for managing salary advancement outside the annual performance-based compensation decision process for developmental employees in professional occupations that is designed to maintain their competitive position as they acquire full-performance capabilities.

local market supplement. An addition to the base compensation of employees assigned to a geographic region, or an occupation within a geographic or range of geographic regions, that reflects the competitive requirements for the applicable labor market. On initial implementation of DCIPS, this amount generally will correspond to General Schedule locality rates, and is considered part of base compensation. The Targeted Labor Market Supplement is considered base pay for retirement purposes.

midpoint. The point halfway between the minimum and maximum of a pay band. The midpoint is the default control point for all DCIPS pay bands and serves as the reference point for establishing the relationship between DCIPS rate ranges and the applicable labor market.

personal base pay rate. The base rate of pay, reported as an annualized, hourly, biweekly, or monthly rate, to which an individual employee is entitled based on pay band level and individual performance.

rate range. The salary available within a pay band between the minimum and maximum base pay rate for the pay band.

targeted labor market supplement. An addition to the base compensation of employees assigned to a specific occupation or locality not appropriately recognized by a Local Market Supplement. The Targeted Labor Market Supplement is considered base pay for retirement purposes.