OFFICE OF PERSONNEL MANAGEMENT

Proposed Laboratory Personnel Management Demonstration Project; Missile Research, Development and Engineering Center, Department of the Army, U.S. Army Missile Command (MICOM), Redstone Arsenal, Alabama

AGENCY: Office of Personnel Management.

ACTION: Notice of Intent to Implement Demonstration Project.

SUMMARY: Title VI of the Civil Service Reform Act, 5 U.S.C. 4703, authorizes the Office of Personnel Management (OPM) to conduct demonstration projects that experiment with new and different personnel management concepts to determine whether such change in personnel policy or procedures would result in improved Federal personnel management.

Public Law 103–337, October 5, 1994, permits the Department of Defense (DoD), with the approval of the OPM, to carry out personnel demonstration projects generally similar in nature to the China Lake demonstration project at DoD Science and Technology (S&T) Reinvention Laboratory sites. The Army is proposing five demonstration sites initially: the Army Research Laboratory, U.S. Army Waterways Experiment Station, Medical Research Materiel Command, the Missile Research, Development and Engineering Center, and the Aviation Research, Development, and Engineering Center. This proposal is for the Missile Research, Development, and Engineering Center (MRDEC).

DATES: To be considered, written comments must be submitted on or before May 20, 1997; a public hearing will be scheduled as follows: Tuesday, April 29, 1997, at 10:00 a.m. in Redstone Arsenal, Alabama. At the time of the hearings, interested persons or organization may present their written or oral comments on the proposed demonstration project. The hearing will be informal.

Anyone wishing to testify should contact the person listed under **FOR FURTHER INFORMATION CONTACT**, and state the hearing location, so that OPM can plan the hearings and provide sufficient time for all interested persons and organizations to be heard. Priority will be given to those on the schedule, with others speaking in any remaining available time. Each speaker's presentation will be limited to ten minutes. Written comments may be submitted to supplement oral testimony during the public comment period.

ADDRESSES: Comments may be mailed to Fidelma A. Donahue, U.S. Office of Personnel Management, 1900 E Street, NW, room 7460, Washington, DC 20415; public hearing will be held at the U.S. Army Missile Command, Sparkman Auditorium, Martin Road, Building 5304, Redstone Arsenal, Alabama.

FOR FURTHER INFORMATION CONTACT: (1) On proposed demonstration project: Dr. William H. Leonard, U.S. Army Missile Command, ATTN: AMSMI–RD, Redstone Arsenal, AL 35898–5400, 205–876–1442; (2) On proposed demonstration project and public hearing: Fidelma A., Donahue, U.S. Office of Personnel Management, 1900 E Street, NW, Room 7460, Washington, DC 20415, 202–606–1138.

SUPPLEMENTARY INFORMATION: Since 1966, many studies of Department of Defense (DoD) laboratories have been conducted on laboratory quality and personnel. Almost all of these studies have recommended improvements in civilian personnel policy, organization, and management. The proposed project involves simplified job classification, paybanding, streamlined hiring processes, pay-for-performance management system, expanded developmental opportunity, and modified Reduction-In-Force (RIF) procedures.

Office of Personnel Management.

James B. King,

Director.

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I. Executive Summary

This project was designed by the Department of the Army, with participation of and review by the Department of Defense (DoD) and the Office of Personnel Management (OPM). The purpose of the project is to achieve the best workforce for the MRDEC mission, adjust the workforce for change, and improve workforce quality.

The foundations of this project are based on the concept of linking performance to pay for all covered positions; simplifying paperwork and the processing of classification and other personnel actions; emphasizing partnerships among management, employees, and unions representing covered employees; and delegating classification and other authorities to line managers. Additionally, the research intellect of the MRDEC workforce will be revitalized through the use of expanded opportunities for employee development. These opportunities will reinvigorate the creative intellect of the research and development community.

Development and execution of this project will be in-house budget neutral, based on a baseline of September 1995 in-house costs and consistent with the Department of the Army (DA) plan to downsize laboratories. Army managers at the DoD S&T Reinvention Laboratory sites will manage and control their personnel costs to remain within established in-house budgets. An in-house budget is a compilation of costs of the many diverse components required to fund the day-to-day operations of a laboratory. These components generally include pay of people (labor, benefits, overtime, awards), training, travel, supplies, non-capital equipment, and other costs depending on the specific function of the activity.

This project will be under the joint sponsorship of the Assistant Secretary of the Army for Research, Development and Acquisition and the Assistant Secretary of the Army for Manpower and Reserve Affairs. The Commander, U.S. Army Materiel Command, will execute and manage the project. Project oversight within the Army will be achieved by an executive steering committee made up of top-level executives, co-chaired by the Deputy Assistant Secretary of the Army for Research and Technology and the Deputy Assistant Secretary of the Army (Civilian Personnel Policy)/Director, Civilian Personnel. Oversight external to the Army will be provided by the

Department of Defense and the Office of Personnel Management.

II. Introduction

A. Purpose

The purpose of the project is to demonstrate that the effectiveness of Department of Defense (DoD) laboratories can be enhanced by allowing greater managerial control over personnel functions and, at the same time, expanding the opportunities available to employees through a more responsive and flexible personnel system. The quality of DoD laboratories, their people, and products has been under intense scrutiny in recent years. This perceived deterioration of quality is due, in substantial part, to the erosion of control which line managers have over their human resources. This demonstration, in its entirety, attempts to provide managers, at the lowest practical level, the authority, control, and flexibility needed to achieve quality laboratories and quality products.

B. Problems With the Present System

The MRDEC products contribute to the readiness of U.S. forces and to the stability of the American economy. To do this, the MRDEC must acquire and retain an enthusiastic, innovative, and highly educated and trained workforce, particularly scientists and engineers. The MRDEC must be able to compete with the private sector for the best talent and be able to make job offers in a timely manner with the attendant bonuses and incentives to attract high quality employees. Today, industry laboratories can make an offer of employment to a promising new hire before the government can prepare the paperwork necessary to begin the recruitment process.

Currently, jobs are described using a cumbersome classification system that is overly complex and specialized. This hampers a manager's ability to shape the workforce and match the positions while making best use of employees. Managers must be given local control of positions and their classification to move both their employees and vacancies within their organization to other lines of the business activities to match the life cycle needs of supported customers.

These issues work together to hamper supervisors in all areas of human resource management. Hiring restrictions and overly complex job classifications, coupled with poor tools for rewarding and motivating employees and a system that does not assist managers in removing poor performers builds stagnation in the workforce and wastes valuable time.

C. Changes Required/Expected Benefits

This project is expected to demonstrate that a human resource system tailored to the mission and needs of the MRDEC will result in: (a) Increased quality in the total workforce and the products they produce; (b) increased timeliness of key personnel processes; (c) increased retention of high quality employees and separation rates of poor quality employees; and (d) increased customer satisfaction with the MRDEC and its products by all customers it serves.

The MRDEC demonstration program builds on the successful features of demonstration projects at China Lake and the National Institute of Standards and Technology (NIST). These demonstration projects have produced impressive statistics on the job satisfaction for their employees versus that for the federal workforce in general. Therefore, in addition to expected benefits mentioned above, the MRDEC demonstration expects to find more satisfied employees on many aspects of the demonstration including pay equity, classification decisions, and career development opportunities. A full range of measures will be collected during project evaluation (Section VII).

D. Participating Organization

MRDEC has approximately 1881 employees covered by the project. Approximately 99 percent of the employees are located at Redstone Arsenal, Alabama, with the remaining located at the following sites: Andover, Massachusetts; Tucson, Arizona; Orlando, Florida; and Dallas, Texas.

E. Participating Employees

The demonstration project includes civilian appropriated funded employees in the competitive and excepted service paid under the General Schedule (GS) pay systems. Scientific and Technical (ST) employees will be included for employee development, performance appraisal, and award provisions only; their classification, staffing, and compensation, however, will not change. Senior Executive Service employees, Federal Wage System employees, and employees in the Quality Assurance Specialist (Ammunition Surveillance) (QASAS) career program will not be covered in the demonstration project. Additionally, DA interns will not be converted to the demonstration until they complete their intern program. Personnel added to the laboratory in like positions covered by the demonstration (either through appointment, promotion, reassignment, change to a lower grade or where their functions and positions have been transferred into the laboratory) will be converted to the demonstration project. Successor organizations which may result from actions associated with the 1995 Base Realignment and Closure Commission will continue coverage in the demonstration project.

F. Labor Participation

The American Federation of Government Employees (AFGE) represents many GS employees at MRDEC. The MRDEC is continuing to fulfill its obligations to consult and/or negotiate with the AFGE, in accordance with 5 U.S.C. 4703 (F) and 7117. The participation with the AFGE is within the spirit and intent of Executive Order 12871.

The AFGE represents all professional and nonprofessional employees except those who are supervisors or managers. AFGE Local 1858 has been involved with and has participated in the development of the project since its inception. The union is an integral part of this personnel demonstration and will be a full partner in arriving at major decisions involving program implementation.

G. Project Design

An Integrated Process Team approach was used at the U.S. Army Missile Command to develop the attributes of this personnel demonstration proposal. The team was lead by MRDEC management, and team members came from managers and associates from the MRDEC, AFGE Local 1858, the Civilian Personnel Office, and several other major functional organizations within the Missile Command.

This personnel system design has been subjected to critical reviews by Executive Steering Groups within the MRDEC and the Missile Command. Additionally, negotiations with AFGE Local 1858 have influenced the design in areas of significant concern to bargaining unit employees. A survey, designed by AFGE Local 1858, was conducted to elicit RDEC employee opinions and preferences on key features of the proposal.

The design was preceded by an exhaustive study of broadbanding systems currently practiced in the Federal sector. A first generation design was briefed to the MRDEC workforce with the assistance of AFGE Local 1858. During these briefing sessions, employees were provided a copy of the first generation proposal, a set of anticipated questions and answers, and a list of points of contact for concerns

and questions. Later design generations have evolved from critical reviews by headquarters elements of the Department of the Army, Department of Defense, and the Office of Personnel Management. Additionally, consultation was provided by the designers of the broadbanding systems practiced by the Navy China Lake experiment and the National Institute of Standards and Technology.

H. Personnel Management Board

The MRDEC intends to establish an appropriate balance between the personnel management authority and accountability of supervisors and of the oversight responsibilities of a Personnel Management Board (PMB). The Director will delegate management and oversight of the Project at MRDEC to a Personnel Management Board whose members, Chairperson, and staff will be appointed by the Director. The union may provide a representative to observe all deliberations of the PMB, and this representative may vote on those issues that are not exclusively management responsibilities. The PMB will be tasked with the following:

1. Overseeing the civilian pay budget,
2. Determining the composition of the pay-for-performance pay pools in accordance with the guidelines of this proposal and internal procedures,
3. Administering funds allocation to pay pool managers,
4. Reviewing operation of MRDEC pay pools,
5. Reviewing hiring and promotion salaries as well as exceptions to pay-for-performance salary increases,
6. Providing guidance to pay pool managers,
7. Monitoring award pool distribution by organization or any other special categorization,
8. Selecting participants for the Expanded Developmental Opportunity Program, long term training, and any special developmental assignments,
9. Managing promotions to stay within ''high grade'' controls,
10. Addressing in-house budget neutrality issues to include tracking of average salaries,
11. Assessing the need for changes to demonstration procedures and policies.

III. Personnel System Changes

A. Broadbanding

Occupational Families

Occupations at the MRDEC will be grouped into occupational families. Occupations will be grouped according to similarities in type of work, customary requirements for formal training or credentials, and in consideration of the business practices at the MRDEC. The common patterns of advancement within the occupations as practiced at DoD Laboratories and in the private sector will also be considered. The current occupations and grades have been examined, and their characteristics and distribution have served as guidelines in the development of the four occupational families described below:

1. *Engineers and Scientists (E&S).* This occupational family includes all technical professional positions, such as engineers, physicists, chemists, metallurgists, mathematicians, and computer scientists. Predominantly, specific course work or educational degrees are required for these occupations.

2. *E&S Support.* This occupational family contains positions that directly support the E&S mission: it includes specialized functions in such fields as technical information management, librarians, equipment specialists, quality assurance, and engineering and electronics technicians. Employees in these jobs may or may not require college course work. However, training and skills in the various electrical, mechanical, chemical or computer crafts and techniques are generally required.

3. *Business Management.* This occupational family contains specialized functions in such fields as finance, procurement, accounting, administrative computing, and management analysis. Analytical ability and specialized knowledge in administrative fields or special degrees are required.

4. *General Support.* This occupational family is composed of positions for which minimal formal education is needed, but for which special skills, such as office automation or shorthand, are usually required. Clerical work usually involves the processing and maintenance of records. Assistant work requires knowledge of methods and procedures within a specific administrative area. Other support functions include the work of secretaries, guards, and mail clerks.

Paybands

Each occupational family will be composed of discrete paybands (levels) corresponding to recognized advancement within the occupations. These paybands will replace grades. They will not be the same for all occupational families. Each occupational family will be divided into four to five paybands; each payband covering the same pay range now covered by one or more grades. A salary overlap, similar to the current overlap between GS grades, will be maintained.

Ordinarily an individual will be hired at the lowest salary in a payband. Exceptional qualifications, specific organizational requirements, or other compelling reasons may lead to a higher entrance level within a band.

The proposed paybands for the occupational families and how they relate to the current GS grades are shown in Figure 1. Application of the Fair Labor Standards Act (FLSA) within each payband is also shown in Figure 1. This payband concept has the following advantages:

1. It may reduce the number of classification decisions required during an employee's career.
2. It simplifies the classification decision-making process and paperwork. A payband covers a larger scope of work than a grade, and thus will be defined in shorter and simpler language.
3. It supports delegation of classification authority to line managers.
4. It provides a broader range of performance-related pay for each level. In many cases, employees whose pay would have been frozen at the top step of a grade will now have more potential for upward movement in the broader payband.
5. It prevents the progression of low performers through a payband by mere longevity, since job performance serves as the basis for determining pay.

The MRDEC broadbanding plan expands the broadbanding concept used at China Lake and NIST by creating Payband V of the Engineers and Scientists occupational family. This payband is designed for Senior Technical Managers and Senior Scientists/Engineers.

Current OPM guidelines covering the Senior Executive System and Scientific and Professional (ST) positions do not fully meet the needs of MRDEC. The SES designation is appropriate for executive level managerial positions whose classification exceeds the GS–15 grade level. The primary knowledges and abilities of SES positions relate to supervisory and managerial responsibilities. Positions classified as ST are designed for bench research scientists and engineers. OPM guidelines state that the duties and responsibilities of ST positions must not include any managerial or supervisory responsibility.

MRDEC currently has several division/office chief positions that have characteristics of both SES and ST classifications. These division/office chiefs in MRDEC are responsible for supervising other GS–15 positions,

including function supervisors and non-supervisory researcher engineers and scientists. MRDEC management considers the primary requirement for division/office chiefs to be knowledgeable of and have expertise in the specific scientific and technology areas related to the mission of their organizations. The ability to manage, while important, is considered secondary. Historically, these positions have been filled by employees who possess primarily scientific/engineering credentials and who are considered experts in their field by the scientific community. While it is clear these positions warrant classification beyond the GS–15 level, attempts to classify most of the positions as SES have been difficult because the size of the organizations and their location in the Center are not competitive with other SES level positions. Classification of the positions as ST is also not an option because supervisory responsibilities cannot be ignored.

As preeminent scientists and engineers, incumbents of ST positions are responsible for specific research and development efforts that are continuing and long range, generally requiring the efforts of a team. These ST positions usually serve as team leaders which means there is some responsibility for assigning work, coordinating results, and redirecting efforts. It is administratively convenient for these research team leaders to also participate in performance management. The restriction of including supervisory authorities in ST jobs has forced MRDEC to exclude any mention of the team leader responsibilities in these position descriptions for fear that they will be interpreted as characteristic of SES rather than ST positions. Consequently, MRDEC has some positions that do not strictly conform to OPM definitions of either the SES or ST.

The purpose of Payband V is to overcome the difficulties identified above by creating a category for two types of positions—the Senior Technical Manager (with full supervisory authority) and the Senior Engineer/ Scientist (less than full supervisory authority or no supervisory authority). Current GS–15 division/office chiefs will convert into the demonstration project at Payband IV. After conversion they will be reviewed against established criteria added to determine if they should be reclassified to Payband V. Other positions possibly meeting criteria for classification to Payband V will be reviewed on a case-by-case basis. The proposed salary range is the same as currently exists for ST positions (minimum of 120% of the minimum rate of basic pay for GS–15 with a maximum of the basic rate of pay established for Level IV of the Executive Schedule).

Vacant positions in Payband V will be competitively filled to ensure that selections are made from among the world's preeminent researchers and technical leaders in the specialty fields. MRDEC will capitalize on the efficiencies that can accrue from central recruiting by continuing to use the expertise of the Army Materiel Command SES Office as the recruitment agent. Panels will be created to assist in filling Payband V positions. Panel members will be selected from a pool of current MRDEC SES members, ST employees and those in Payband V, and an equal number of individuals of equivalent stature from outside the Center to ensure impartiality, breadth of technical expertise, and a rigorous and demanding review. The panel will apply criteria developed largely from the current OPM Research Grade Evaluation Guide for positions exceeding the GS–15 level. The same procedure will be used for evaluating Senior Technical Manager positions except the rating criteria will be adjusted to account for the difference in the positions, such as greater emphasis on technical program management and supervisory abilities.

The final component of Payband V is the management of all Payband V assets. Specifically, this includes authority to classify, create, abolish positions as circumstances warrant; recruit and reassign employees in this payband; set pay and to have their performance appraised under this project's Pay for Performance System. This authority will be executed within parameters to be established at the DA level, to include controls on the numbers of Payband V positions and recruitment/promotion criteria. The specific details regarding the control and management of Payband V assets will be included in the demonstration's operating procedures. The laboratory wants to demonstrate increased effectiveness by gaining greater managerial control and authority, consistent with merit, affirmative action, and equal employment opportunity principles.

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Figure 1. Pay Bands and Occupational Families

Occupational Families	Bands															
Corresponding GS grades	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Above GS-15
Engineers & Scientists DB	I N				II *							III E		IV E		V E
E&S Support DE	I N				II *					III *			IV E		V E	
Business Mgt DJ	I N				II *					III *			IV E		V E	
General Support DK	I N				II *		III *		IV *							

FLSA CODES: N - Nonexempt

E - Exempt

*** - Nonexempt or Exempt**

Note: Although typical exemption status under the various paybands is shown in the above table, actual FLSA exemption determinations are made on a case-by-case basis.

Fair Labor Standards Act

Fair Labor Standards Act (FLSA) exemption and nonexemption determinations will be made consistent with criteria found in 5 CFR part 551. Pay increases for employees receiving retained rates will be determined in accordance with 5 U.S.C. 5363 except that those with a U rating will receive no pay increase. There are eight paybands (see Figure 1) where employees can be either exempt or nonexempt from overtime provisions. For these eight paybands supervisors with classification authorities will make the determinations on a case-by-case basis by comparing the duties and responsibilities assigned, the classification standards for each payband, and the FLSA criteria under 5 CFR part 551. Additionally, the advice and assistance of the Civilian Personnel Advisory Center/Civilian Personnel Operations Center (CPAC/CPOC) will be obtained in making determinations as part of the performance review process. The benchmark position descriptions will not be the sole basis for the determination. Basis for exemption will be documented and attached to each description. Exemption criteria will be narrowly construed and applied only to those employees who clearly meet the spirit of the exemption. Changes will be documented and provided to the CPAC/CPOC, as appropriate.

Simplified Assignment Process

Today's environment of downsizing and workforce transition mandates that the MRDEC have increased flexibility to assign individuals. Broadbanding can be used to address this need. As a result of the assignment to a particular level descriptor, the organization will have increased flexibility to assign an employee, without pay change, within broad descriptions consistent with the needs of the organization, and the individual's qualifications and rank or level. Subsequent assignments to projects, tasks, or functions anywhere within the organization requiring the same level and area of expertise, and qualifications would not constitute an assignment outside the scope or coverage of the current level descriptor.

Such assignments within the coverage of the generic descriptors are accomplished without the need to process a personnel action. For instance, a technical expert can be assigned to any project, task, or function requiring similar technical expertise. Likewise, a manager could be assigned to manage any similar function or organization consistent with that individual's qualifications. This flexibility allows a broader latitude in assignments and further streamlines the administrative process and system.

Promotion

A promotion is a move of an employee to (1) a higher payband in the same occupational family or (2) a payband in another occupational family in combination with an increase in the employee's salary. Positions with known promotion potential to a specific band within an occupational family will be identified when they are filled. Not all positions in an occupational family will have promotion potential to the same band. Movement from one occupational family to another will

depend upon individual knowledge, skills, and abilities, and needs of the organization.

Promotions will be processed under competitive procedures in accordance with merit principles and requirements and the local merit promotion plan. The following actions are excepted from competitive procedures:

(a) Re-promotion to a position which is in the same payband and occupational family as the employee previously held on a permanent basis within the competitive service.

(b) Promotion, reassignment, demotion, transfer or reinstatement to a position having promotion potential no greater than the potential of a position an employee currently holds or previously held on a permanent basis in the competitive service.

(c) A position change permitted by reduction in force procedures.

(d) Promotion without current competition when the employee was appointed through competitive procedures to a position with a documented career ladder.

(e) A temporary promotion, or detail to a position in a higher payband, of 180 days or less.

(f) Reclassification to include impact of person on-the-job promotions.

(g) A promotion resulting from the correction of an initial classification error or the issuance of a new classification standard.

(h) Consideration of a candidate not given proper consideration in a competitive promotion action.

(i) Impact of person on the job and Factor IV process (application of the Research Grade Evaluation Guide, Equipment Development Grade Evaluation Guide, Part III, or similar guides) promotions.

Link Between Promotion and Performance

Career ladder promotions and promotions resulting from the addition of duties and responsibilities are examples of promotions that can be made noncompetitively. Promotions can be made noncompetitively when contributions and achievements are such that a higher payband is achieved when comparing the overall position to the Equipment Development Grade Evaluation Guide, Part III or the Research Grade Evaluation Guide. To be promoted noncompetitively from one band to the next, an employee must meet the minimum qualifications for the job and have a current performance rating of B or better (see *Performance Evaluation*) or equivalent under a different performance management system. Selection of employees through competitive procedures will require a current performance rating of B or better.

B. Pay-for-Performance Management System

Performance Evaluation

Introduction

The performance evaluation system will link compensation to performance through annual performance appraisals and performance scores. The performance evaluation system will allow optional use of peer evaluation and/or input from subordinates as determined appropriate by the Personnel Management Board. The system will have the flexibility to be modified, if necessary, as more experience is gained under the project.

Performance Objectives

Performance objectives are statements of job responsibilities based on the work unit's mission, goals and supplemental benchmark position descriptions. Employees and supervisors will jointly develop performance objectives which will reflect the types of duties and responsibilities expected at the respective pay level. In case of disagreements, the decision of the supervisor will prevail. Performance objectives deal with outputs and outcomes of a particular job. The performance objectives, representing joint efforts of employees and their rating chains, should be in place within 30 days from the beginning of each rating period.

Performance Elements

Performance elements are generic attributes of job performance, such as technical competence, that an employee exhibits in performing job responsibilities and associated performance objectives. New performance elements and rating forms will be designed to implement a new scoring and rating system. The new performance evaluation system will be based on critical and non-critical performance elements defined in Appendix C. Each performance element is assigned a weight between a specified range. The total weight of all elements in a performance plan is 100 points. The supervisor assigns each element some portion of the 100 points in accordance with its importance for mission attainment. As a general rule, essentially identical positions will have the same critical elements and the same weight. These weights will be developed along with employee performance objectives.

Mid-Year Review

A mid-year review between a supervisor and employee will be held to determine whether objectives are being met and whether ratings on performance elements are above an unsatisfactory level. Performance objectives should be modified as necessary to reflect changes in planning, workload, and resource allocation. The weights assigned to performance elements may be changed if necessary. Additional reviews may be held as deemed necessary by the supervisor or requested by the employee. The supervisor will provide periodic feedback to the employee on their level of performance. If the supervisor determines that the employee is not performing at an acceptable level on one or more elements, the supervisor must alert the employee and document the problem(s). This feedback will be provided at any time during the rating cycle.

Performance Appraisal

A performance appraisal will be scheduled for the final weeks of the annual performance cycle, although an individual performance appraisal may be conducted at any time after the minimum appraisal period of 120 days is met. The performance appraisal process brings supervisors and employees together for formal discussions on performance and results in (1) written appraisals, (2) performance ratings, (3) performance scores, and (4) other individual performance-related actions as appropriate. A performance appraisal shall consist of two meetings held between employee and supervisor: the performance review meeting and the evaluation feedback meeting.

Performance Review Meeting Between Employee and Supervisor

The review meeting is to discuss job performance and accomplishments. Supervisors will not assign performance scores or performance ratings at this meeting. The supervisor notifies the employee of the review meeting in time to allow the employee to prepare a list of accomplishments. Employees will be given an opportunity at the meeting to give a personal performance assessment and describe accomplishments. The supervisor and employee will discuss job performance and accomplishments in relation to the performance elements, objectives, and planned activities established in the performance plan.

Evaluation Feedback Meeting Between Employee and Supervisor

In this second meeting between employee and supervisor, the supervisor

informs the employee of management's appraisal of the employee's performance on performance objectives, and the employee's performance score and rating on performance elements. During this second meeting, the supervisor and employee will discuss and document performance objectives for the next rating period.

Performance Scores

The overall score is the sum of individual performance element scores. Employees will receive an academic-type rating of A, B, C, or U depending upon the score attained. These summary ratings are representative of pattern E (a 4 level system) in summary level chart in 5 CFR 430.208(d)(1). This rating will become the rating of record, and only those employees rated C or higher will receive general increases, performance pay increases (i.e., basic pay increases), and/or performance bonuses. A rating of A will be assigned for scores from 85 to 100 points, B for scores from 70 to 84, C for scores from 50 to 69, and U for scores from 0 to 49 or a failure to achieve at the 50% level of any critical element. The academic-type ratings will be used to determine performance payouts and to award additional RIF retention years as follows:

Rating	Compensation	RIF retention yrs added
A	4 shares+c*	10
B	2 shares+c	7
C	1 share+c	3
U	0	0

*c=GS General Increase (Title 5, Section 5303).

Selection of the weighted points to assign to an employee's performance on performance elements is assisted by use of benchmark performance standards (Appendix D). These benchmark performance standards are modified versions of the performance standards used by the National Institute of Standards and Technology (NIST), National Bureau of Standards. Each benchmark performance standard describes the level of performance associated with a particular point on a rating scale. Supervisors may add supplemental standards to the performance plans of the employees they supervise to further elaborate the benchmark performance standards.

Performance-Based Actions

MRDEC will implement a process to deal with poor performers. This process may lead to involuntary separations, with grievance or appeal rights. The process may start at any time during the rating period, not necessarily at the end of an appraisal period. This process begins when the supervisor identifies a deficiency(ies) which causes the level of performance to be at the U (unsatisfactory) level based on a composite score that is less than 50 for all elements or a score on any critical element of less than 50 percent.

When the employee's performance is determined to be unsatisfactory at the close of the annual rating period, the Unsatisfactory (U) rating will become the rating of record for all matters relating to pay or Reduction-in-Force (RIF).

There are two processes to deal with poor performers:

1. Change in Assignment—Because it is recognized that employees may be assigned to a position for which they are not suited, an attempt will be made to place poor performers in a position better suited to their skills and capabilities. The offer of change in assignment will be contingent upon the employee's concurrence and will be either within the same band or in the next lower payband. If reassigned, the employee will receive written notification that they will be given a reasonable opportunity period of no less than 30 calendar days in length, to demonstrate performance at a level that is at least equal to that of a summary level C rating. The period of time considered to be reasonable will be determined, in part, by whether the employee's reassignment is to a substantially similar or the same position under a different supervisor, or in a different office, or in a substantially different position. Essential training and mentoring will be provided as appropriate during this opportunity period. Failure to achieve a level of performance that is at least equal to that of a summary level C rating (following the above-referenced opportunity period) will place the employees in Step 3 of this process. There will be no further opportunity period.

2. Performance Improvement Plan (PIP)—If the employee does not accept an offer of change in assignment, or if there is no appropriate, available position to assign an employee, the supervisor will develop a PIP that will be monitored for a reasonable period of time (no less than 30 calendar days). When an employee is placed in a PIP, the employee will be informed in writing, that unless their level of performance improves to, and is sustained at a level at least equal to that of a summary level C rating, the employee may be removed from the position (change in assignment, reduction in pay, or removal from the Federal service).

If, during or at the conclusion of the PIP, the employee's level of performance improves to a level at least equal to that of a summary level C rating and is again determined to deteriorate to below level C in any area during one year from the beginning of the PIP, the MRDEC may initiate action to remove the employee from the position with no additional opportunity to improve. An employee whose level of performance improves to a level at least equal to that of a summary level C rating for one year from the beginning of the PIP, and then deteriorates to below level C again, in any area, during succeeding rating periods, will be placed in a second PIP before initiating action to remove the employee from the position.

If and when performance improves during the period in which the employee is otherwise ineligible for the general increase, then the general increase shall be restored. Such restoration is not retroactive and is separate and apart from incentive pay.

3. Removal—If the employee fails to demonstrate a level of performance at least equal to that of a summary level C rating after completing either Step 1 or Step 2, the employee will be given a written notice of proposed removal from the position. The notice period will be a minimum of 30 calendar days and the employee will have a reasonable period of time in which to reply. The employee will be given a written notice of decision to include all applicable grievance and appeal rights.

Note: Performance-based adverse actions may be taken under 5 U.S.C., Chapter 75, rather than Chapter 43.

A decision to remove an employee for poor performance may be based only on those instances of poor performance that occurred during the opportunity period (Step 1) or during the one-year period ending on the date of proposed removal (Step 2). The notice of decision will specify the instances of poor performance on which the action is based and will be given to the employee at or before the time the action will be effective.

The MRDEC will preserve all relevant documentation concerning an action taken for poor performance and make it available to review by the affected employee or designated representative. At a minimum, the record will consist of a copy of the notice of proposed action; the employee's written reply, if provided, or a summary if the employee makes an oral reply. Additionally, the record will contain the written notice of decision and the reasons therefore,

along with any supporting material including documentation regarding the opportunity afforded the employee to demonstrate improved performance. An employee who sustains their performance at a level at least equal to a summary level C rating for one year, will have all relevant documentation removed from their record.

Employee Relations

Employees covered by the project will be evaluated under a performance evaluation system that affords grievance or appeal rights comparable to those provided currently.

Senior Executive Service and 5 U.S.C. 3104 (ST) Employees

Members of the SES will remain under the current SES performance appraisal system. Title 5 U.S.C. 3104 (ST) employees will be included in the project performance evaluation system, but will not be in the project pay-for-performance system.

Awards

The MRDEC currently has an extensive awards program consisting of both internal and external awards. On-the-spot, special act (which are both performance related and nonperformance related), and other internal awards (both monetary and nonmonetary) will continue under the project, and may be modified or expanded as appropriate. MACOM, DA, and DoD awards and other honorary noncash awards will be retained.

Teams may distribute an award pool among themselves where appropriate. Thus, a team leader or supervisor may allocate a sum of money to a team for outstanding completion of a special task, and the team may decide the individual distribution of the total dollars among themselves.

The MRDEC Director will have the authority to grant awards to covered employees of up to $10,000 for a special act. The scale of the award will be determined using criteria in AR 5–17. AFGE Local 1858 will be notified and provided an opportunity to comment on proposed special act awards for bargaining unit employees before the effective date of the award. The name of proposed special act awardees will not be released to the union for privacy act purposes.

Members of the SES will remain under their current awards system and will not participate in the project performance recognition bonus awards program. Title 5 U.S.C. 3104 (ST) employees will be eligible for cash awards.

Pay Administration

Introduction

The objective is to establish a pay system that will improve the ability of the MRDEC to attract and retain quality employees. The new system will be a pay-for-performance system and, when implemented, will result in a redistribution of pay resources based upon individual performance.

Pay-for-Performance

MRDEC will use a simplified performance appraisal system that will permit both the supervisor and the employee to focus on quality of the work. The proposed system will permit the manager/supervisor to base incentive pay increases entirely on performance or value added to the goals of the organization. This system will allow managers to withhold pay increases from nonperformers, thereby giving the nonperformer the incentive to improve performance or leave government service. For example, employees with ratings of U will receive no performance pay increase, general increase, or performance bonus. This action may result in the employee's pay falling below the minimum rate of their current payband because the minimum rate is increased by the general increase (5 U.S.C. 5303). Under these transitory conditions, the employee's payband designator will remain the same. Since there is no reduction in band level or pay, there is no adverse action.

Pay for performance has two components: performance pay increases and/or performance bonuses. All covered employees will be given the full amount of locality pay adjustments when they occur regardless of performance. The funding for performance pay increases and/or performance bonuses is composed of money previously available for within-grade increases, quality step increases, promotions from one grade to another where both grades are now in the same payband, and for some performance awards. Additionally, funds will be obtained from performance pay increases withheld for poor performance (see *Performance Evaluation*).

Performance Pay Pool

The performance pay pool is composed of a base pay fund and a bonus pay fund. The payouts made to employees from the performance pay pool will be a mix of base pay increases and bonus payments, subject to the amounts available in the respective funds. The funding for the base pay fund is composed of money previously available for within-grade increases, quality step increases, and promotions between grades that are banded under the demonstration project. The bonus pay fund is separately funded within the constraints of the organization's overall performance award budget. Some portion of the performance award budget will be reserved for special ad hoc awards—e.g., suggestion awards or special act awards—and will not be included as part of the performance pay pool.

The MRDEC Budget Office, in consultation with AFGE Local 1858 and supporting personnelists, will calculate the total performance pay pool funds and allocate pay pools to Major Organizational Units or teams as appropriate.

Performance Pay Increases and/or Performance Bonuses

A pay pool manager is accountable for staying within pay pool limits. The pay pool manager assigns performance pay increases and/or performance bonuses to individuals on the basis of an academic-type rating, the value of the performance pay pool resources available, and the individual's current basic rate of pay within a given payband. A pay pool manager may request approval from the Personnel Management Board (PMB) or its designee to grant a performance pay increase to an employee that is higher than the compensation formula for that employee to recognize extraordinary achievement or to provide accelerated compensation for local interns.

Performance payouts will be calculated for each individual based upon a performance pay pool value that will be initially 3 percent (e.g., 2.0% performance pay + 1.0% performance bonus) of the combined basic rates of pay of the assigned employees. This percentage, a payout factor, will be adjusted as necessary to compensate for changing employee demographics which impact the elements used in the GS system, such as the amount of step raises, quality step increases, and promotions. Performance payouts will be calculated so that a pay pool manager will not exceed the resources that are available in the pay pool. An employee's performance payout is computed as follows:

$$\text{Performance Payout} = \frac{\text{Pool Value} * \text{SAL} * \text{N}}{\text{SUM (SALj} * \text{Nj); j} = 1 \text{ to n}}$$

Where:
Pool Value=F * SUM (SALk); k=1 to n
n=Number of employees in pay pool
N=Number of shares earned by an employee based on their performance rating (0 to 4)
SAL=An individual's basic rate of pay
SUM=The summation of the entities in parenthesis over the range indicated
F=Payout Factor

Once the individual performance payout amounts have been determined, the next step is to determine what portion of each payout will be in the form of a base pay increase as opposed to a bonus payment. A base pay share factor is derived by dividing the amount of the base pay fund by the amount of the total performance pay pool. This factor is multiplied by the individual performance payout amounts to derive each individual's projected base pay increase. Certain employees will not be able to receive the projected base pay increase due to base pay caps. Base pay is capped when an employee reaches the maximum rate of pay in an assigned payband, when the midpoint principle applies (see below), and when the 50 percent rule applies (see below).

If the organization determines it is appropriate, it may reallocate a portion (up to the maximum possible amount) of the unexpended base pay funds for capped employees to uncapped employees. This reallocation must be made on a proportional basis so that all uncapped employees receive the same percentage increase in their base pay share (unless the reallocation adjustment is limited by a pay cap). Any dollar increase in an employee's projected base pay increase will be offset, dollar for dollar, by an accompanying reduction in the employee's projected bonus payment. Thus, the employee's total performance payout is unchanged.

A midpoint principle will be used to determine performance pay increases. This principle requires that employees in all paybands must receive a B rating or higher to advance their basic rate of pay beyond the midpoint dollar threshold of their respective paybands. If the performance payout formula yields a basic pay increase for a C-rated employee that would increase their basic rate of pay beyond the midpoint dollar threshold, then their basic rate of pay will be adjusted to the midpoint dollar threshold and the balance converted to a performance bonus. Once an employee has progressed beyond the midpoint dollar threshold, future performance pay increases will require a B rating or greater. If an employee attains a C rating and is beyond the midpoint dollar threshold, incentive pay increases will be restricted to performance bonuses only.

Annual performance pay increases will be limited to (1) 50 percent of the difference between the particular maximum band rate and the employee's current basic rate of pay, or (2) the projected performance pay increase, whichever is less, with the balance converted to a performance bonus. This means that employees whose pay has reached the upper limits of a particular payband will receive most performance incentives as a performance bonus. Performance bonuses will not become a part of employee basic rate of pay.

Supervisory Pay Adjustments

Supervisory pay adjustments may be used at the discretion of the MRDEC Director, to compensate employees assuming positions entailing supervisory responsibilities. Supervisory pay adjustments are increases to the supervisor's basic rate of pay, ranging up to 10 percent of that pay rate, subject to the constraint that the adjustment may not cause the employee's basic rate of pay to exceed the payband maximum rate. Only employees in supervisory positions with formal supervisory authority meeting that required for coverage under the OPM GS Supervisory Guide may be considered for the supervisory pay adjustment. Criteria to be considered in determining the pay increase percentage include the following organizational and individual employee factors: (1) Needs of the organization to attract, retain, and motivate high quality supervisors; (2) budgetary constraints; (3) years of supervisory experience; (4) amount of supervisory training received; (5) performance appraisals and experience as a group or team leader; (6) their organizational level of supervision; and (7) managerial impact on the organization. The supervisory pay adjustment will not apply to 5 U.S.C. 3104 (ST) positions.

Conditions, after the date of conversion into the demonstration project, under which the application of a supervisory pay adjustment may be considered are as follows:

(1) New hires into supervisory positions will have their initial rate of basic pay set at the supervisor's discretion within the pay range of the applicable payband. This rate of pay may include a supervisory pay adjustment determined using the ranges and criteria outlined above.

(2) A career employee selected for a supervisory position that is within the employee's current payband may also be considered for a supervisory pay adjustment.

If a supervisor is already authorized a supervisory pay adjustment and is subsequently selected for another supervisory position, within the same payband, then the supervisory pay adjustment will be redetermined.

Within the demonstration project rating system, the performance element ''Supervision/EEO'' is identified as a critical element. Changes in the rating value for this element awarded to a supervisor with a supervisory pay adjustment may generate a review of the adjustment and may result in an increase or decrease to that adjustment. Decrease to a supervisory pay adjustment is not an adverse action if this action results from changes in supervisory duties or supervisory ratings.

Supervisors, upon initial conversion into the demonstration project into the same, or substantially similar position, will be converted at their existing basic rate of pay and will not be offered a supervisory pay adjustment.

The initial dollar amount of the adjustment will be removed when the employee voluntarily leaves the supervisory position. The cancellation of the adjustment under these circumstances is not an adverse action and is not appealable. If an employee is removed from a supervisory position for personal cause (performance or conduct), the adjustment will be removed under adverse action procedures. However, if an employee is removed from a non-probationary supervisory position for conditions other than voluntary or for personal cause, then the pay retention provisions of 5 CFR part 536 will prevail.

Supervisory Pay Differentials

Supervisory differentials may be used, at the discretion of the MRDEC Director, to incentivize and reward supervisors who are in paybands III and IV of the E&S occupational family in supervisory positions with formal supervisory authority meeting that required for coverage under the OPM GS Supervisory Guide. A supervisory pay

differential is a cash incentive that may range up to 10 percent of the supervisor's basic rate of pay. It is paid on a pay period basis and is not included as part of the supervisor's basic rate of pay. Criteria to be considered in determining the amount of this supervisory pay differential includes those identified for Supervisory Pay Adjustments.

The supervisory pay differential may be considered, either during conversion into or after initiation of the demonstration project, if the supervisor has subordinate employees in the same payband. The differential must be terminated if the employee is removed from a supervisory position, regardless of cause.

As specified in Supervisory Pay Adjustments, after initiation of the demonstration project, all personnel actions involving a supervisory differential will require a statement signed by the employee acknowledging that the differential may be terminated or reduced at the MRDEC Director's discretion. The termination or reduction of the differential is not an adverse action and is not subject to appeal.

Pay and Compensation Ceilings

An employee's total monetary compensation paid in a calendar year may not exceed the basic rate of pay paid in level I of the Executive Schedule consistent with 5 U.S.C. 5307 and 5 CFR part 530, subpart B.

In addition, each payband will have its own pay ceiling, just as grades do in the current system. Pay rates for the various paybands will be directly keyed to the GS rates. Except for retained rates, basic pay will be limited to the maximum rates payable for each payband.

Pay Setting for Promotion

Upon promotion to a higher payband, an employee will be entitled to a 6% pay increase or the lowest level in the payband to which promoted, whichever is greater. Highest previous rate also may be considered in setting pay upon promotion, under rules similar to the highest previous rate rules in 5 CFR 531.203(c) and (d).

C. Classification

Introduction

The objectives of the new classification system are to simplify the classification process, make the process more serviceable and understandable, and place more decision-making authority and accountability with line managers. All positions listed in Appendix A will be in the classification structure. Provisions will be made for including other occupations as employment requirements change in response to changing technical programs.

Occupational Series

The present GS classification system has over 400 occupations (also called series), which are divided into 22 groups. The occupational series will be maintained. New series, established by OPM, may be added as needed to reflect new occupations in the work force. Appendix A lists the occupational series currently represented at the MRDEC by occupational family.

Classification Standards

MRDEC will use a classification system that is a modification of the system now in use at the U.S. Navy, Naval Command, Control and Ocean Surveillance Center, San Diego, California. The present classification standards will be used to create local benchmark position descriptions for each payband, reflecting duties and responsibilities comparable to those described in present classification standards for the span of grades represented by each payband. There will be at least one benchmark position description for each payband. A supervisory benchmark position description will be added to those paybands that include supervisory employees. Present titles and series will continue to be used in order to recognize the types of work being performed and educational backgrounds and requirements of incumbents. Locally developed specialty codes and OPM functional codes will be used to facilitate titling, making qualification determinations, and assigning competitive levels to determine retention status.

Position Descriptions and Classification Process

The MRDEC Director will have delegated classification authority and may redelegate this authority to subordinate managers. New benchmark position descriptions will be developed to assist managers in exercising delegated position classification authority. Managers will identify the occupational family, job series, the functional code, the specialty code, payband level, and the appropriate acquisition codes. The manager will document these decisions on a cover sheet similar to the present DA Form 374.

Specialty codes will be developed by Subject Matter Experts (SMEs) to identify the special nature of work performed. Functional codes are those currently found in the OPM Introduction to the Classification Standards which define certain kinds of activities, e.g., Research, Development, Test and Evaluation, etc., and covers Engineers & Scientists.

Classification Appeals

An employee may appeal the occupational family, occupational series, or payband of his or her position at any time. The employee may accomplish this by exercising any of the following options: (a) The employee must formally raise the areas of concern to supervisors in the immediate chain of command, either verbally or in writing, (b) If the employee is not satisfied with the supervisory response, the employee may appeal to the appellate level within DoD or may appeal directly to OPM, (c) If the employee elects to first appeal to DoD but is not satisfied with this response, he/she may appeal to the Office of Personnel Management. Appellate decisions from OPM are final.

The evaluation of a classification appeal, is based on the MRDEC Personnel Demonstration Project Classification Standards.

D. Hiring and Appointment Authorities

1. Hiring Authority

A candidate's basic eligibility will be determined using Office of Personnel Management's (OPM) Qualification Standards Handbook for General Schedule Positions. Candidates must meet the minimum standards for entry into the payband. For example if the payband includes positions in grades GS–5 and GS–7, the candidate must meet the qualifications for positions at GS–5 level. Specific experience/education required will be determined based on whether a position to be filled is at the lower or higher end of the band. Selective placement factors can be established in accordance with the OPM Qualification Handbook, when judged to be critical to successful job performance. These factors will be communicated to all candidates for particular position vacancies and must be met for basic eligibility. Under the demonstration authority, the MRDEC will modify qualification standards only as authorized in the General Policies and instructions (paragraph 8) of the Qualification Standard Handbook.

2. Appointment Authority

Under the demonstration project, there will continue to be career and career conditional appointments and temporary appointments not to exceed one year. These appointments will use

existing authorities and entitlements. Non-permanent positions (exceeding one year) needed to meet fluctuating or uncertain workload requirements will be filled using a Contingent Employee appointment authority.

Employees hired for more than one year, under the contingent employee appointment authority, are given term appointments in the competitive service for no longer than five years. The MRDEC Director is authorized to extend a contingent appointment one additional year. These employees are entitled to the same rights and benefits as term employees and will serve a one year trial period. The Pay-for-Performance Management System described in III.B applies to contingent employees.

Appointments will be made under the same appointment authorities and processes as regular term appointments, but recruitment bulletins must indicate that there is a potential for conversion to permanent employment.

Employees hired under the contingent employee authority may be eligible for conversion to career-conditional appointments. To be converted, the employee must (1) have been selected for the term position under competitive procedures, with the announcement specifically stating that the individual(s) selected for the term position(s) may be eligible for conversion to career-conditional appointment at a later date; (2) served two years of substantially continuous service in the term position; (3) be selected under merit promotion procedures for the permanent position ; and (4) have a current rating of B or better.

Employees serving under regular term appointments at the time of conversion to the Demonstration Project will be converted to the new contingent employee appointments provided they were hired for their current positions under competitive procedures. These employees will be eligible for conversion to career-conditional appointment if they have a current rating of B or better (or one of the top two ratings on the current evaluation system), and are selected under merit promotion procedures for their permanent position after having completed two years of continuous service. Time served in temporary or term positions prior to conversion to the contingent employee appointment is creditable to the requirement for two years of continuous service stated above, provided the service was continuous.

3. Extended Probationary Period

The current one year probationary period will be extended to two years for all newly hired employees in the Engineers and Scientists, E&S Support, and Business Management occupational families. The purpose of extending the probationary period is to allow supervisors an adequate period of time to fully evaluate an employee's ability to complete a cycle of work (such as research, program development and execution, and technology transfer) and to fully evaluate an employee's contribution and conduct. Employees in the General Support occupational family will serve a one year probationary period.

Aside from extending the time period, all other features of the current probationary period are retained including the potential to remove an employee without providing the full substantive and procedural rights afforded a non-probationary employee. Any employee appointed prior to the implementation date will not be affected. The two year probation will apply to new hires or those who do not have reemployment rights or reinstatement privileges.

Probationary employees will be terminated when the employee fails to demonstrate proper conduct, technical competency, and/or adequate contribution for continued employment. When the MRDEC decides to terminate an employee serving a probationary period because his/her work performance or conduct during this period fails to demonstrate their fitness or qualifications for continued employment, it shall terminate his/her services by written notification of the reasons for separation and the effective date of the action. The information in the notice as to why the employee is being terminated shall, as a minimum, consists of the manager's conclusions as to the inadequacies of their performance or conduct.

4. Supervisory Probationary Periods

Supervisory probationary periods will be made consistent with 5 CFR part 315, Subchapter 315.901. Employees that have successfully completed the initial probationary period will be required to complete an additional one year probationary period for the initial appointment to a supervisory position. If, during the probationary period, the decision is made to return the employee to a nonsupervisory position for reasons solely related to supervisory performance, the employee will be returned to a comparable position of no lower payband and pay than the position from which they were promoted.

5. Voluntary Emeritus Program

Under the demonstration project, the Center Director will have the authority to offer retired or separated individuals (engineers and scientists) voluntary assignments in the Center. This authority will include individuals who have retired or separated from Federal service. Voluntary Emeritus Program assignments are not considered ''employment'' by the Federal government (except for purposes of injury compensation). Thus, such assignments do not affect an employee's entitlement to buyouts or severance payments based on an earlier separation from Federal service. The Voluntary Emeritus Program will ensure continued quality research while reducing the overall salary line by allowing higher paid individuals to accept retirement incentives with the opportunity to retain a presence in the scientific community. The program will be of most benefit during manpower reductions as senior S&Es could accept retirement and return to provide valuable on-the-job training or mentoring to less experienced employees. Voluntary service will not be used to replace any employee.

To be accepted into the emeritus program, a volunteer must be recommended by Center managers to the Center Director. Everyone who applies is not entitled to a voluntary assignment. The Center Director must clearly document the decision process for each applicant (whether accepted or rejected) and retain the documentation throughout the assignment. Documentation of rejections will be maintained for two years.

To ensure success and encourage participation, the volunteer's federal retirement pay (whether military or civilian) will not be affected while serving in a voluntary capacity. Retired or separated federal employees may accept an emeritus position without a break or mandatory waiting period.

Volunteers will not be permitted to monitor contracts on behalf of the government or to participate on any contracts or solicitations where a conflict of interest exists. The same rules that currently apply to source selection members will apply to volunteers.

An agreement will be established between the volunteer, the Center Director and the CPAC/CPOC Director. The agreement will be reviewed by the local Legal Office for ethics determinations under the Joint Ethics Regulation. The agreement must be

finalized before the assumption of duties and shall include:

(a) A statement that the voluntary assignment does not constitute an appointment in the civil service and is without compensation, and any and all claims against the Government (because of the voluntary assignment) are waived by the volunteer,

(b) A statement that the volunteer will be considered a federal employee for the purpose of injury compensation,

(c) Volunteer's work schedule,

(d) Length of agreement (defined by length of project or time defined by weeks, months, or years),

(e) Support provided by the Center (travel, administrative, office space, supplies),

(f) A one page Statement of Duties and Experience,

(g) A provision that states no additional time will be added to a volunteer's service credit for such purposes as retirement, severance pay, and leave as a result of being a member of the Voluntary Emeritus Program,

(h) A provision allowing either party to void the agreement with 10 working days written notice, and

(i) The level of security access required (any security clearance required by the assignment will be managed by the Center while the volunteer is a member of the Voluntary Emeritus Program).

E. Employee Development

1. Expanded Developmental Opportunity Program

The MRDEC Expanded Developmental Opportunity Program will be funded by the MRDEC, and it will cover all demonstration project employees in the Engineers and Scientists and the E&S Support occupational families. An expanded developmental opportunity complements existing developmental opportunities such as (1) long term training, (2) one year work experiences in an industrial setting via the Relations With Industry Program, (3) one year work experiences in laboratories of allied nations via the Science and Engineer Exchange Program, (4) rotational job assignments within the MRDEC, (5) up to one year developmental assignments in higher headquarters within the Army and Department of Defense, and (6) self directed study via correspondence courses and local colleges and universities.

Each developmental opportunity period should benefit the MRDEC, as well as increase the employee's individual effectiveness. Various learning or uncompensated developmental work experiences may be considered, such as advanced academic teaching or research, or on-the-job work experience with public or non-profit organizations. Employees will be eligible after completion of seven years of Federal service. Final approval authority will rest with the MRDEC Director, and selection of an employee to be granted an expanded developmental opportunity will be on a competitive basis. An expanded developmental opportunity period will not result in loss of (or reduction in) pay, leave to which the employee is otherwise entitled, or credit for time or service. Employees accepting an expanded developmental opportunity do not have to sign a continued service agreement cited in 5 U.S.C. 4108(a)(1) (Supplement 1995).

The opportunity to participate in the Expanded Developmental Opportunity Program will be announced annually. Instructions for application and the selection criteria will be included in the announcement. Final selection for participation in the program will be made by the Personnel Management Board. The position of employees on an expanded developmental opportunity may be backfilled with employees temporarily promoted or contingent employees or employees assigned via the simplified assignment process in III.A. However, that position or its equivalent must be made available to the employee returning from the expanded developmental opportunity.

2. Training for Degrees

Degree training is an essential component of an organization that requires continuous acquisition of advanced and specialized knowledge. Degree training in the academic environment of laboratories is also a critical tool for recruiting and retaining employees with or requiring critical skills. Constraints under current law and regulation limit degree payment to shortage occupations. In addition, current government wide regulations authorize payment for degrees based only on recruitment or retention needs. Degree payment is not permitted for non-shortage occupations involving critical skills.

The MRDEC proposes to expand the authority to provide degree payment for purposes of meeting critical skill requirements, to ensure continuous acquisition of advanced and specialized knowledge essential to the organization, and to recruit and retain personnel critical to the present and future requirements of the organization. Degree payment may not be authorized where it would result in a tax liability for the employee without the employee's express and written consent. It is expected that the degree payment authority will be used primarily and largely for advanced degrees, except where an undergraduate program is necessary to the attainment of an advanced degree or credits. Any variance from this policy must be rigorously determined and documented.

The MRDEC will develop guidelines to ensure competitive approval of degree payment and that such decisions are fully documented. In addition, this proposal shall be implemented consistent with 5 U.S.C. 4107(b)(2).

F. Revised Reduction-in-Force (RIF) Procedures

Introduction

Modifications include limiting competitive area to occupational families and increasing the emphasis on performance in the RIF Process. Retention criteria are in the following order; tenure, veterans' preference, service credit adjusted by a sum of the last three performance ratings. Current reduction in force regulations/ procedures have been adjusted in the context of the occupational family and the payband classification system. Also regulations are being modified by substituting ''same payband'' for ''same grade'' and ''one payband lower'' for ''three grades lower.''

Competitive Areas

Each of the four occupational families will be a separate competitive area and each competitive area will cover all geographic locations. Bumps and retreats will occur only within the competitive area and only to positions for which the employee is qualified in the same or next lower payband.

Competitive levels will be established based on the payband, classification series, and where responsibilities are similar enough in duties, qualification requirements, pay schedules, and working conditions so that an employee may be reassigned to any of the other positions within the level without requiring significant training or causing undue interruption. Separate competitive levels will be established for positions in the competitive and excepted service; for positions filled on a full-time, part-time, intermittent, seasonal, or on-call basis; and separate levels will be established for positions filled as a trainee or developmental.

Retention

Competing employees are listed on a retention register in the order shown

below. Each tenure group has three subgroups (30% or higher compensable veterans, other veterans, and non-veterans) and employees appear on the retention register in that order. Within each subgroup, employees are in order of years of service adjusted to include performance credit.

Tenure I (Career employees)
Tenure II (Career-Conditional employees)
Tenure III (Contingent employees)

In the Demonstration Project an employee can bump into a position, in the same occupational family in the same payband or one below, that is currently held by another employee in a lower retention subgroup. An employee may retreat within the same occupational family in the same band or one payband below the one that is currently held by another employee in the same subgroup who has lower adjusted RIF service computation date. A preference eligible with a compensable service-connected disability of 30 percent or more may displace employees in positions equivalent to five GS grades below the minimum grade level of his/her current band.

An employee with a current annual performance rating of U has assignment rights only to a position held by another employee who has a U rating. An employee who has been given a written decision of removal because of unacceptable performance will be placed at the bottom of the retention register for his/her competitive level.

Link Between Performance and Retention

An employee will have additional years of service added to the service computation date for retention purposes. The credit is applied for each of the last three annual performance ratings of record, received over the last four years, for a potential credit of 30 years. If an employee has less than three annual performance ratings of record, then for each missing rating, a rating of C will be assumed. Ratings given under nonDemo systems will be converted to the demo rating scheme and provided the equivalent rating credit.

Rating A adds 10 years
Rating B adds 7 years
Rating C adds 3 years
Rating U adds no credit for retention

Grade and Pay Retention

Except where waived or modified in the waivers section of this plan, grade and pay retention will follow current law and regulations.

IV. Training

Introduction

The key to the success or failure of the proposed demonstration project will be the training provided for all involved. This training will not only provide the necessary knowledge and skills to carry out the proposed changes, but will also lead to program commitment on the part of participants.

Training at the beginning of implementation and throughout the demonstration will be provided to supervisors, employees, and the administrative staff responsible for assisting managers in effecting the changeover and operation of the new system.

The elements to be covered in the orientation portion of this training will include: (1) a description of the personnel system, (2) how employees are converted into and out of the system, (3) the pay adjustment and/or bonus process, (4) familiarization with the new position descriptions and performance objectives, (5) the performance evaluation management system, (6) the reconsideration process, and (7) the demonstration project administrative and formal evaluation process. AFGE Local 1858 will be given an opportunity to describe their role and function in the demonstration program.

Supervisors

The focus of this project on management-centered personnel administration, with increased supervisory and managerial personnel management authority and accountability, demands thorough training of supervisors and managers in the knowledge and skills that will prepare them for their new responsibilities. Training will include detailed information on the policies and procedures of the demonstration project, skills training in using the classification system, position description preparation, performance evaluation, and interaction with AFGE Local 1858 as a partner. Additional training may focus on nonproject procedural techniques such as interpersonal and communication skills.

Administrative Staff

The administrative staff, generally personnel specialists, technicians, and administrative officers, will play a key role in advising, training, and coaching supervisors and employees in implementing the demonstration project. This staff will need training in the procedural and technical aspects of the project.

Employees

The MRDEC, in conjunction with the AFGE Local 1858 and education and development assets of the CPAC/CPOC will train employees covered under the demonstration project. In the months leading up to the implementation date, meetings will be held for employees to fully inform them of all project decisions, procedures, and processes.

V. Conversion

Conversion to the Demonstration Project

a. Initial entry into the demonstration project will be accomplished through a full employee protection approach that ensures each employee an initial place in the appropriate payband without loss of pay. Employees serving under regular term appointments at the time of the implementation of the demonstration project will be converted to the contingent employee appointment. Position announcement, etc. will not be required for these contingent employee appointments. An automatic conversion from current GS/GM grade and pay into the new broadband system will be accomplished.

Each employee's initial total salary under the demonstration project will equal the total salary received immediately before conversion. Employees who enter the demonstration project later by lateral reassignment or transfer will be subject to parallel pay conversion rules. If conversion into the demonstration project is accompanied by a geographic move, the employee's GS pay entitlements in the new geographic area must be determined before performing the pay conversion.

b. Employees who are on temporary promotions at the time of conversion will be converted to a payband commensurate with the grade of the position to which promoted. At the conclusion of the temporary promotion, the employee will revert to the payband which corresponds to the grade of record. When a temporary promotion is terminated, the employee's pay entitlements will be determined based on the employee's position of record, with appropriate adjustments to reflect pay events during the temporary promotion, subject to the specific policies and rules established by the MRDEC. In no case may those adjustments increase the pay for the position or record beyond the applicable pay range maximum rate. The only exception will be if the original competitive promotion announcement stipulated that the promotion could be made permanent; in these cases actions to make the temporary promotion permanent will be considered, and if

implemented, will be subject to all existing priority placement programs.

c. Employees who are covered by special salary rates, prior to the demonstration project, will no longer be considered a special rate employee under the Demonstration Project. These employees will, therefore, be eligible for full locality pay.

The adjusted salaries of these employees will not change. Rather, the employees will receive a new basic pay rate computed by dividing their adjusted basic pay (higher of special rate or locality rate) by the locality pay factor for their area. A full locality adjustment will then be added to the new basic pay rate. Adverse action and pay retention provisions will not apply to the conversion process as there will be no change in total salary.

d. During the first 12 months following conversion, employees will receive pay increases for non-competitive promotion equivalents when the grade level of the promotion is encompassed within the same broadband, the employee's performance warrants the promotion and promotions would have otherwise occurred during that period. Employees who receive an in-level promotion at the time of conversion will not receive a prorated step increase equivalent as defined below.

e. At the time of conversion each converted employee will be given a lump sum cash payment for the time credited to the employee toward what would have been the employee's next within-grade (step) increase. The payment for employees will be computed by: calculating the ratio of the number of weeks the employee will have spent in the current step through the week prior to the day of conversion, to the total number of weeks in the employee's current waiting period for a regular within-grade increase; and multiplying that ratio by the dollar value of the employee's next within-grade increase at the time of conversion.

Conversion or Movement from a Project Position to a General Schedule Position

If a demonstration project employee is moving to a General Schedule (GS) position not under the demonstration project, or if the project ends and each project employee must be converted back to the GS system, the following procedures will be used to convert the employee's project payband to a GS-equivalent grade and the employee's project rate of pay to GS equivalent rate of pay. The converted GS grade and GS rate of pay must be determined before movement or conversion out of the demonstration project and any accompanying geographic movement, promotion, or other simultaneous action. For conversions upon termination of the project and for lateral reassignments, the converted GS grade and rate will become the employee's actual GS grade and rate after leaving the demonstration project (before any other action). For transfers, promotions, and other actions, the converted GS grade and rate will be used in applying any GS pay administration rules applicable in connection with the employee's movement out of the project (e.g., promotion rules, highest previous rate rules, pay retention rules), as if the GS converted grade and rate were actually in effect immediately before the employee left the demonstration project.

a. Grade-Setting Provisions: An employee in a payband corresponding to a single GS grade is converted to that grade. An employee in a payband corresponding to two or more grades is converted to one of those grades according to the following rules:

(1) The employee's adjusted rate of basic pay under the demonstration project (including any locality payment) is compared with step 4 rates in the highest applicable GS rate range. (For this purpose, a ''GS rate range'' includes a rate in (1) the GS base schedule, (2) the locality rate schedule for the locality pay area in which the position is located, or (3) the appropriate special rate schedule for the employee's occupational series, as applicable.) If the series is a two-grade interval series, only odd-numbered grades are considered below GS–11.

(2) If the employee's adjusted project rate equals or exceeds the applicable step 4 rate of the highest GS grade in the band, the employee is converted to that grade.

(3) If the employee's adjusted project rate is lower than the applicable step 4 rate of the highest grade, the adjusted rate is compared with the step 4 rate of the second highest grade in the employee's payband. If the employee's adjusted rate equals or exceeds step 4 rate of the second highest grade, the employee is converted to that grade.

(4) This process is repeated for each successively lower grade in the band until a grade is found in which the employee's adjusted project rate equals or exceeds the applicable step 4 rate of the grade. The employee is then converted at that grade. If the employee's adjusted rate is below the step 4 rate of the lowest grade in the band, the employee is converted to the lowest grade.

(5) Exception: If the employee's adjusted project rate exceeds the maximum rate of the grade assigned under the above-described ''step 4'' rule but fits in the rate range for the next higher applicable grade (i.e., between step 1 and step 4), then the employee shall be converted to that next higher applicable grade.

(6) Exception: An employee will not be converted to a lower grade than the grade held by the employee immediately preceding a conversion, lateral reassignment, or lateral transfer into the project, unless since that time the employee has undergone a reduction in band.

b. Pay-Setting Provisions: An employee's pay within the converted GS grade is set by converting the employee's demonstration project rate of pay to GS rate of pay in accordance with the following rules:

(1) The pay conversion is done before any geographic movement or other pay-related action that coincides with the employee's movement or conversion out of the demonstration project.

(2) An employee's adjusted rate of basic pay under the project (including any locality payment) is converted to a GS adjusted rate on the highest applicable rate range for the converted GS grade. (For this purpose, a ''GS rate range'' includes a rate range in (1) the GS base schedule, (2) an applicable locality rate schedule, or (3) an applicable special rate schedule.)

(3) If the highest applicable GS rate range is a locality pay rate range, the employee's adjusted project rate is converted to a GS locality rate of pay. If this rate falls between two steps in the locality-adjusted schedule, the rate must be set at the higher step. The converted GS unadjusted rate of basic pay would be the GS base rate corresponding to the converted GS locality rate (i.e., same step position). (If this employee is also covered by a special rate schedule as a GS employee, the converted special rate will be determined based on the GS step position. This underlying special rate will be basic pay for certain purposes for which the employee's higher locality rate is not basic pay.)

(4) If the highest applicable GS rate range is a special rate range, the employee's adjusted project rate is converted to a special rate. If this rate falls between two steps in the special rate schedule, the rates must be set at the higher step. The converted GS unadjusted rates of basic pay will be the GS rates corresponding to the converted special rate (i.e., same step position).

c. Within-Grade Increase—Equivalent Increase Determinations: Service under the demonstration project is creditable for within-grade increase purposes upon conversion back to the GS pay system. Performance pay increases (including a

zero increase) under the demonstration project are equivalent increases for the purpose of determining the commencement of a within-grade increase waiting period under 5 CFR 531.405(b).

Personnel Administration

All personnel laws, regulations, and guidelines not waived by this plan will remain in effect. Basic employee rights will be safeguarded and merit principles will be maintained. Supporting personnel specialists will continue to process personnel-related actions and provide consultative and other appropriate services.

Automation

The MRDEC will continue to use the Defense Civilian Personnel Data System (DCPDS) for the processing of personnel-related data. Payroll servicing will continue from the respective payroll offices.

Local automated systems will be developed to support computation of performance related pay increases and awards and other personnel processes and systems associated with this project.

Experimentation and Revision

Many aspects of a demonstration project are experimental. Modifications may be made from time to time as experience is gained, results are analyzed, and conclusions are reached on how the system is working. The MRDEC will make minor modifications, such as changes in the occupational series in a occupational family without further notice. Major changes, such as a change in the number of occupational families, will be published in the Federal Register.

VI. Project Duration

Public Law 103–337 removed any mandatory expiration date for this demonstration. The project evaluation plan adequately addresses how each intervention will be comprehensively evaluated for at least the first 5 years of the demonstration. Major changes and modifications to the interventions can be made through announcement in the Federal Register and would be made if formative evaluation data warranted. At the 5 year point, the entire demonstration will be reexamined for either: (a) permanent implementation, (b) change and another 3–5 year test period, or (c) expiration.

VII. Evaluation Plan

Chapter 47 (Title 5 U.S.C.) requires that an evaluation system be implemented to measure the effectiveness of the proposed personnel management interventions. An evaluation plan for the entire laboratory demonstration program covering 24 DoD labs was developed by a joint OPM/DOD Evaluation Committee. A Comprehensive evaluation plan was submitted to the Office of Defense Research & Engineering in 1995 and subsequently approved (Proposed Plan for Evaluation of the Department of Defense S&T Laboratory Demonstration Program, Office of Merit Systems Oversight & Effectiveness, June 1995). The overall evaluation effort will be coordinated and conducted by OPM's Personnel Resources and Development Center (PRDC). The primary focus of the evaluation is to determine whether the waivers granted result in a more effective personnel system than the current as well as an assessment of the costs associated with the new system.

The present personnel system with its many rigid rules and regulations is generally perceived as an impediment to mission accomplishment. The Demonstration Project is intended to remove some of those barriers and therefore, is expected to contribute to improved organizational performance. While it is not possible to prove a direct causal link between intermediate and ultimate outcomes (improved personnel system performance and improved organizational effectiveness), such a linkage is hypothesized and data will be collected and tracked for both types of outcome variables.

An intervention impact model (Appendix B) will be used to measure the effectiveness of the various personnel system changes or interventions. Additional measures will be developed as new interventions are introduced or existing interventions modified consistent with expected effects. Measures may also be deleted when appropriate. Activity specific measures may also be developed to accommodate specific needs or interests which are locally unique.

The evaluation model for the Demonstration Project identifies elements critical to an evaluation of the effectiveness of the interventions. The overall evaluation approach will also include consideration of context variables that are likely to have an impact on project outcomes: e.g., HRM regionalization, downsizing, cross-service integration, and the general state of the economy. However, the main focus of the evaluation will be on intermediate outcomes, i.e., the results of specific personnel system changes which are expected to improve human resources management. The ultimate outcomes are defined as improved organizational effectiveness, mission accomplishment, and customer satisfaction.

Data from a variety of different sources will be used in the evaluation. Information from existing management information systems supplemented with perceptual data will be used to assess variables related to effectiveness. Multiple methods provide more than one perspective on how the demonstration project is working. Information gathered through one method will be used to validate information gathered through another. Confidence in the findings will increase as they are substantiated by the different collection methods. The following types of data will be collected as part of the evaluation: (1) Workforce data; (2) personnel office data; (3) employee attitudes and feedback using surveys, structured interviews, and focus groups; (4) local activity histories; and, (5) core measures of laboratory effectiveness.

VIII. Demonstration Project Costs

Costs associated with the development of the personnel demonstration system include software automation, training, and project evaluation. All funding will be provided through the MICOM/MRDEC budget. The projected annual expenses for each area is summarized in Table 1.

TABLE 1.—Projected Developmental Costs (Then Year Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
Training	$6K	$99K	$12K			
Project Evaluation	$25K	$60K	$60K	$60K	$60K	$60K
Automation	$80K	$10K				

TABLE 1.—Projected Developmental Costs (Then Year Dollars)

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
Totals	$111K	$169K	$72K	$60K	$60K	$60K

IX. Required Waivers to Law and Regulation

Public Law 103–337 gave the DoD the authority to experiment with several personnel management innovations. In addition to the authorities granted by the law, the following are the waivers of law and regulation that will be necessary for implementation of the Demonstration Project. In due course, additional laws and regulations may be identified for waiver request.

1. Title 5, U.S. Code

Chapter 31, Section 3111: Acceptance of Volunteer Service—To the extent that the acceptance of retired or separated engineers and scientists are not included as volunteers under current statute.

Chapter 33, Section 3324: Appointment to positions classified above GS–15.

Chapter 41, Section 4107: Pay for Degrees.

Chapter 41, Section 4108: Employee Agreements; Service after Training—To the extent that employees who accept an expanded developmental opportunity (sabbatical) do not have to sign a continued service agreement.

Chapter 43, Sections 4301(3): Definitions.

Chapter 43, Section 4302: Establishment of Performance Appraisal Systems.

Chapter 43, Section 4303(a), (b), and (c): Actions Based on Unacceptable Performance.

Chapter 51, Sections 5101–5111: Related to classification standards and grading; to the extent that white collar employees will be covered by broadbanding. Pay category determination criteria for federal wage system positions remain unchanged.

Chapter 53, Sections 5301, 5302 (8) and (9), 5303 and 5304: Sections 5301, 5302, and 5304 are waived only to the extent necessary to allow demonstration project employees to be treated as General Schedule employees and to allow basic rates of pay under the demonstration project to be treated as scheduled rates of pay. This waiver does not apply to ST employees who continue to be covered by these provisions, as appropriate.

Chapter 53, Section 5305: Special Rates.

Chapter 53, Sections 5331–5336: General Schedule pay rates.

Chapter 53, Sections 5361–5366: Grade and pay retention—This waiver applies only to the extent necessary to (1) replace ''grade'' with ''payband''; (2) allow demonstration project employees to be treated as General Schedule employees; (3) provide that pay retention provisions do not apply to conversions from General Schedule special rates to demonstration project pay, as long as total pay is not reduced, and to reductions in pay due solely to the removal of a supervisory pay adjustment upon voluntarily leaving a supervisory position; and (4) provide that an employee on pay retention whose performance rating is ''U'' is not entitled to 50 percent of the amount of the increase in the maximum rate of basic pay payable for the payband of the employee's position. This waiver does not apply to ST employees unless they move to a GS-equivalent position under the demonstration project under conditions that trigger entitlement to pay retention.

Chapter 55, Section 5545(d): Hazardous duty differential—This waiver applies only to the extent necessary to allow demonstration project employees to be treated as General Schedule employees. This waiver does not apply to ST employees.

Chapter 57, Section 5753, 5754, and 5755: Recruitment and Relocation Bonuses, Retention Allowances and Supervisory Differentials—This waiver applies only to the extent necessary to allow employees and positions under the demonstration project to be treated as employees and positions under the General Schedule. This waiver does not apply to ST employees who continue to be covered by these provisions, as appropriate.

Chapter 75, Section 7512(3): Adverse actions—This waiver applies only to the extent necessary to replace ''grade'' with ''payband''.

Chapter 75, Section 7512(4): Adverse actions—This waiver applies only to the extent necessary to provide that adverse action provisions do not apply to (1) conversions from General Schedule special rates to demonstration project pay, as long as total pay is not reduced and (2) reductions in pay due to the removal of a supervisory pay adjustment upon voluntary movement to a nonsupervisory position.

2. Title 5, Code of Federal Regulations

Part 300.601–605: Time-in-Grade requirements—Restrictions eliminated under the demonstration.

Part 308.101 through 308.103: Volunteer Service—To the extent that retired engineers/scientists can perform voluntary services.

Part 315.801 and 315.802: Probationary Period—Demonstration project employees in some occupational families will have extended probationary period.

Part 316.301: Term Appointments—Adding years to exceed 4.

Part 316.303: Tenure of Term Employees—Demonstration allows for conversion.

Part 316.305: Eligibility for Within-Grade Increases.

Part 351.402(b): Competitive Areas—Demonstration establishes Competitive Areas by Occupational Family.

Part 351.403: Competitive level—To the extent that payband is substituted for grade.

Part 351.504: Credit for Performance—As it relates to years of credit.

Part 351.701: Assignment Involving Displacement—To the extent that employees bump and retreat rights will be limited to one payband except in the case of 30% preference eligibles which is a position equivalent to five GS grades below the minimum grade level of his/her payband.

Part 430 subpart B, Performance Appraisal for General Schedule, Prevailing Rate, and Certain Other Employees: Employees under the demonstration project will not be subject to the requirements of this subpart.

Part 432: Modified to the extent that an employee may be removed, reduced in band level with a reduction in pay, reduced in pay without a reduction in band level and reduced in band level without a reduction in pay based on unacceptable performance. Also modified to delete reference to critical element. For employees who are reduced in band level without a reduction in pay, Sections 432.105 and 432.106(a) do not apply.

Part 432, Sections 104 and 105: Proposing and Taking Action Based on Unacceptable Performance.

Part 511: Classification Under the General Schedule—To the extent that grades are changed to broadbands, and that white collar positions are covered by broadbanding.

Part 530, subpart C: Special salary rates.

Part 531, subparts B, D, and E: Determining rate of basic pay, within-grade increases, and quality step increases.

Part 531, subpart F: Locality pay—This waiver applies only to the extent necessary to allow demonstration project employees to be treated as General Schedule employees, and basic rates of pay under the demonstration project to be treated as scheduled annual rates of pay. This waiver does not apply to ST employees who continue to be covered by these provisions, as appropriate.

Part 536: Grade and pay retention—This waiver applies only to the extent necessary to (1) replace ''grade'' with ''payband'; (2) provide that pay retention provisions do not apply to conversions from General Schedule special rates to demonstration project pay, as long as total pay is not reduced, and to reductions in pay due solely to the removal of a supervisory pay adjustment upon voluntarily leaving a supervisory position; and (3) provide that an employee on pay retention whose performance rating is ''U'' is not entitled to 50 percent of the amount of the increase in the maximum rate of basic pay payable for the payband of the employee's position. This waiver does not apply to ST employees unless they move to a GS-equivalent position under the demonstration project under conditions that trigger entitlement to pay retention.

Part 550.703: Severance Pay—This waiver applies only to the extent necessary to modify the definition of ''reasonable offer'' by replacing ''two grade or pay levels'' with ''one band level'' and ''grade or pay level'' with ''band level'.

Part 550.902: Hazardous Duty Differential—This waiver applies only to the extent necessary to allow demonstration project employees to be treated as General Schedule employees. This waiver does not apply to ST employees.

Part 575, subparts A, B, C, and D: Recruitment Bonuses, Relocation Bonuses, Retention Allowances and Supervisory Differentials—This waiver applies only to the extent necessary to allow employees and positions under the demonstration project covered by broadbanding to be treated as employees and positions under the General Schedule. This waiver does not apply to ST employees who continue to be covered by these provisions, as appropriate.

Part 752.401 (a)(3): Adverse Actions—This waiver applies only to the extent necessary to replace ''grade'' with ''payband.'

Part 752.401(a)(4): Adverse Actions—This waiver applies only to the extent necessary to provide that adverse action provisions do not apply to (1) conversions from General Schedule special rates to demonstration project pay, as long as total pay is not reduced and (2) reductions in pay due to the removal of a supervisory pay adjustment upon voluntary movement to a nonsupervisory position.

Appendix A: Occupational Series by Occupational Family

I. Engineers & Scientists

0801 General Engineer
0806 Materials Engineer
0808 Architecture
0810 Civil Engineer
0819 Environmental Engineer
0830 Mechanical Engineer
0850 Electrical Engineer
0854 Computer Engineer
0855 Electronics Engineer
0861 Aerospace Engineer
0892 Ceramics Engineer
0893 Chemical Engineer
0896 Industrial Engineer
0899 Student Trainee (Engr)
1301 Physical Scientist
1310 Physicist
1320 Chemist
1321 Metallurgist
1515 Operations Research Analyst
1520 Mathematician
1529 Mathematician Stat
1550 Computer Scientist

II. E&S Support

0028 Environ Protec Specialist
0301 Data & Configuration Management, Standardization
0334 Computer Specialist
0391 Telecommunications
0802 Engineering Technician
0809 Construction Rep
0856 Electronics Technician
1001 General Arts & Information
1040 Language Specialist
1082 Technical Information Writer
1083 Technical Writer/Editor
1150 Industrial Specialist
1311 Physical Sciences Tech
1410 Librarian (Phy Sci & Engr)
1412 Technical Information Spec
1499 Student Trainee
1521 Mathematics Technician
1670 Equipment Specialist
1910 Quality Assurance Specialist

III. Business Management

0301 Misc Admin & Program
0340 Program Manager
0341 Administrative Officer
0342 Support Services Spec
0343 Mgmt/Prog Analyst
0560 Budget Analyst
1102 Contract Specialist
2001 General Supply Spec

IV. General Support

0085 Guard
0302 Messenger
0303 Misc Clerk and Asst
0305 Mail Clerk
0312 Clerk-Stenographer
0318 Secretary
0326 Ofc Automation Clerk
0344 Management Assistant
0561 Budget Assistant
1106 Procurement Clerk
1411 Library Technician
2005 Supply Technician

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Appendix B: Project Evaluation and Oversight

Intervention Impact Model - DoD Lab Demonstration Program

1. Compensation

INTERVENTION	EXPECTED EFFECTS	MEASURES	DATA SOURCES
a. Broadbanding	-increased organizational flexibility	-perceived flexibility	-attitude survey
	-reduced administrative workload, paperwork reduction	-actual/perceived time savings	-personnel office data, PME results, attitude survey
	-advanced in-hire rates	-starting salaries of banded v. non-banded employees	-workforce data
	-slower pay progression at entry levels	-progression of new hires over time by band, career path	-workforce data
	-increased pay potential	-mean salaries by band, career path, demographics -total payroll cost	-workforce data
	-increased satisfaction with advancement	-employee perceptions of advancement	-workforce data
	-increased pay satisfaction	-pay satisfaction, internal/external equity	-attitude survey
	-improved recruitment	-offer/acceptance ratios	-personnel office data
	-no change in high grade (GS-14/15) distribution	-percent declinations -number/percentage of high grade salaries pre/post banding	-workforce data
b. Conversion buy-in	-employee acceptance	-employee perceptions of equity, fairness -cost as a percent of payroll	-attitude survey -workforce data

2. Performance Management

INTERVENTION	EXPECTED BENEFITS	MEASURES	DATA SOURCES
a. Cash awards/ bonuses	-reward/motivate performance	-perceived motivational power	-attitude survey
	-to support fair and appropriate distribution of awards	-amount and number of awards by career path, demographics,	-workforce data
		-perceived fairness of awards	-attitude survey
		-satisfaction with monetary awards	-attitude survey
b. Performance/ contribution based pay progression	-increased pay-performance link	-perceived pay-performance link	-attitude survey
		-perceived fairness of ratings	-attitude survey
	-improved performance feedback	-satisfactions with ratings	-attitude survey
		-employee trust in supervisors	-attitude survey
		-adequacy of performance feedback	-attitude survey
	-decreased turnover of high performers/increased turnover of low performers	-turnover by performance rating category	-workforce data
	-differential pay progression of high/low performers	-pay progression by performance rating category, career path	-workforce data
	-alignment of organizational and individual performance expectations and results	-linkage of performance expectations to strategic plans/ goals	-performance expectations, strategic plans
		-performance expectations	-attitude survey/ focus groups
	-increased employee involvement in performance planning and assessment	-perceived involvement	-attitude survey/ focus groups
		-performance management procedures	-personnel regulations
c. New appraisal process	-reduced administrative burden	-employee and supervisor perception of revised procedures	-attitude survey
	-improved communication	-perceived fairness of process	-focus group
d. Performance development	-better communication of performance expectations	-feedback and coaching procedures used	-focus groups
		-time, funds spend on training by demographics	-personnel office data
	-improved satisfaction and quality of workforce	-organizational commitment	-training records
		-perceived workforce quality	-attitude surveys

3. "White Collar" Classification

INTERVENTION	EXPECTED EFFECTS	MEASURES	DATA SOURCES
a. Improved classification systems with generic standards	-reduction in amount of time and paperwork spent on classification	-time spent on classification procedures -reduction of paperwork/number of personnel actions (classification/promotion)	-personnel office data
	-ease of use	-managers' perceptions of time savings, ease of use, improved ability to recruit	-attitude survey
	-improved recruitment of employees with appropriate skills	-quality of recruits -perceived quality of recruits -GPA's of new hires, educational levels	-focus groups/ interviews -personnel office data
b. Classification authority delegated to managers	-increased supervisory authority/accountability	-perceived authority	-attitude survey
	-decreased conflict between management and personnel staff	-number of classification disputes/appeals pre/post -management satisfaction with service provided by personnel office	-personnel records -attitude survey
	-no negative impact on internal pay equity	-internal pay equity	-attitude survey
c. Dual career ladder	-increased flexibility to assign employees	-assignment flexibility	-focus groups, surveys
	-improved internal mobility	-sup/non-sup ratios	-workforce data
	-increased pay equity	-perceived internal mobility	-attitude survey
	-flatter organization	-perceived pay equity -supervisory/non-supervisory ratios	-attitude survey -workforce data
	-improved quality of supervisory staff	-employee perceptions of quality of supervisors	-attitude survey

4. RIF

INTERVENTION	EXPECTED EFFECTS	MEASURES	DATA SOURCES
Modified RIF	-prevent loss of high performing employees with needed skills -contain cost and disruption	-separated employees by demographics, performance -satisfaction with RIF process -cost comparisons of traditional v. modified RIF -time to conduct RIF -number of appeals/ reinstatements	-workforce data -attitude survey/ focus groups -attitude survey/ focus groups

5. COMBINATION OF ALL INTERVENTIONS

INTERVENTION	EXPECTED EFFECTS	MEASURES	DATA SOURCES
All	-improved organizational effectiveness	-combination of personnel measures	-all data sources
	-improved management of R&D workforce	-employee/management satisfaction	-attitude survey
	-improved planning	-planning procedures	-strategic planning documents
	-cross functional coordination	-perceived effectiveness of planning procedures	-organizational charts
		-actual/perceived coordination	-attitude survey
	-increased product success	-customer satisfaction	-customer satisfaction surveys
	-cost of innovation	-project training/development cost (staff salaries, contract cost, training hours per employee)	-demo project records -contract documents

6. CONTEXT

INTERVENTION	EXPECTED EFFECTS	MEASURES	DATA SOURCES
a. Regionalization	-reduced servicing ratio/ cost	-HR servicing ratio	-workforce data/ personnel office data
		-average cost per employee served	-workforce data/ personnel office data
	-no negative impact on service quality	-service quality, timeliness	-attitude survey/ focus groups
b. GPRA	-improved organizational performance	-other measures to be developed	-as established

Appendix C. Performance Elements

All employees will be rated against at least the five generic performance elements listed through ''e'' below. Technical competence is a mandatory critical element. Other elements may be identified as critical by agreement between the rater and the employee. In case of disagreements, the decision of the supervisor will prevail. Generally, any performance element weighted 25 or higher should be critical. However, only those employees whose duties require manager/leader responsibilities will be rated on element ''f.'' Supervisors will be rated against an additional critical performance element, listed at ''g'' below:

a. *Technical Competence.* Exhibits and maintains current technical knowledge, skills, and abilities to produce timely and quality work with the appropriate level of supervision. Makes prompt, technically sound decisions and recommendations that add value to mission priorities and needs. For appropriate career paths, seeks and accepts developmental and/or special assignments. Adaptive to technological change. (Weight range: 15 to 50)

b. *Working Relationships.* Accepts personal responsibility for assigned tasks. Considerate of others' views and open to compromise on areas of difference, if allowed by technology, scope, budget, or direction. Exercises tact and diplomacy and maintains effective relationships, particularly in immediate work environment and teaming situations. Always willing to give assistance. Shows appropriate respect and courtesy. (Weight Range: 5 to 15)

c. *Communications.* Provides or exchanges oral/written ideas and information in a manner that is timely, accurate and cogent. Listens effectively so that resultant actions show understanding of what was said. Coordinates so that all relevant individuals and functions are included in, and informed of, decisions and actions. (Weight Range: 5 to 15)

d. *Resource Management.* Meets schedules and deadlines, and accomplishes work in order of priority; generates and accepts new ideas and methods for increasing work efficiency; effectively utilizes and properly controls available resources; supports organization's resource development and conservation goals. (Weight Range: 15 to 50)

e. *Customer Relations.* Demonstrates care for customers through respectful, courteous, reliable and conscientious actions. Seeks out and develops solid working relationships with customers to identify their needs, quantifies those needs, and develops practical solutions. Keeps customer informed and prevents surprises. Within the scope of job responsibility, seeks out and develops new programs and/or reimbursable customer work. (Weight Range: 10 to 50)

f. *Management/Leadership.* Actively furthers the mission of the organization. As appropriate, participates in the development and implementation of strategic and operational plans of the organization. Develops and implements tactical plans. Exercises leadership skills within the environment. Mentors junior personnel in career development, technical competence, and interpersonal skills. Exercises due responsibility of technical/acquisition/organizational positions assigned to them. (Weight Range: 0 to 50)

g. *Supervision/EEO.* Works toward recruiting, developing, motivating, and retaining quality team members; takes timely/appropriate personnel actions, applies EEO/merit principles; communicates mission and organizational goals; by example, creates a positive, safe, and challenging work environment; distributes work and empowers team members. (Weight Range: 15 to 50)

Appendix D. Benchmark Performance Standards

ELEMENT POINT-RANGES AND PERFORMANCE STANDARDS

THESE BENCHMARK PERFORMANCE STANDARDS ARE USED TO EVALUATE AND SCORE PERFORMANCE AGAINST THE WEIGHTED PERFORMANCE ELEMENTS. THIS SHEET MUST BE USED IN CONJUNCTION WITH BENCHMARK JOB DESCRIPTION AND PERFORMANCE OBJECTIVES

	ELEMENT WEIGHTS									
	50	45	40	35	30	25	20	15	10	5
100% Performance elements were attained demonstrating exceptional initiative, versatility, originality, and creativity. This individual demonstrates the ability to grasp, understand, organize, and convey complex issues to others and carry the job assignment to successful completion with minimum direct supervision. Performance elements were effectively achieved utilizing cooperation, responsiveness, conflict avoidance, or conflict resolution. Written and oral communications were appropriately demonstrated effectively and efficiently. Performance elements were achieved with demonstrated leadership, integrity, competency, commitment, candor, and sense of duty.	49	44	39	34	29					
	48					24				
		43	38				19			
	47	42		33	28					
	46		37			23		14		
		41		32						
	45		36		27		18		9	
		40		31		22				
	44		35							
	43	39		30	26					
		38	34				17			
	42			29	25	21				
	41	37	33							
	40	36	32	28	24	20	16	12	8	4
	39	35	31		23					
	38	34		27		19				
			30				15			
	37	33		26	22			11		
	36		29			18				
		32		25						
70% Performance elements were attained effectively and efficiently with consistently high quality and quantity of work. This individual has demonstrated the ability to complete the job assignments in an efficient, orderly sequence that culminated in results that were timely, correct, thorough and cost effective. Performance elements were attained with consistently above average quality and reliability while effectively utilizing accepted procedures and resolving problems with skill and resourcefulness. Performance elements were attained with consistently productive cooperative efforts and with clear, precise, and convincing written and oral communication.	35		28		21		14		7	
		31		24						
	34		27			17				
	33	30		23	20			10		
			26				13			
	32	29		22		16				
	31	28	25		19					
	30	27	24	21	18	15	12	9	6	3
	29	26	23							
	28			20	17	14				
		25	22				11			
	27	24		19	16					
	26		21							
		23		18		13				
50% Performance elements were accomplished, were mostly reliable, and delivered without unacceptable delays. Procedures were minimally correct and problems were dealt with satisfactorily. Attained performance elements, using work methodology that demonstrated a reasonable degree of cooperation with others with clear and concise written and oral communications.	25		20		15		10		5	
UNSATISFACTORY	24	22	19	17	14	12	9	7	4	2

Performance elements were not successfully completed because of failure in quality, quantity, completeness, responsiveness, or timeliness of work. Performance elements products were deficient, because they were contrary to direction or guidelines; did not meet minimum specifications; were inconsistent with organizational procedures; were significantly flawed or substandard in quality; demonstrated insufficient technical knowledge or skill; were incomplete; were unacceptably late; lacked essential cooperative involvement or support; or problems that arose during performance of performance elements activities were not satisfactory resolved.

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