

SC1930. SUBCHAPTER 1930

COMPENSATION ARCHITECTURE  
PAY POLICY

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SC1930. SUBCHAPTER 1930

COMPENSATION ARCHITECTURE PAY POLICY

- References:
- (a) Title 5, United States Code
  - (b) Title 5, Code of Federal Regulations
  - (c) Title 3, United States Code
  - (d) Title 10, United States Code
  - (e) DoD 7000.14-R, “Department of Defense Financial Management Regulation”

SC1930.1. PURPOSE

This subchapter implements the Department of Defense’s pay and pay administration policy under the National Security Personnel System (NSPS) and prescribes procedures for NSPS program management. The rules and policy governing pay and pay administration are in section 9902 of Reference (a), and part 9901 of Reference (b). This subchapter must be read and used in conjunction with part 9901 of Reference (b).

SC1930.2. APPLICABILITY

This subchapter applies to the OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities in the Department of Defense under NSPS (hereafter collectively referred to as the “DoD Components”).

SC1930.3. POLICY

It is the policy of the Department of Defense to fix pay for covered NSPS employees based on principles that:

SC1930.3.1. Provide for equal pay for work of equal value with appropriate consideration of both national and local rates paid by employers in the private sector.

SC1930.3.2. Promote a high-performance culture within the Department of Defense.

SC1930.3.3. Link pay to employee performance that is measured by a fair, credible, and transparent employee performance appraisal system.

SC1930.4. RESERVED

SC1930.5. DEFINITIONS

Key terms applicable to this subchapter are listed at SC1910, Appendix 1.

SC1930.6. RESERVED

SC1930.7. GENERAL

SC1930.7.1. NSPS pay bands cover a wide salary range, with minimum and maximum rates set based on national labor market factors and conditions. These open pay ranges allow DoD Components the flexibility to pay employees at the level necessary to be competitive in the applicable (e.g., local, regional) marketplace.

SC1930.7.2. For any given job, based on its occupation and location, the range of pay needed to be competitive in the applicable marketplace will likely be a subset of the full pay band. For example, in a pay band that ranges from a minimum of \$37,000 to a maximum of \$80,000, the market rate for a particular job in a particular location may range from \$40,000 to \$60,000. The pay for an incumbent of this particular job can be expected to fall within the range of \$40,000 to \$60,000, with progression being dependent on the incumbent's performance.

SC1930.7.3. DoD Components are responsible for managing compensation in a manner that links pay and performance, considers pertinent labor market factors, and is consistent with merit system principles. DoD Components will develop and implement plans for managing compensation under NSPS.

SC1930.8. OVERVIEW OF COMPENSATION ARCHITECTURE

SC1930.8.1. General Structure. NSPS classification architecture (as described in SC1920.7) consists of four Career Groups, each of which contains one or more pay schedules segmented into pay bands. Each pay band represents a rate range with minimum and maximum rates between which employees whose positions are assigned to that pay band are normally paid.

SC1930.8.1.1. Pay Schedules and Pay Bands. At the time the Department of Defense implements NSPS, pay band rate ranges will generally correspond to the rate ranges for the General Schedule (GS) grades grouped into each pay band.

SC1930.8.1.1.1. Adjusting Pay Band Rate Ranges. Subject to section 9901.105 of Reference (b), the Under Secretary of Defense for Personnel and Readiness (USD(P&R)) may set and adjust pay band rate ranges, consistent with sections 9901.321(a) and 9901.322 of Reference (b). This authority may not be further redelegated. Pay band rate ranges may be adjusted in one or more of the following ways:

SC1930.8.1.1.1.1. Increase or decrease the minimum rate of one or more pay bands but leave the maximum at the previously established rate;

SC1930.8.1.1.1.2. Increase or decrease the minimum rate of one or more pay bands and increase or decrease the maximum rate by a smaller, comparable, or larger percentage;

SC1930.8.1.1.1.3. Leave the existing minimum of one or more pay bands at the previously established rate and increase or decrease the maximum rate of one or more pay bands; or

SC1930.8.1.1.1.4. Leave both the minimum and the maximum of the pay bands at the previously established rates.

SC1930.8.1.1.2. Effective Dates. New rate ranges for all pay schedules will be effective the first full pay period beginning in January of each year. Subject to section 9901.105 of Reference (b), the USD(P&R) may establish and adjust rate ranges effective on dates other than the beginning of the first full pay period in January in response to specific labor market conditions, availability of funds, pay adjustments received by employees of other Federal agencies, and any other relevant factors. This authority may not be redelegated.

SC1930.8.1.1.3. Pay Band Control Points. Subject to the requirements of section 9901.321(c) of Reference (b) and any DoD or DoD Component supplemental guidance, DoD Components may establish and adjust pay band control points to manage pay progression. The use of control points must be consistent with merit system principles and applied consistently to similar positions in the same pay band and career group within a pay pool.

#### SC1930.8.1.2. General Salary Increases

SC1930.8.1.2.1. The balance of any portion of the General Schedule annual adjustment under section 5303 of Reference (a) that is not paid out as a general salary increase under section 9901.323(a)(1) of Reference(b) must be allocated to pay pool funding for the purpose of increasing rates of pay on the basis of employee performance.

SC1930.8.1.2.2. When an employee is covered by NSPS on the effective date of the performance-based pay pool payout does not have a current NSPS rating of record and is ineligible for a payout under 9901.342(i), (j), (k), or (l), the general salary increase under section 9901.323(a)(1) of Reference (b) is the full percentage of the General Schedule annual adjustment under section 5303 of Reference (a).

SC1930.8.1.2.3. A general salary increase provided in accordance with section 9901.323(a)(1) or (a)(3) of Reference (b) is not considered a performance payout within the meaning of section 9901.342 of Reference (b).

SC1930.8.1.3. Targeted General Salary Increases. Subject to section 9901.105 of Reference (b), the USD(P&R) may establish and modify targeted general salary increases in accordance with section 9901.323(a)(2) of Reference (b). This authority may not be

redelegated. The DoD Civilian Personnel Management Service may provide guidance for requesting and/or adjusting targeted general salary increases.

SC1930.8.1.3.1. A targeted general salary increase is not considered a performance payout within the meaning of section 9901.342 of Reference (b).

SC1930.8.1.4. Targeted Local Market Supplements. Subject to section 9901.105 of Reference (b), the USD(P&R) may establish targeted local market supplements in accordance with section 9901.332(c) of Reference (b) and may also set and adjust targeted local market supplements in accordance with section 9901.333(b) of Reference (b). These authorities may not be redelegated below the Deputy Under Secretary of Defense for Civilian Personnel Policy (DUSD(CPP)) level. The approval will specify the occupation(s), specialization(s), special skill(s) or qualification(s) if applicable, and pay band(s) covered. The approval will also specify the effective date and the organizational unit(s) and geographic area in which the supplement applies. The DoD Civilian Personnel Management Service may provide guidance for requesting and/or adjusting targeted local market supplements.

SC1930.8.1.4.1. When a targeted local market supplement is decreased, the decrease applies to all employees to whom the supplement applies regardless of their current rating of record.

SC1930.8.1.4.2. If a targeted local market supplement is eliminated, or decreased below a standard local market supplement that would otherwise apply to the position, the employee will receive the applicable standard local market supplement, if any.

SC1930.8.1.5. Pay Retention and Local Market Supplement Adjustments. Pay retention under section 9901.356 of Reference (b) does not apply in the case of a reduction in or elimination of a local market supplement (LMS).

SC1930.8.2. Aggregate Compensation Limitation. The USD(P&R) or Principal Deputy Under Secretary of Defense for Personnel and Readiness (PDUSD(P&R)) may provide for an aggregate compensation limitation higher than that described in 9901.313 of Reference (b) that is equal to the rate payable under section 104 of Reference (c) in effect on the last day of the calendar year in the case of specified categories of employees for whom a waiver has been authorized under section 9901.362(a)(2) of Reference (b). This authority may not be redelegated.

## SC1930.9. PERFORMANCE-BASED PAY

SC1930.9.1. This subsection provides the DoD policies on performance pay pool funding, the elements of performance pay pools and performance payout calculations. Policies regarding setting and communicating performance expectations, monitoring performance, developing performance, addressing poor performance, and rating and rewarding performance are contained in SC1940.

SC1930.9.2. Performance Pay Pools

SC1930.9.2.1. Elements of the Pay Pool Fund. The pay pool fund is a budgetary device used for administering allocation of employee performance payouts. The Department of Defense is committed to ensuring the expenditure of pay pool funds for performance-based contributions both at individual and organizational levels. The pay pool fund is comprised of three elements, which are expressed as percentages of base salary.

SC1930.9.2.1.1. Element 1 represents base pay funds that under Reference (a) were historically spent on within-grade increases, quality-step increases, and promotions between GS grade levels that no longer exist under NSPS. The Secretary establishes and may periodically adjust Element 1 funding floors. Heads of DoD Components with independent appointing authority have the flexibility to set funding floors at the pay pool level as long as the DoD Component meets the funding floor level set by the Secretary. Funds available for increases to base salary may be used for bonuses at the pay pool level where appropriate, provided the Element 1 base salary funding floor is expended as established at the DoD Component level.

SC1930.9.2.1.2. Element 2 represents the balance of the amount that would have been available for an annual adjustment under section 5303 of Reference (a) after the Secretary determines the amount of an NSPS general salary increase under section 9901.323(a)(1) of Reference (b). The funds associated with Element 2 will be available to the pay pool for the purpose of increasing rates of base salary only.

SC1930.9.2.1.3. Element 3 represents funds historically spent for performance-based cash awards. The funds associated with Element 3 are available only for bonuses.

SC1930.9.2.1.4. DoD Components may allocate additional funds to the pay pool fund.

SC1930.9.2.2. Annual Certification. Within 45 days after the effective date of the annual performance payouts, DoD Components will certify in writing to the Deputy Secretary of Defense through the USD(P&R) that the amount expended for NSPS performance-based pay increases is no less than what would have been expended had these positions not been converted into NSPS.

SC1930.9.2.3. Calculation of the Value of the Pay Pool Fund. The dollar value of the pay pool fund is calculated by multiplying the sum of base salaries of those employees in a pay pool on the last day of the pay pool's appraisal period by the sum of the percentages assigned to the pay pool fund elements described in SC1930.9.3.1. For example, assume the sum of base salary in a pay pool is \$4,500,000, and the sum of the three funding elements is 3.7 percent (2.2 percent, 0.5 percent, and 1.0 percent

respectively). The value of the pay pool fund would be \$166,500 [ $\$4,500,000 \times 0.037 = \$166,500$ ].

SC1930.9.2.4. Notice to Employees. Minimum communication requirements are identified at SC1940.11.3.

SC1930.9.2.5. Roles and Responsibilities. The roles and responsibilities of the Performance Review Authority (PRA), Pay Pool Manager (PPM), Pay Pool Panel (PPP), and supervisors are identified in section 9901.342 of Reference (b) and SC1940.4.

SC1930.9.3. Performance Shares. Eligible employees with a rating of record of 3 or higher will be assigned a number of performance shares within the applicable NSPS share range as indicated in section 9901.342(f) of Reference (b). Share assignments may not be influenced by personal bias or favoritism, nor involve a prohibited personnel practice.

SC1930.9.4. Performance Payout. Performance payouts will be calculated and administered as specified in section 9901.342 of Reference (b), SC1930.9.2. and SC1930.9.3.

SC1930.9.4.1. Distribution of Payout. Subject to Pay Pool Panel reconciliation and final approval by the Pay Pool Manager, the employee performance payout may be paid as an increase in base salary, a bonus, or a combination of the two. Distribution of the payout as an increase in base salary and/or bonus must be consistent with the requirements of this subchapter, DoD financial management policies and directives, and merit system principles.

SC1930.9.4.2. Considerations in Determining Payout Distribution. Due to the long-term financial impact of their decisions, rating officials, Pay Pool Panels, and Pay Pool Managers will exercise care in recommending or determining an appropriate distribution of the payout value between a base salary increase and/or a bonus.

SC1930.9.4.3. Not Fully Constituted Pay Pool. An employee covered by section 9901.342(g)(9)(i) of Reference (b) who transfers to an NSPS position that does not have a fully constituted pay pool will have his or her payout based on the share valuation of the losing pay pool. The gaining organization will determine the share assignment and payout distribution between salary increase and bonus.

SC1930.9.4.4. Merged Organizations. When a reorganization results in a change of pay pools as described by section 9901.342(g)(9)(i) and there is no fully constituted pay pool in the gaining organization, the ratings of record, share assignments, and payout distributions for affected employees will be reconciled, calculated, and paid based on the pay pool funding and share valuation of the losing pay pool(s).

SC1930.9.5. Proration of Performance Payouts. Except where prohibited in section 9901.342 of Reference (b), DoD Components may pro rate performance payouts and issue pro rating guidance consistent with section 9901.342(h) of Reference (b).

SC1930.9.6. Specially Situated Employees. Performance payouts for specially situated employees (e.g., absent while performing military service, absent due to a work related injury, performing activities on “official time,” detailed or temporarily promoted, not eligible for a rating of record, no longer covered by NSPS) will be determined in accordance with section 9901.342 of Reference (b).

SC1930.9.6.1. Employees Exercising Statutory Return or Reemployment Rights. For employees returning from a non-NSPS position to an NSPS position, exercising statutory return rights in accordance with section 1586 of Reference (d) or reemployment rights in accordance with part 352 of Reference (b), sections 352.205a, 352.311, 352.405, 352.803, and 352.905, as applicable, adjustments will be made in accordance with section 9901.342(l) of Reference (b).

SC1930.9.7. Pay Reduction Based on Unacceptable Conduct or Performance. An employee’s base salary rate may be reduced for unacceptable conduct and/or performance as provided in section 9901.343 of Reference (b), SC1940.8.2.1., and SC1940.8.2.2.

SC1930.9.8. Other Performance Payments.

SC1930.9.8.1. Discretionary Performance Payouts. Managers, in conjunction with PRAs and senior management, may designate appropriate funding sources (not pay pool funds) to provide for discretionary performance payouts. Payments made under this authority must be approved by the pay pool manager or the appropriate higher level official. In accordance with section 9901.344 of Reference (b), pay flexibilities under this provision permit additional compensation to recognize extraordinary individual performance, organizational and/or team achievement, and other special circumstances. DoD Components should establish internal procedures consistent with this section. Discretionary payouts are separate and in addition to those available under an incentive award program.

SC1930.9.8.1.1. Extraordinary Performance Recognition (EPR). The EPR should be used sparingly and only to reward exceptionally high-performing employees whose performance and contributions to the organization are of an exceedingly high value based on an individualized assessment. An increase to base salary resulting from an EPR is permanent and does not require future revalidation. The decision to grant the EPR is entirely at the discretion of management with final approval by the PRA.

SC1930.9.8.1.2. Organizational and/or Team Achievement Recognition (OAR). The decision to grant the OAR is entirely at the discretion of management, with final approval by the Pay Pool Manager. If the employees to be recognized belong to separate pay pools and are employed by different DoD Components (e.g., matrixed

employees in a Program Executive Office), the recommendation will be made by the Pay Pool Manager to which the majority of the employees belong.

SC1930.9.8.2. Special Circumstances. Organizations may provide a performance payment to address special circumstances. Payments under this provision may be made as a bonus, a base salary increase, or a combination of both and must use appropriate funding sources (other than pay pool funds). A payment provided under this paragraph is separate and in addition to other payments described in this subchapter and/or those available under an incentive awards program. Performance payments for special circumstances must be approved by the USD(P&R) or designee.

#### SC1930.9.9. Pay for Developmental Employees

SC1930.9.9.1. In accordance with section 9901.345 of Reference (b), Accelerated Compensation for Developmental Positions (ACDP) only applies to employees in the lowest pay band of a nonsupervisory pay schedule who are in developmental or trainee level positions and employees in positions that are assigned to a Student Career Experience Program and in a pay schedule established exclusively for students. This criteria may include developmental or trainee level positions and employees in the YA-1, YB-1, YD-1, YE-1, YK-1, YL-1, YM-1, YH-1, and YI-1 pay bands.

SC1930.9.9.2. Organizations choosing to distinguish employees in developmental positions for pay purposes must establish and document standards by which such employees will be identified and criteria by which additional pay increases or bonuses will be determined. The decision to grant the ACDP is at the sole and exclusive discretion of management. The conditions for payment of the ACDP must be consistent with merit system principles.

SC1930.9.9.3. The ACDP may be awarded at any time. If the ACDP is awarded in conjunction with the annual performance payout, it is provided in addition to the employee's payout. An ACDP award is not taken from pay pool funds.

#### SC1930.10. PAY ADMINISTRATION

SC1930.10.1. Setting Pay. The setting of pay will be administered in accordance with sections 9901.351 through 355 of Reference (b).

SC1930.10.2. Approval Procedures. Approval levels and procedures for setting pay may be defined by DoD Components (and should be delegated to the lowest practical level). Procedures may include coordination with organization resource advisors and/or pay pool managers.

SC1930.10.3. Setting Pay Upon Reassignment. Pay will be set on a reassignment action in accordance with section 9901.353 of Reference (b).

SC1930.10.3.1. Employee-Initiated Reassignment. Pay will be set on an employee-initiated reassignment action in accordance with section 9901.353(b)(1) of Reference (b). An increase under this authority is discretionary, and appropriate use and approval levels will be defined by each DoD Component. At a minimum, the approval level may be no lower than one level above the authorized management official who approved the reassignment.

SC1930.10.3.1.1. Subject to section 9901.353(b)(2) of Reference (b), an employee may receive a total cumulative base salary increase of 5 percent as the result of an employee-initiated action in a 12-month period, unless an exception to the 12-month limitation is approved by an authorized management official. The increase will be calculated as a percentage of the employee's base salary at the time the increase takes effect. For example:

SC1930.10.3.1.1.1. Employee A is reassigned on January 1 and receives a 5 percent increase to base salary. Employee A is not eligible for another base salary increase resulting from employee-initiated reassignment or reduction in band for 12 months from the effective date of this reassignment.

SC1930.10.3.1.1.2. Employee B is reassigned on January 1 and receives a 2 percent increase to base salary. If Employee B is reassigned again (or accepts a voluntary reduction in band) within a 12-month period from the effective date of the first reassignment, he/she is eligible for another base salary increase of up to 3 percent (for a total of 5 percent in a 12-month period for employee initiated reassignment).

SC1930.10.3.1.2. Subject to section 9901.353(c)(1) of Reference (b), when an employee is reassigned from a position with a targeted local market supplement or from a non-NSPS position (e.g., GS, Federal Wage System, Nonappropriated Fund), the authorized management official will set pay considering the employee's adjusted salary (including any applicable locality pay or special rate supplement) and any physicians comparability allowance payable for the position held prior to the reassignment. For example:

SC1930.10.3.1.2.1. Employee is reassigned from a YA-2 position with an adjusted salary of \$104,000 (base salary \$80,000, plus 30 percent targeted local market supplement (LMS) of \$24,000) to a YC-2 position with a 15 percent standard LMS in a different location. The YA-2 adjusted salary is recalculated as if it were in the new location. While the LMS for the YC-2 position in the new location is 15 percent, the targeted LMS for the YA-2 position currently held by the employee is 20 percent in the new location. This means that the adjusted salary for the position held prior to reassignment would be subject to a 20 percent targeted LMS of \$16,000 rather than the 30 percent received in the current location. The recalculated adjusted salary is \$96,000 (former base salary of \$80,000 + \$16,000 LMS). In consideration of the recalculated adjusted salary, the authorized management official may (1) set the new adjusted salary equal to the recalculated adjusted salary rate of the position before the reassignment (\$96,000 per annum); (2) set the new adjusted salary at any amount below \$96,000

determined prior to the reassignment with the employee's agreement, as long as the employee's base salary does not drop below the minimum of the assigned rate range; or (3) increase the employee's recalculated adjusted salary of \$96,000 by up to 5 percent (subject to the limitation that the resulting base salary may not exceed the rate range maximum). If the adjusted salary is increased, the percentage of the increase will be counted toward the 12-month limitation under SC1930.10.3.1.1. The new adjusted salary must be apportioned to reflect the 15 percent standard local market supplement applicable to the YC-2 position (e.g., if pay is set at \$96,000, then the adjusted salary would be apportioned to a base salary of \$83,478, plus a standard LMS of \$12,522).

SC1930.10.3.1.2.2. Employee is reassigned from a GS-13 Pilot position with a special rate of \$104,000 to a YC-2 position in the same location with a targeted LMS of 20 percent. An authorized management official may (1) set the new adjusted salary equal to the special rate before the reassignment (\$104,000), provided the resulting base salary does not exceed the rate range maximum; (2) set the new adjusted salary at any amount below \$104,000 determined prior to the reassignment with the employee's agreement, as long as the employee's base salary does not drop below the minimum or exceed the maximum of the assigned rate range; or (3) set the new adjusted salary at a rate up to 5 percent higher than the special rate held prior to reassignment (subject to the limitation that the resulting base salary may not exceed the rate range maximum). The new adjusted salary must be apportioned to reflect the 20 percent targeted LMS applicable to the YC-2 position (e.g., if the adjusted salary is set at \$104,000, then the base salary is \$86,667 and the targeted LMS is \$17,333).

SC1930.10.3.2. Management-Directed Reassignment. Pay will be set on a management-directed reassignment action in accordance with section 9901.353(d)(1) of Reference (b). An increase under this authority is discretionary and must be consistent with merit system principles. Appropriate use will be defined by each DoD Component. At a minimum, the approval level may be no lower than one level above the authorized management official who approved the reassignment. If the employee's current base salary exceeds the maximum of the new pay band, no increase will be provided, and the employee's rate will be converted to a retained rate as provided in accordance with section 9901.356 of Reference (b).

SC1930.10.3.2.1. Subject to section 9901.353(e)(1) of Reference (b), when management reassigns an employee from a position with a targeted LMS or from a non-NSPS position (e.g., GS, FWS, NAF), the authorized management official will set the employee's new adjusted salary at no less than the employee's adjusted salary (including any applicable locality pay or special rate supplement) plus any physicians comparability allowance payable for the position held prior to the reassignment, provided the resulting base salary does not exceed the maximum rate of the new pay band. For example:

SC1930.10.3.2.1.1. Employee A is reassigned from a YA-2 position with an adjusted rate of pay of \$104,000 (base salary of \$80,000, plus 30 percent targeted LMS of \$24,000) to a YC-2 position with a 15 percent standard LMS. The YC-2

adjusted salary may be set no lower than \$104,000 (if the base salary will exceed the maximum rate of the pay band, pay retention will be granted in accordance with SC1930.11.13). The authorized management official may also increase the employee's adjusted salary by up to 5 percent (subject to the limitation that the resulting base salary may not exceed the rate range maximum). In either case, the YC-2 adjusted salary must be apportioned to reflect the lower standard LMS (e.g., if pay is set at \$104,000, the adjusted salary would be comprised of \$90,435 base salary and a 15 percent standard LMS of \$13,565).

SC1930.10.3.2.1.2. Employee B is reassigned from a YA-2 position with an adjusted rate of pay of \$104,000 (base salary of \$80,000, plus 30 percent targeted LMS of \$24,000) to a YA-2 position in a different location with a targeted LMS of 20 percent. The YA-2 adjusted salary of the position before the reassignment is recalculated as if it were in the new location. In that location, the adjusted salary for the position held prior to reassignment would be subject to a 20 percent targeted LMS of \$16,000 rather than the 30 percent received in the current location. The recalculated adjusted salary is \$96,000 (former base of \$80,000 + \$16,000 LMS). In consideration of the recalculated adjusted salary, the authorized management official may (1) set the new adjusted salary equal to the recalculated adjusted salary rate of the position before the reassignment (\$96,000 per annum) or (2) increase the employee's recalculated adjusted salary of \$96,000 by up to 5 percent (subject to the limitation that the resulting base salary may not exceed the rate range maximum). In either case, the employee's new adjusted salary must be apportioned to reflect the lower targeted LMS.

SC1930.10.3.2.1.3. Employee C is reassigned from a GS-14 position with an adjusted rate of pay of \$108,086 (base pay of \$89,202, plus 21.17 percent locality pay of \$18,884) and a physicians comparability allowance of \$30,000, for a total pay of \$138,086 per annum, to a YG-3 position. An authorized management official may (1) set the new adjusted salary equal to \$138,086 or (2) set the new adjusted salary at a rate up to 5 percent higher than the total pay of \$138,086. In either case, the employee's new adjusted salary must be apportioned to reflect the applicable LMS and the resulting base salary may not exceed the pay band maximum.

SC1930.10.3.3. Expiration or Termination of a Temporary Reassignment. Pay will be administered in accordance with section 9901.353(g) of Reference (b). For example:

SC1930.10.3.3.1. An employee is temporarily reassigned from YA-2 to YC-2 and receives a 3 percent increase. While on temporary reassignment, the employee goes through a performance cycle and receives a performance payout that results in a 2 percent increase to base salary. When the employee's temporary reassignment ends, the employee's base salary will be returned to his or her base salary prior to the temporary reassignment and will then be recalculated to include the 2 percent increase received during the payout cycle (calculated from the employee's base salary in the permanent position). (See SC1940.12.1.) The employee would also be entitled to any general salary increase(s) in accordance with section 9901.323 of Reference (b) and SC1930.8.1.2.

through SC1930.8.1.3. that occurred while the employee was on a temporary reassignment provided that he or she met the eligibility criteria when those adjustments would have been made.

SC1930.10.3.3.2. NSPS employees receiving an increase to base salary upon temporary reassignment must receive advance written notice of the conditions of the time-limited reassignment, including the time limit of the reassignment; the reason for a time limit; and that the employee may be returned at any time to the position from which temporarily reassigned, or to a different position of equivalent base salary received prior to the temporary reassignment, and the decrease in pay is not subject to reduction in force and adverse action procedures. When a temporary reassignment with an increase in pay is effective and management is unable to give advance notice to the employee, it must provide the notice as soon as possible after the temporary reassignment is made.

SC1930.10.4. Setting Pay Upon Promotion. Pay will be set on a promotion action in accordance with section 9901.354 of Reference (b). A promotion occurs when an employee moves to a higher pay band, either within or across varying pay schedules and career groups regardless of the specific earning potential of the band, on either a temporary or permanent basis. A promotion also occurs when an employee covered by a non-NSPS Federal pay system moves, without a break in Federal service, to an NSPS position determined to be a higher level of work.

SC1930.10.4.1. Typically, promotion increases should be in the 6 to 12 percent range, unless a higher increase is necessary to reach the minimum rate of the new pay band or there are compelling considerations that support a greater increase. For example, a greater increase may be appropriate when an employee is being promoted from an entry or developmental band to a full performance band and the greater increase is necessary to pay the employee a rate that is competitive in the labor market, given the employee's duties and responsibilities, competencies, and anticipated performance.

SC1930.10.4.2. Higher-level management, as defined by each DoD Component, must approve an increase greater than 12 percent, not to exceed the maximum rate of the new pay band, unless the greater increase is needed to set the employee's pay at the minimum rate of the newly assigned pay band. In approving an increase greater than 12 percent, higher-level management should consider the factors described in section 9901.354(b) of Reference (b).

SC1930.10.4.3. Expiration or Termination of a Temporary Promotion. Pay will be administered in accordance with section 9901.354(c)(2) of Reference (b). In the case of movement from an NSPS position to a position in a different job classification system and pay schedule, the term "promotion" is defined in accordance with section 210.102(b)(11) of Reference (b) as a change to a "higher rate of pay." For example:

SC1930.10.4.3.1. An employee is temporarily promoted from YA-2 to YA-3 and receives a 6 percent increase. While on temporary promotion, the employee goes through a performance cycle and receives a performance payout that results in a 2 percent

increase to base salary. When the employee's temporary promotion ends, the employee's base salary will be returned to his or her base salary prior to the temporary promotion and will then be recalculated to include the 2 percent increase received during the payout cycle (calculated from the employee's base salary in the lower pay band). The employee would also be entitled to any general salary increase(s) in accordance with section 9901.323 of Reference (b) and SC1930.8.1.2. through SC1930.8.1.3. that occurred while the employee was on a temporary promotion, provided that he or she met the eligibility criteria when those adjustments would have been made.

SC1930.10.4.3.2. An employee is temporarily promoted from YA-2 to GS-12 and receives an increase under the GS maximum payable rate rule. While on temporary promotion, the employee receives a GS general increase that results in a 3 percent increase to base pay but misses an NSPS performance payout. When the employee's temporary promotion ends, the employee's base salary will be returned to his or her base salary prior to the temporary promotion and will then be recalculated to include any general salary increase(s) plus the performance pay increase based on the number of shares and share valuation assigned by the pay pool in accordance with section 9901.342(1) of Reference (b).

SC1930.10.4.3.3. NSPS employees who are temporarily promoted must receive advance written notice of the conditions of the time-limited promotion, including the time limit of the promotion; the reason for a time limit; and that the employee may be returned at any time to the position from which temporarily promoted, or to a different position of equivalent base salary received prior to the temporary promotion, and the decrease in pay is not subject to reduction in force or adverse action procedures. When a temporary promotion is effective and management is unable to give advance notice to the employee, it must provide the notice as soon as possible after the temporary promotion is made.

SC1930.10.5. Setting Pay Upon Reduction in Band. Pay will be set on a reduction in band action in accordance with section 9901.355 of Reference (b). A reduction in band occurs when an employee moves, voluntarily or involuntarily, to a position in a lower pay band.

SC1930.10.5.1. Subject to sections 9901.355(b)(5) and 9901.355(c)(2) of Reference (b), when an employee takes a reduction in band from a position with a targeted local market supplement or from a non-NSPS position (e.g., GS, FWS, NAF), the authorized management official will set pay considering the employee's adjusted salary (including any applicable locality pay or special rate supplement) and any physicians comparability allowance payable for the position held before the reduction in band. For example:

SC1930.10.5.1.1. Employee A is reduced in band from a YA-3 position with an adjusted salary of \$100,000 (base salary \$83,333, plus 20 percent targeted LMS of \$16,667) to a YC-2 position with a 11 percent standard LMS. The YC-2 adjusted salary of \$100,000 is reapportioned to a base salary of \$90,090, plus 11 percent standard LMS

of \$9,910. The authorized management official may also choose to set pay up to 5 percent higher than the adjusted salary of \$100,000. In either case, the employee's final adjusted salary must be apportioned to reflect the 11 percent standard LMS, and the resulting base salary may not fall below the pay band minimum or exceed the pay band maximum.

SC1930.10.5.1.2. Employee B is reduced in band from a YA-3 position with an adjusted salary of \$100,000 (base salary \$83,333, plus 20 percent targeted LMS of \$16,667) to a YC-2 position with a 11 percent standard LMS. The YC-2 adjusted salary of \$100,000 is decreased, per agreement with the employee, to \$90,000. The new adjusted salary is apportioned to a base salary of \$81,081, plus 11 percent standard LMS of \$8,919.

SC1930.10.5.2. Subject to section 9901.355(c)(2), an employee may receive a total cumulative base salary increase of up to 5 percent as the result of a voluntary non-competitive action (excluding promotions) in a 12-month period, unless an exception to the 5 percent limitation is approved. This increase is discretionary, and appropriate use shall be defined by each DoD Component consistent with merit systems principles. The increase will be calculated as a percentage of the employee's base salary at the time the authorized management official approves the increase. For example:

SC1930.10.5.2.1. Employee A voluntarily takes a reduction in band on January 1 and receives a 5 percent increase to base salary. Employee A is not eligible for another base salary increase resulting from reduction in band or reassignment for 12 months from the effective date of this reduction in band.

SC1930.10.5.2.2. Employee B voluntarily takes a reduction in band on January 1 and receives a 2 percent increase to base salary. If Employee B voluntarily accepts another reduction in band (or voluntarily reassigns) again within a 12-month period from the effective date of the reduction in band, he or she is eligible for another base salary increase of up to 3 percent (for a total of 5 percent in the 12-month period).

SC1930.10.6. Employees With Statutory Return or Reemployment Rights to a Position Converted to NSPS During Their Absence. A DoD employee who is placed in an NSPS position after exercising statutory return rights in accordance with section 1586 of Reference (d), or reemployment rights in accordance with part 352 of Reference (b), as applicable, will have his or her base salary set in accordance with SC1930.10.3.2. and at a rate that is not less than the rate he or she would have been entitled to had he or she not left the position. The determination of base salary will include any performance pay increase paid in accordance with SC1930.9.6.1. Any GS or FWS employees will also be entitled to the within-grade increase adjustment in accordance with section 9901.371(j) of Reference (b).

SC1930.11. PAY RETENTION

SC1930.11.1. Pay Retention Administration. Pay retention will be administered in accordance with section 9901.356 of Reference (b). Subject to section 9901.105 of Reference (b), the USD(P&R) may define exceptions to the 104-week retention limit, consistent with section 9901.356(c) of Reference (b). This authority may not be redelegated.

SC1930.11.2. Eligibility for Pay Retention. Eligibility for pay retention is determined using criteria under section 9901.356 of Reference (b). Additionally, an employee's base salary at the time he or she becomes eligible for pay retention is used when determining whether or not pay retention applies by comparing it to the rate range for the pay band of the newly-assigned position. If the employee's current base salary falls within the minimum and maximum rates of the new pay band, his or her base salary is preserved and pay retention does not apply further. If the employee's current base salary exceeds the maximum of the new pay band, pay retention applies.

SC1930.11.3. Priority Referral. DoD Components may establish procedures for priority referral of candidates on pay retention. Such procedures should define a valid offer under priority referral and procedures for terminating pay retention upon declination of a valid offer.

SC1930.12. PREMIUM PAY LIMITATION

SC1930.12.1. The "head of agency" authority under sections 550.106(a) and (b) of Reference (b) to make emergency and mission-critical work determinations, thus allowing employees to be paid under the annual premium pay limitation instead of the biweekly limitation, is delegated to officials who exercise personnel appointing authority (normally the head of an installation or activity). This authority may be further delegated in writing to managers and supervisors (hereafter referred to as "authorized management officials"). A copy of each determination must be forwarded immediately to the servicing payroll office.

SC1930.12.2. The USD(P&R) or PDUSD(P&R) may waive the premium pay limitations established by section 5547 of Reference (a) and codified at section 9901.362 of Reference (b) and instead apply an annual limitation equal to the rate payable under section 104 of Reference (c) in the case of specified categories of employees and situations on a time-limited basis, to be determined in coordination with the Office of Personnel Management on a case-by-case basis. Such a waiver may not apply with respect to additional compensation that is normally creditable as basic pay for retirement or any other purpose. This authority may not be further delegated.

SC1930.13. OVERTIME PAY

SC1930.13.1. Fair Labor Standards Act (FLSA) Exempt Employees

SC1930.13.1.1. Employees who are FLSA exempt and who work full-time, part-time, or intermittent tours of duty are covered by the overtime pay (including compensatory time off) provisions in section 5542 and 5543 of Reference (a) and related regulations in part 550 of Reference (b), subject to the requirements and modifications described in section 9901.362(b) of Reference (b). Overtime pay is pay for hours of work officially ordered or approved by the authorized management official, in writing, and performed by the employee. Except as provided in SC1930.13.1.2., SC1930.13.1.3., SC1930.13.1.4., and SC1930.13.1.5., overtime pay applies to hours that are in excess of 8 hours in a day or 40 hours in an administrative workweek.

SC1930.13.1.2. For employees on flexible work schedules, credit hours used count toward the 40-hour per week threshold for overtime payment, but overtime is not paid for credit hours worked or used.

SC1930.13.1.3. For full-time employees on compressed work schedules, hours worked in excess of the established work schedule are overtime hours.

SC1930.13.1.4. For an employee for whom the first 40 hours of work in an administrative workweek is his or her basic workweek under section 610.111(b) of Reference (b), all work performed by the employee within the first 40 hours is paid at the employee's hourly adjusted rate of pay. Any additional hours of officially ordered or approved work beyond the first 40 hours worked within the administrative workweek are overtime work.

SC1930.13.1.5. For any criminal investigator receiving availability pay under sections 550.181-187 of Reference (b), overtime work means actual work that is scheduled in advance of the administrative workweek that either is in excess of 10 hours on a day containing hours that are part of such investigator's basic 40-hour workweek, or is on a day not containing hours that are part of such investigator's basic 40-hour workweek.

SC1930.13.1.6. The payable overtime rate is calculated from an employee's adjusted salary. Based on the pay band level to which the employee is assigned, the overtime hourly rate is either the employee's hourly adjusted rate of pay or the hourly adjusted rate of pay multiplied by 1.5. The employee's hourly adjusted rate of pay serves as the overtime hourly rate for:

SC1930.13.1.6.1. Employees placed in pay band 3 of the following schedules: Professional and Analytical (YA) pay schedule under the Standard Career Group; Engineering and Scientific Professional (YD) pay schedule under the Scientific and Engineering Career Group; Medical Professional (YH) pay schedule under the

Medical Career Group; and Investigative and Analytical (YK) pay schedule under the Investigative and Protective Services Career Group.

SC1930.13.1.6.2. Employees placed in pay band 4 of the Fire Protection (YL) pay schedule, Investigative and Protective Services Career Group.

SC1930.13.1.6.3. Employees placed in pay bands 2 and 3 of the Supervisor/Manager pay schedule under all career groups.

SC1930.13.1.6.4. Employees assigned to all other pay bands are paid for overtime at the employee's hourly adjusted rate of pay multiplied by 1.5.

SC1930.13.2. FLSA Nonexempt Employees

SC1930.13.2.1. Overtime pay and compensatory time off for nonexempt employees are computed under FLSA, as amended in section 5543 of Reference (a), and in accordance with the provisions of part 551 of Reference (b).

SC1930.14. COMPENSATORY TIME OFF

SC1930.14.1. Compensatory time off is time off with pay in lieu of overtime pay for any overtime work for FLSA exempt employees. Compensatory time off will be administered in accordance with sections 550.114 and 9901.362(b)(5) of Reference (b). The "head of agency" authorities under sections 550.114(a) through (c) of Reference (b) concerning the granting of compensatory time off are delegated to officials who exercise personnel appointing authority (normally the head of an installation or activity). Authorized management officials may require that an FLSA exempt employee receive compensatory time off in lieu of overtime pay for any overtime work in accordance with section 9901.362(b)(6)(iv) of Reference (b).

SC1930.14.2. One hour of compensatory time off is granted for each hour of overtime worked.

SC1930.15. COMPENSATORY TIME OFF FOR TRAVEL

An employee is covered by the compensatory time off for travel provision in section 5550b of Reference (a) and related regulations of Reference (b), subject to the requirements and modifications described in section 9901.362(j)(2) through (j)(7) of Reference (b). Supervisors and managers delegated the authority to direct travel and approve leave have the authority to credit and approve the usage of compensatory time off for travel within the Department of Defense.

SC1930.16. NIGHT PAY

SC1930.16.1. Consistent with section 550.121 of Reference (b), night pay is a 10 percent differential paid to an employee for each hour of work performed at night that is

scheduled or ordered or approved by management, between the hours of 6 p.m. and 6 a.m., and includes periods of absence with pay during these hours due to a holiday. For posts located outside the United States, the head of an activity may designate a time after 6 p.m. and before 6 a.m. as the beginning and end, respectively, of night work to accommodate the customary hours of business in the locality.

SC1930.16.2. A night pay differential is calculated by multiplying the hourly adjusted rate of pay by 10 percent times the number of hours worked between 6 p.m. and 6 a.m. (or between the alternate night hours approved for posts outside the United States).

#### SC1930.17. REPAYMENT OF STUDENT LOANS

SC1930.17.1. The student loan repayment program will be administered in accordance with section 5379 of Reference (a) and part 537 of Reference (b). However, under section 9901.303(c) of Reference (b), the Secretary may modify the minimum service period and the limitations on the amount of student loan benefits in order to address critical hiring needs, subject to section 9901.105 of Reference (b).

SC1930.17.2. Authorized payments must be based upon the authorized management official's written determination that student loan repayments for the employee would enhance a DoD Component's ability to carry out its mission.

SC1900.17.3. An authorized management official must verify the amount of previous student loan repayments, if any, made by the Department of Defense on the recipient's behalf, prior to submitting a service agreement for approval.

#### SC1930.17.4. Service Agreements

SC1930.17.4.1. An employee must sign an agreement stating the terms, limitations, or conditions of service prior to receiving any repayments.

SC1930.17.4.2. The minimum service agreement period is 3 years.

SC1930.17.4.3. The service agreement will state the amount of the loan repayment authorized for each year of the recipient's service requirement.

SC1930.17.4.4. If the service agreement is signed prior to the employee's entrance on duty date, the service requirement is effective the first day the employee reports on duty. Otherwise, service requirements begin on the date the employee signs the agreement.

SC1930.17.4.5. Service agreements will state that loan repayments will not continue for periods of leave without pay, when no pay is due to the employee during a biweekly pay period (see SC1930.17.9.).

SC1930.17.4.6. An employee receiving loan repayments will be ineligible for continued repayments by the Department of Defense if he or she separates from the employing DoD Component for any reason, fails to maintain a rating of record at Level 2 or above, or violates any of the conditions of the service agreement.

SC1930.17.4.7. Employees who fail to complete the period of service specified in the service agreement must reimburse the Department of Defense for the amount of all loan repayments received under the existing agreement unless:

SC1930.17.4.7.1. The employee is involuntarily separated for reasons other than misconduct or performance; or

SC1930.17.4.7.2. The employee leaves voluntarily to enter into service in another agency outside the Department of Defense, and reimbursement to the Department is not specified in the employee's service agreement.

SC1930.17.4.8. The debt collection process for continuing employees is outlined in Volume 8 of Reference (e), while that for debtors no longer in Government service is found in Volume 5 of Reference (e).

SC1930.17.5. The employee's debt may be waived, in whole or in part, if the authorizing official determines that recovery would be against equity and good conscience, or against the public interest.

SC1930.17.6. The Defense Finance and Accounting Service (DFAS) remits the student loan repayment directly to the lender under the terms, limitations, and conditions of the written service agreement. The incentive is paid using procedures developed by the appropriate payroll office and is in addition to basic pay or any other form of compensation payable to the employee.

SC1930.17.7. Student loan repayments will not exceed \$10,000 for each full year of the employee's service requirement. DFAS will determine the amount to be paid each pay period by dividing the repayment amount authorized for each full year of the service requirement by the number of pay periods in the year that corresponds to the dates of the employee's yearly service requirement.

SC1930.17.8. Since the loan repayment amount is considered taxable wages, the loan holder receives the full amount of the loan repayment, and taxes are withheld from the employee's biweekly pay, as appropriate.

SC1930.17.9. Loan repayments will not continue for periods of leave without pay that result in no base salary due to the employee during a biweekly pay period. Employees who are on leave without pay as a result of uniformed service or an on-the-job injury will have the leave without pay time credited to the completion of their service agreements when they return from uniformed service or make full recovery from the compensable injury. In other cases, the suspension of loan repayments during periods of

leave without pay will reduce the employee's total loan repayment incentive unless the authorized management official extends the service agreement after the employee returns to work.

SC1930.17.10. The Department of Defense is not responsible for any late fees or penalties assessed by loan holders prior to, during, or subsequent to this service agreement.

SC1930.17.11. Each authorized management official is responsible for ensuring that the justification for each student loan repayment incentive is documented and records are maintained in accordance with this subchapter. Documentation will include verification that the employee's outstanding student loan qualifies for repayment and will contain the written determinations of recipient eligibility.

SC1930.18. FOREIGN LANGUAGE PROFICIENCY PAY FOR CIVILIAN EMPLOYEES

SC1930.18.1. Foreign Language Proficiency Pay (FLPP) will be administered in accordance with section 9901.364 of Reference (b).

SC1930.18.2. The authorized management official will determine the amount of FLPP payable to each employee using the criteria set forth in section 9901.364 of Reference (b).

SC1930.18.3. The reduction or termination of FLPP may not be appealed. However, the preceding sentence will not be construed to extinguish or lessen any right or remedy an employee might have under other laws.