



Department of Defense INSTRUCTION

NUMBER 1400.25-V2006
April 22, 2010

USD(P&R)

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

References: See Enclosure 1

1. PURPOSE

a. Instruction. This Instruction is composed of several volumes, each containing its own purpose. The purpose of the overall Instruction, in accordance with the authority in DoD Directive (DoDD) 5124.02 (Reference (a)), is to establish and implement policy, establish procedures, provide guidelines and model programs, delegate authority, and assign responsibilities regarding civilian personnel management within the Department of Defense.

b. Volume

(1) 2000 Volume Series. The 2000 Volume series of this Instruction, in accordance with the authority in Reference (a) and DoDDs 5143.01, 1400.25, and 1400.35 (References (b), (c), and (d)), establishes policy, assigns responsibilities, and provides guidance for DCIPS. Hereafter the 2000 Volume series of this Instruction shall be referred to as “the DCIPS Volumes.”

(2) This Volume. This Volume, in accordance with Intelligence Community Directive (ICD) Number 653 (References (e)), establishes core policies, definitions, responsibilities, procedures, and delegations for the design of the DCIPS compensation administration and supports the application of this structure to individual positions covered by DCIPS.

2. APPLICABILITY. This Volume:

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

b. Does not apply to:

(1) Employees covered by the Federal Wage System or equivalent, non-appropriated fund employees, or foreign national employees hired outside the civil service system.

(2) Members of the Defense Intelligence Senior Executive System or the Defense Intelligence Senior Level unless specifically addressed in other Volumes of this Instruction.

c. During the period from signature through 31 December 2010, the provisions of this regulation apply in their totality only to the National Geospatial-Intelligence Agency. For all other Defense Intelligence organizations, Enclosure 3 of this regulation is applicable except for paragraphs 3.e, 3.f, 6.a, 6.b, 8.f through 8.i, section 9, subparagraph 10.a.(2)(a), and paragraphs 10.b through 10.e.

3. DEFINITIONS. See Glossary.

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

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

b. Provide for the appropriate exchange of compensation information with the National Security Personnel System (NSPS) or other appropriate human resource or financial systems within the DoD Components.

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

d. Provide for special demands created by unique working conditions and deployment requirements.

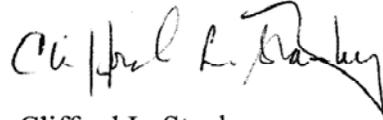
e. Comply with merit system principles in accordance with section 2301 of title 5, United States Code (U.S.C.) (Reference (f)).

5. RESPONSIBILITIES. See Enclosure 2.

6. PROCEDURES. Enclosure 3 provides procedures for the implementation of DCIPS compensation administration.

7. RELEASABILITY. UNLIMITED. This Instruction is approved for public release and is available on the Internet from the DoD Issuances Website at <http://www.dtic.mil/whs/directives>.

8. EFFECTIVE DATE. This Volume is effective 60 days from the date congressional notification is provided pursuant to section 1613 of title 10, U.S.C. (Reference (g)).



Clifford L. Stanley
Under Secretary of Defense for
Personnel and Readiness

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- (a) DoD Directive 5124.02, “Under Secretary of Defense for Personnel and Readiness (USD(P&R)),” June 23, 2008
- (b) DoD Directive 5143.01, “Under Secretary of Defense for Intelligence (USD(I)),” November 23, 2005
- (c) DoD Directive 1400.25, “DoD Civilian Personnel Management System,” November 25, 1996
- (d) DoD Directive 1400.35, “Defense Civilian Intelligence Personnel System (DCIPS),” September 24, 2007
- (e) Intelligence Community Directive Number 653, “Pay-Setting and Administration for the Intelligence Community Civilian Workforce,” May 14, 2008¹
- (f) Section 2301 and chapters 53, 55, 57, and 59 of title 5, United States Code
- (g) Sections 1596, and 1601-1614 of title 10, United States Code
- (h) Parts 530, 550, 551, 575.107, 575.207, and 575.307 and chapters I and XCIX of title 5, Code of Federal Regulations
- (i) Department of State Standardized Regulations, current version²
- (j) Chapter 8 of title 29, United States Code
- (k) Quadrennial Defense Review Report, February 1, 2010³
- (l) Director of National Intelligence, “National Intelligence Strategy,” October 2005⁴

¹ Available through the Internet at <http://www.fas.org/irp/dni/icd/icd-653.pdf>

² Available through the Internet at http://aoprals.state.gov/content.asp?content_id=286&menu_id=75

³ Available through the Internet at <http://www.defense.gov/qdr/QDR%20as%20of%2029JAN10%201600.pdf>

⁴ Available through the Internet at <http://www.dni.gov/publications/NISOctober2005.pdf>

ENCLOSURE 2

RESPONSIBILITIES

1. UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS (USD(P&R)). The USD(P&R) shall:

a. In conjunction with the Under Secretary of Defense for Intelligence (USD(I)), develop DCIPS compensation administration policies and monitor their effects on DoD-wide personnel readiness.

b. Ensure, through the USD(P&R)-appointed Co-Chair of the Defense Intelligence Human Resource Board (DIHRB) (Reference (d)), that the DIHRB considers business cases for DCIPS compensation policy or changes to existing policy and advises the USD(I) of its positions and recommendations.

2. USD(I). The USD(I) shall:

a. In conjunction with the USD(P&R), prescribe policies governing the design and administration of the DCIPS compensation administration structure and practices in accordance with References (c), (d), and (e) and provide oversight to ensure compliance within the DoD Components with DCIPS positions.

b. Ensure, through the Co-Chair of the DIHRB (Reference (d)), that the DIHRB considers business cases for DCIPS compensation policy or changes to existing policy and advises the USD(I) of its positions and recommendations.

3. HEADS OF THE DoD COMPONENTS WITH DCIPS POSITIONS. The Heads of the DoD Components with DCIPS positions shall:

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

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

ENCLOSURE 3

DCIPS COMPENSATION ADMINISTRATION PROCEDURES

1. GENERAL STRUCTURE. DCIPS shall implement a world-wide base compensation structure consistent with the goals and principles of the DCIPS compensation philosophy at Appendix 1 of this enclosure. For DCIPS-covered employees, the structure consists of five broad pay bands aligned to labor market factors in order to enable the DoD Components with DCIPS positions to effectively recruit, develop, and retain a high-quality workforce.

2. ESTABLISHING PAY SCHEDULES AND BAND RATE RANGES. In accordance with sections 1601 and 1602 of Reference (g), the USD(I), in conjunction with the USD(P&R), shall establish DCIPS base pay schedules and pay band rate ranges based on the General Schedule (GS), other Federal schedule adjustments, and appropriate labor market data analyses. Consideration shall be given to the rate ranges established by the Department of Defense for the NSPS under subchapter 1930 of this Instruction and other appropriate human resource or financial systems within the DoD Components.

a. DCIPS positions shall be assigned to the DCIPS pay band structure in accordance with Volume 2007 of this Instruction. Each DCIPS position will be represented by its job title, work level, occupational group, work category, and mission category.

b. At initial implementation, DCIPS pay band rate ranges will correspond to the rate ranges (extended by two steps) for the GS-equivalent (GG) grades pursuant to sections 1601 and 1602 of Reference (g), grouped into each pay band as depicted in Appendix 2 of this enclosure.

c. The USD(I), in conjunction with the USD(P&R), may adjust pay band rate ranges annually, or as necessary, to ensure the ability of the DoD Components with DCIPS positions to compete for and retain a high-quality workforce in support of the mission. In making such adjustments, the USD(I) shall consider relevant labor markets, NSPS, Intelligence Community (IC) and other Departmental systems compensation rates, and adjustments to the GS and other Federal pay systems. Pay band rate ranges may be adjusted by:

(1) Increasing the minimum and maximum rates for each pay band by the percentage amount of the GS increase corresponding to each DCIPS pay band.

(2) Increasing or decreasing the midpoint of each pay band by the adjusted market rate change and computing range minimums and maximums to maintain the approved range spread, subject to any applicable Federal compensation limitations.

(3) Increasing or decreasing the midpoint of each pay band by the adjusted market rate change and computing range minimums and maximums to establish new range spreads that reflect prevailing market practices and are responsive to IC recruitment and retention requirements.

d. Rate ranges will be reviewed for possible adjustment annually. New rate ranges will be effective the first full pay period beginning in January of each year. New or revised ranges may also be issued with effective dates other than January, with USD(I) approval and in conjunction with the USD(P&R), in response to specific recruiting and retention demands or in other circumstances that would warrant changes to DCIPS rate ranges or pay structures.

3. LOCAL MARKET SUPPLEMENTS. Pay band rate ranges will be adjusted by local market supplements that reflect the difference between the DCIPS base rate structure and labor market rates for the DCIPS locality area. Local market supplement rates will be set in accordance with section 1603 of Reference (g), based either on GS locality rates relative to the DCIPS base rate structure, or on targeted labor market analyses conducted in accordance with generally accepted compensation practices and approved by the USD(I), in conjunction with the USD(P&R). Local market supplement rates are based on the location of the employee's duty station of record.

a. Local market supplement rates may be set based on rates established for GS, NSPS, and other systems established under Reference (f), but will be established separately from these rates.

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

c. Local market rates for areas other than those listed in Appendix 3 of this enclosure may be established by the USD(I), in conjunction with the USD(P&R), where a mission-based business case exists but is not covered in this Volume.

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

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

f. When a local market supplement is increased:

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

(2) An employee who has a current rating of record of “unacceptable” will not receive any applicable local market supplement increase for the occupation, specialization, pay band, and geographic location to which the employee is assigned. If reassigned to another geographic location, employees with current evaluations of record of “unacceptable” shall not be eligible for the local market supplement increases in the new geographic locations, but shall be eligible for the local market supplements in effect prior to the increase. If the employee’s evaluation of record for a subsequent appraisal period is above “unacceptable,” the employee will receive an increase in the local market supplement so that the supplement is equal to the supplement for the employee’s occupation, pay band, and geographic location; this increase will not be retroactive.

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

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

g. When a local market supplement is decreased as a result of the annual market analysis, the decrease applies to all employees receiving the supplement regardless of current rating of record. Pay retention pursuant to this Volume does not apply in the case of a reduction in an employee’s pay that results from a reduction in a local market supplement. This reduction in an employee's pay does not constitute an adverse action.

h. For an employee who is temporarily assigned to a different local market area, the official worksite remains unchanged (i.e., the location of the permanent assignment) and there is no change to the local market supplement unless the employee is authorized to receive relocation expenses under chapter 57 of Reference (f) in conjunction with a temporary change of station.

4. **TARGETED LOCAL MARKET SUPPLEMENTS.** Targeted local market supplements may be implemented within the DCIPS pay band structure in appropriate circumstances. Targeted local market supplements are established following the same principles as the local market supplements in section 2 of this enclosure. However, targeted local market supplements may be established for employees in specified local market areas (or worksites) that are a subset of, or that cross, established locality area boundaries. They may also be established for employees in specific occupations or specializations that require separate interventions to ensure that qualified employees can be hired and retained in support of the intelligence mission. They may cover one or more pay band levels. They are established in response to labor market conditions that are not fully addressed by the DCIPS pay band rate ranges and application of the other tools for maintaining DCIPS market sensitivity. These targeted local market supplements shall be established as extensions of the standard DCIPS pay band rate ranges and shall be set and adjusted as indicated in Appendix 2 of this enclosure.

a. The USD(I) sets, modifies, or eliminates, as needed, targeted local market supplements. In determining the amount of the targeted local market supplement, mission staffing challenges, labor market conditions, availability of funds, comparability with similarly-situated employees of other Federal agencies, and any other relevant factors shall be considered.

b. Targeted local market supplements may not be paid in addition to a local market supplement. Targeted local market supplements include consideration of the total market situation with regard to the targeted situation.

c. A special provision provides authority for DoD Components with DCIPS positions currently paying special rates or allowances equivalent to the Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV (WDC) locality rate to employees assigned to foreign or non-foreign OCONUS locations, to reestablish those rates under this Volume as a common targeted local market supplement equivalent to the WDC locality rate. This provision also requires that other Defense Intelligence components not currently paying special rates or allowances adopt the targeted local market authority established by this provision for their employees assigned to foreign and non-foreign OCONUS locations.

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

a. The establishment of new DCIPS base compensation rate ranges shall be supported by:

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

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

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

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

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

6. OTHER DCIPS TOOLS FOR MAINTAINING COMPENSATION MARKET COMPETITIVENESS. Local circumstances may suggest the need for pay flexibilities less significant than the establishment of a new compensation base schedule or local market supplements. Under DCIPS, two additional flexibilities are available to address more subtle market pressures. These are the targeted situational adjustment and the variable control point.

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

(1) Setting and Adjusting Targeted Situational Adjustments. The DoD Components with DCIPS positions shall set the compensation administration guidelines for targeted situational adjustments, and shall advise the USD(I) of implementation plans.

(2) Budgeting. No additional funds will be available to supplement the DoD Components with DCIPS positions pay pool funding for targeted situational adjustments. All such local decisions to implement this flexibility will be funded out of existing aggregate pay pool funding.

(3) Eligibility for Targeted Situational Adjustment. The DoD Components with DCIPS positions will establish eligibility criteria in their compensation administration guidelines and will determine employee eligibility for targeted situational adjustments based on those criteria. They will ensure compliance with merit system principles and consistent application of the guidelines within their Components. They will also ensure that targeted situational adjustments are not used as a substitute for performance pay.

(4) Reporting. The Heads of the DoD Components with DCIPS positions will report the use and results of targeted situational adjustments to the USD(I) as part of their annual report of performance-based compensation decisions.

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

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

(2) Funding Variable Control Points. No additional funding will be added to the DoD Component with DCIPS positions pay pool as a result of the establishment of additional control points.

(3) Adjusting or Terminating Variable Control Points. Variable control points are established for a period of 1 year. Absent an action by the USD(I) to continue or modify an individual control point other than the standard range midpoint, all variable control points will terminate prior to initiation of the annual compensation decision process for DCIPS employees. The DoD Components with DCIPS positions may submit requests to continue or modify individual control points, based on a supportive business case analysis, during the annual review of DCIPS compensation competitiveness. Based on the substance of the Component submission, the USD(I) will determine to continue, adjust, or terminate those control points in response to appropriate market analysis.

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

(1) The official worksite is the location where the employee regularly performs his or her duties. If the employee's work involves regular travel or the employee's work location varies on a daily basis, or if the employee is absent from the worksite for an extended period due to injury, military reserve service, or other reasons, the official worksite is the location where his or her work activities are based as determined by the employing DoD Component with DCIPS

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

(2) For an employee covered by a telework agreement who is scheduled while in duty status to report at least once a week on a regular and recurring basis to the regular worksite for the employee's position of record, the regular worksite is the official worksite. However, for an employee whose work location varies on a daily basis, the employee need not report at least once a week to the established official worksite as long as the employee is performing work within the local market area for that worksite at least once a week on a regular and recurring basis. If an employee covered by a telework agreement does not meet the requirements of subparagraph 5.c.(1) of this enclosure, the employee's official worksite is the location of the employee's telework site. An authorized management official may make a temporary exception in appropriate situations, such as when an employee is recovering from an injury or medical condition that prevents the employee from commuting to the regular worksite.

7. BASE COMPENSATION LIMITATION. The DCIPS base compensation rate ranges, and any associated supplements that are included as base compensation for retirement and other benefit determinations, will comply with Federal compensation guidelines on compensation limitations contained in Reference (f), including those limitations established pursuant to chapter XCIX of title 5, Code of Federal Regulations (Reference (h)), pertaining to NSPS.

8. CONVERSION TO THE DCIPS COMPENSATION STRUCTURE. On the effective date that a DoD Component with DCIPS positions implements the DCIPS compensation structure for its workforce, employees will be converted into the DCIPS compensation structure in accordance with this section and Volume 2007 of this Instruction.

a. Placement in the DCIPS Pay Band

(1) GG or GS employees shall be placed in the DCIPS pay band that corresponds to their DCIPS work category and GG or GS grade on the effective date of conversion, except that no employee may be placed in a pay band that is higher than the highest pay band authorized for his or her work category.

(2) Employees in pay banded systems who are converted into the DCIPS compensation structure shall be placed in the DCIPS pay band that corresponds to their DCIPS work category and work level on the effective date of conversion, except that no employee may be placed in a pay band that is higher than the highest pay band authorized for his or her work category.

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

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

(2) Employees whose work category is Professional or Supervision/Management, and who are in GS/GG-13 step 1 or 2 on the date of conversion, will be placed in DCIPS pay band 3. Heads of DoD Components with DCIPS positions who believe that the actual duties being performed by the employee at the time of conversion are more consistent with pay band 4 may request a waiver from the USD(I) in accordance with paragraph 7.e. of this enclosure

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

c. Special Placement Guidance for GS/GG-7 Employees. Employees whose current grade is GS/GG-7 in the following work categories will be placed as indicated.

(1) Technician/Administrative Support work category - DCIPS pay band 1.

(2) Professional or Supervision/Management work category - DCIPS pay band 2.

d. Special Placement for Employees who Exceed Maximum GS/GG Equivalency. Employees whose personal GS/GG grade exceeds the maximum GS/GG equivalency within the authorized DCIPS pay band levels for their work category shall be placed in the highest DCIPS pay band available to their work category. If the employee's salary exceeds the maximum rate for the DCIPS pay band into which he or she is placed, he or she is entitled to indefinite pay retention under the provisions in paragraph 8.i. of this enclosure.

e. Exceptions. Exceptions to the placement guidance provided in paragraph 8.a. of this enclosure may be approved by the USD(I) at the request of the Head of a DoD Component with DCIPS positions. Requests for exceptions shall be supported by the specific business case for approving the variance to policy.

f. Buy-In of Within-Grade Increase (WGI). All employees will convert to DCIPS at their current base pay rate adjusted for the pro-rata share of their next WGI earned at the date of conversion. The pro-rata share adjustment will be computed by dividing the number of full calendar days completed toward the next due date by the number of calendar days in the waiting period and multiplying that number by the value of the WGI. Due dates for conversion computation purposes shall be adjusted in accordance with Reference (h) requirements for periods in non-pay status that would normally have affected the WGI due date. The annualized WGI buy-in amount will be added to the employee's base pay rate on the effective date of conversion to establish the initial salary rate under DCIPS. Employees at step 10 or higher of their GS-equivalent (GG) grade (pursuant to section 1602 of Reference (g)) at the time of conversion shall not be eligible for a buy-in adjustment in base pay.

g. Exceptions to Buy-In of WGI. Employees under a pay banded system on the date of conversion to DCIPS who do not have WGI eligibility under their current system are not eligible for a WGI buy-in on conversion to DCIPS. After the initial mass conversion to DCIPS, new hires into DCIPS generally will not receive a WGI buy-in, except as described in subparagraph 10.a.(2)(c) of this enclosure. Employees who come under DCIPS coverage as a result of a

transfer of function from a non-DCIPS organization may receive a WGI buy-in, with USD(I) approval.

h. Eligibility for Multiple Buy-Ins. An employee who is converted into a DCIPS pay band in one component, who later is hired by another Defense Intelligence component that has not yet converted to DCIPS pay bands and who is converted back to the GG schedule on appointment to the new component, is eligible for a WGI buy-in on conversion of the employee's Defense Intelligence component to DCIPS.

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

9. PROGRESSION THROUGH THE PAY BAND. Employees will progress through the pay band based on performance and personal base rate level within the pay band. Guidance for performance-based pay increases is contained in Volume 2012 of this Instruction.

10. SETTING PAY

a. Setting Pay on Initial DCIPS Appointment From the Federal Service Outside of the Department of Defense, IC, or From Outside the Federal Service

(1) Newly-appointed DCIPS employees shall be placed within the appropriate pay band based on:

(a) Work category, work level, and pay band of work to be assigned;

(b) An equivalency determination based on GS or equivalent grades and salaries held outside of DCIPS in the Federal service in the same occupation or specialty and job title to which the individual is being appointed; or

(c) Qualifying work or educational experience applicable to the work category, occupation or specialty, work level, and job title of work to be assigned.

(2) For newly-appointed DCIPS employees:

(a) Initial individual salaries may be set anywhere between the minimum and the maximum rate of a pay band, but are normally set below or up to the midpoint of the pay band. Decisions on initial salaries shall consider work to be performed, specific labor market, salary history, and internal equity considerations, and such other considerations that comply with the merit system principles and guidance in paragraph 10.b. of this enclosure.

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

(c) For employees appointed from a GS appointment, and whose appointment is not a promotion, specific consideration may be given to the period of time completed toward a periodic step increase in the previous position at the time of appointment.

b. Establishing Guidelines for New Appointment Salary Setting. The Heads of the DoD Components with DCIPS positions shall establish salary setting guidelines for new appointments within DCIPS in coordination with the USD(I). These guidelines will, at a minimum, include:

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

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

(3) Specific guidance for consideration of prior salary history and work level for which applicant is being considered.

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

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

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

(7) Frequency of review of salary offer ranges.

c. Setting Pay on Appointment to a DCIPS Position From Another DoD Component or IC Organization. DCIPS authorities established in this Volume should not be used to provide competitive advantage in recruiting employees to DCIPS positions from other DoD Components or the IC. Pay-setting practices when hiring non-intelligence employees generally shall comply with DCIPS, except that:

(1) For NSPS employees, or employees assigned to other pay banded systems, when DCIPS and the bands overlap, consideration may be given to experience and current pay levels in determining whether the DCIPS pay band placement is a promotion or a reassignment. When a transfer occurs such that an employee will not be otherwise eligible for a pay increase in either system, consideration may also be given to a performance-based pay increase the employee would have been likely to receive had he or she not been appointed to DCIPS.

(2) For GS or equivalent employees, consideration in determining the appropriate DCIPS salary may be given to:

- (a) Time completed toward a step increase under the GS.
- (b) A bona fide career ladder promotion expectation.
- (c) The employee's highest previous salary rate.

(3) For GS or equivalent employees, a WGI buy-in may be offered as part of the salary negotiation process if they are otherwise being offered a lateral transfer at their current salaries. The procedures in paragraph 8.f. of this enclosure shall be applied to determine the amount of any such increase in salary.

d. Setting Pay Upon Lateral Transfer Within and Between DoD Components With DCIPS Positions. DCIPS employees who accept or are directed to move without a break in service within the Department of Defense and the IC, through competitive or non-competitive processes in accordance with Volume 2005 of this Instruction, will be moved at their current salary as of the effective date of the move.

(1) Such employees shall be eligible for consideration in the gaining organization's pay pool process, in accordance with Volume 2012 of this Instruction.

(2) For employees whose move to another DoD Component occurs effective on a date such that they are not eligible for a within-pay-band developmental salary increase for which they would have been eligible had the move not occurred, the hiring manager in the gaining DoD Component may, at his or her discretion (consistent with Component published guidelines and in consultation with the losing Component), adjust the employee's salary on the effective date of the move by an amount not greater than that which would have been received as a developmental salary increase in the losing Component.

e. Setting Pay Upon Promotion. A promotion occurs when an employee moves to a higher pay band within the DCIPS base compensation structure, either within his or her current DoD Component or another DoD Component with DCIPS positions. Upon the effective date of the promotion, an employee will receive a base pay increase of 6 percent of the base pay rate or the minimum rate for the pay band to which the employee is being promoted, whichever is greater. In no case will an employee's rate of pay be set higher than the maximum rate for the pay band. An employee on pay retention who is promoted shall receive a base pay increase of 6 percent

above his or her actual current base pay rate, or the minimum rate for the pay band to which the employee is being promoted, whichever is greater.

11. VOLUNTARY REDUCTION TO A LOWER PAY BAND. When an employee voluntarily requests and is approved to move to a lower pay band, the employee's rate of pay in the new pay band may be set at a rate equal to or less than his or her current rate, but may not exceed the maximum for the new pay band. Pay retention is not authorized under a voluntary reduction to a lower pay band. If an employee is placed in a lower band without a reduction in pay, or a reduction in pay of less than 6 percent, and later promoted back to the higher band, the component will determine if there will be any salary increase associated with the promotion.

12. INVOLUNTARY REDUCTION TO A LOWER PAY BAND

a. As a Result of Adverse Action. When an employee is involuntarily moved to a lower pay band through adverse action procedures (as a result of poor performance and/or misconduct), the authorizing management official may reduce the employee's base pay rate by the amount directed in the adverse action decision in accordance with the guidelines in Volume 2009 of this Instruction and DCIPS Component supplemental guidance, but to an amount not less than the minimum for the pay band to which reduced. In no case may the employee's salary exceed the maximum for the pay band to which reduced. An employee's annual compensation may not be reduced under involuntary procedures more than once in a 12-month period. Pay retention is not authorized for employees who are moved to a lower pay band through adverse action procedures and whose salary exceeds the maximum for the pay band to which reduced.

b. As a Result of Adjustment-in-force (AIF). When an employee is involuntarily moved to a lower pay band through the AIF procedures outlined in Volume 2004 of this Instruction, the employee's salary will not be reduced. If the employee's salary at the time of reduction exceeds the maximum rate for the pay band, he or she shall be entitled to indefinite pay retention.

c. As a Result of Management-directed Action. When an employee agrees to a reduction to a lower pay band as a result of a management-directed reassignment that is not the result of adverse action, the reassignment will be treated as a reduction as a result of AIF. If the employee's salary at the time of reduction exceeds the maximum rate for the pay band, he or she shall be entitled to indefinite pay retention.

13. VOLUNTARY CHANGE FROM A DISES OR DISL POSITION TO A DCIPS PAY BANDED POSITION. When an employee voluntarily requests and is approved to move from a DISES or DISL position to a DCIPS pay banded position, the employee's rate of pay in the new pay band may be set at a rate equal to or less than his or her current rate, but may not exceed the maximum for the new pay band. Pay retention is not authorized under a voluntary change from a DISES or DISL position to a DCIPS pay banded position.

14. EMPLOYEES WITH STATUTORY RETURN OR REEMPLOYMENT RIGHTS TO A POSITION CONVERTED TO DCIPS DURING THEIR ABSENCE. Employees returning to a DCIPS position under a statutory entitlement shall have their initial DCIPS salary set such that they receive all entitlements to salary adjustments they would have received under governing GS regulations, and shall be eligible for a WGI buy-in in accordance with paragraph 8.f. of this enclosure.

15. OTHER COMPENSATION ADMINISTRATION AUTHORITIES AND LIMITATIONS. Compensation authorities and limitations contained in Reference (e), sections 1601-1614 of Reference (g), and the Department of State Standardized Regulations (Reference (i)) that apply to other than base and locality structure administration and are not otherwise addressed in this Volume, are applicable to DCIPS employees. Specific coverage includes:

a. Additional Compensation. DCIPS employees are eligible for:

(1) Premium pay including overtime, holiday pay, Sunday pay, night pay differential, and annual premium pay for administratively uncontrollable overtime, subject to the same requirements and limitations as in chapter 55 of Reference (f).

(2) Overtime pursuant to the "Fair Labor Standards Act," chapter 8 of title 29, U.S.C. (Reference (j)) in accordance with the work and regional eligibility criteria in sections 1601-1614 of Reference (g).

(3) Compensatory time off in lieu of overtime, subject to the same requirements as in chapter 55 of Reference (f).

(4) Post differentials for environmental conditions at overseas posts as authorized by chapter 59 of Reference (f).

(5) Post differentials for non-foreign posts the same as authorized by chapter 59 of Reference (f).

(6) Danger pay in foreign areas the same as authorized by chapter 59 of Reference (f).

(7) Cost of living allowances the same as authorized by chapter 59 of Reference (f) for non-foreign areas and by Reference (h) for foreign areas.

(8) Hazard pay for unhealthful working conditions the same as authorized by chapter 59 of Reference (f).

(9) Physicians' comparability allowances the same as authorized by chapter 59 of Reference (f).

(10) Foreign language proficiency pay authorized by section 1596 of Reference (g) and DoD and DoD Component implementing instructions.

(11) Other special incentives authorized by sections 1603 and 1605 of Reference (g).

b. Recruitment, Retention, and Relocation Incentives. Payment of special incentives to attract, retain, and encourage the relocation of employees critical to the mission of an organization will be provided on the same basis as the implementing regulations in chapter I of Reference (h). Those incentives are available to the DoD Components with DCIPS positions subject to the requirements that:

(1) The DoD Components with DCIPS positions shall develop recruitment, relocation, and retention incentive plans consistent with parts 575.107, 575.207, and 575.307 of Reference (h) and forward those plans for USD(I) review and approval.

(2) The USD(I) shall be the approving and oversight official for those actions that are the same as specified in parts 530 and 551 of Reference (h) requiring Office of Personnel Management approval or oversight.

(3) Proposals to offer incentives to categories of employees (e.g., a specific occupation) shall be submitted to the USD(I) for review of potential effects on other elements of the Defense Intelligence workforce prior to approval.

c. Aggregate Compensation Limitation. The aggregate compensation limitation applies to the total amount of aggregate compensation actually received by an employee during the calendar year without regard to the period of service for which such compensation is received.

(1) Aggregate compensation is defined the same as in Reference (e) and other similar payments authorized under section 1603 of Reference (g), excluding back pay due to an unjustified personnel action under chapter 55 of Reference (f) for payments that were due in a previous calendar year; overtime pay under Reference (j) and part 551 of Reference (h); severance pay; non-foreign area cost-of-living allowances; lump-sum payments for accumulated and accrued annual leave on separation; and payments and adjustments authorized under this Volume as specified by DoD implementing issuances.

(2) Except as provided in subparagraph 15.a.(2) of this enclosure, no additional payment (premium pay, allowance, differential, bonus, award, or other similar cash payment) may be paid to an employee in a calendar year if or to the extent that, when added to the adjusted salary paid to the employee for service performed as a DoD or other Federal agency employee, the payment would cause the total to exceed the rate for Executive Level I in effect on the last day of that calendar year unless otherwise permitted by law.

(3) The USD(I) may provide for a higher aggregate compensation limitation equal to the rate payable under section 104 of Reference (g) 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.

(4) DoD Components with DCIPS positions shall defer authorized payments if they estimate that the payment will cause the employee's compensation to exceed the aggregate compensation limitation.

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

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

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

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

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

(a) If a lump-sum payment causes an employee's estimated aggregate compensation to exceed the applicable limitation, the DoD Components with DCIPS positions shall consider only the employee's adjusted salary and payments creditable for retirement purposes in determining the amount of lump-sum payment may be paid. The DoD Components with DCIPS positions shall defer all other payments, in order to pay as much of the excess amount as

possible. Any payments deferred, including any portion of the excess amount that was not payable, shall become payable at the beginning of the next calendar year.

(b) If an employee moves to another Federal agency or to another DoD position not covered by DCIPS, and if at the time of the move the employee has received payments in excess of the aggregate limitation the same as is under chapter 53 of Reference (f), the employee's indebtedness for the excess amount received shall be deferred from the effective date of the transfer until the beginning of the next calendar year. Effective January 1 of the new calendar year, the debt shall be nullified and the excess amount shall be considered toward that year's aggregate limitation.

(c) If an employee transfers to another agency and at the time of the transfer has excess payments deferred to the next calendar year, the provisions of part 530.204(c) of Reference (i) may apply, if the employee's new position is subject to Reference (h).

(6) Payment of excess aggregate compensation is permitted without regard to calendar year limitation if an employee dies or separates from Federal service.

(a) If an employee dies, the excess amount is payable immediately as part of the settlement of accounts the same as authorized by chapter 55 of Reference (f).

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

d. Projecting the Lump Sum Leave Period. In accordance with part 550 of Reference (h), the DCIPS floor cannot be included in the lump sum leave calculation; it is excluded from the enumerated lists of types of pay that may be included in the calculation.

Appendixes

DCIPS Compensation Philosophy

DCIPS Pay Bands

Standard Local Market Supplement Areas

APPENDIX 1 TO ENCLOSURE 3

DCIPS COMPENSATION PHILOSOPHY

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

2. DCIPS recognizes that, while pay is not the only factor in the satisfaction of the DoD intelligence workforce, competitive compensation is the cornerstone for recruiting, retaining, and motivating the type of employees needed by the DoD Components with DCIPS positions. The management of compensation of individual employees under DCIPS will be consistent with the needs and objectives specified in the Quadrennial Defense Review (Reference (k)), Defense Intelligence guidance, and the National Intelligence Strategy (Reference (l)) regarding the disposition of funds for employee compensation, recognition, and reward. DCIPS endeavors to:
 - a. Provide employees with a total compensation package comprising both salary and benefits that recognizes and rewards performance and productivity, while maintaining internal equity and a market-competitive position, within the financial resources available.

 - b. Maintain a compensation system that is legally compliant, consistent with DoD and individual DoD Component policies and guidelines, and compliant with merit system principles.

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

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

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

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

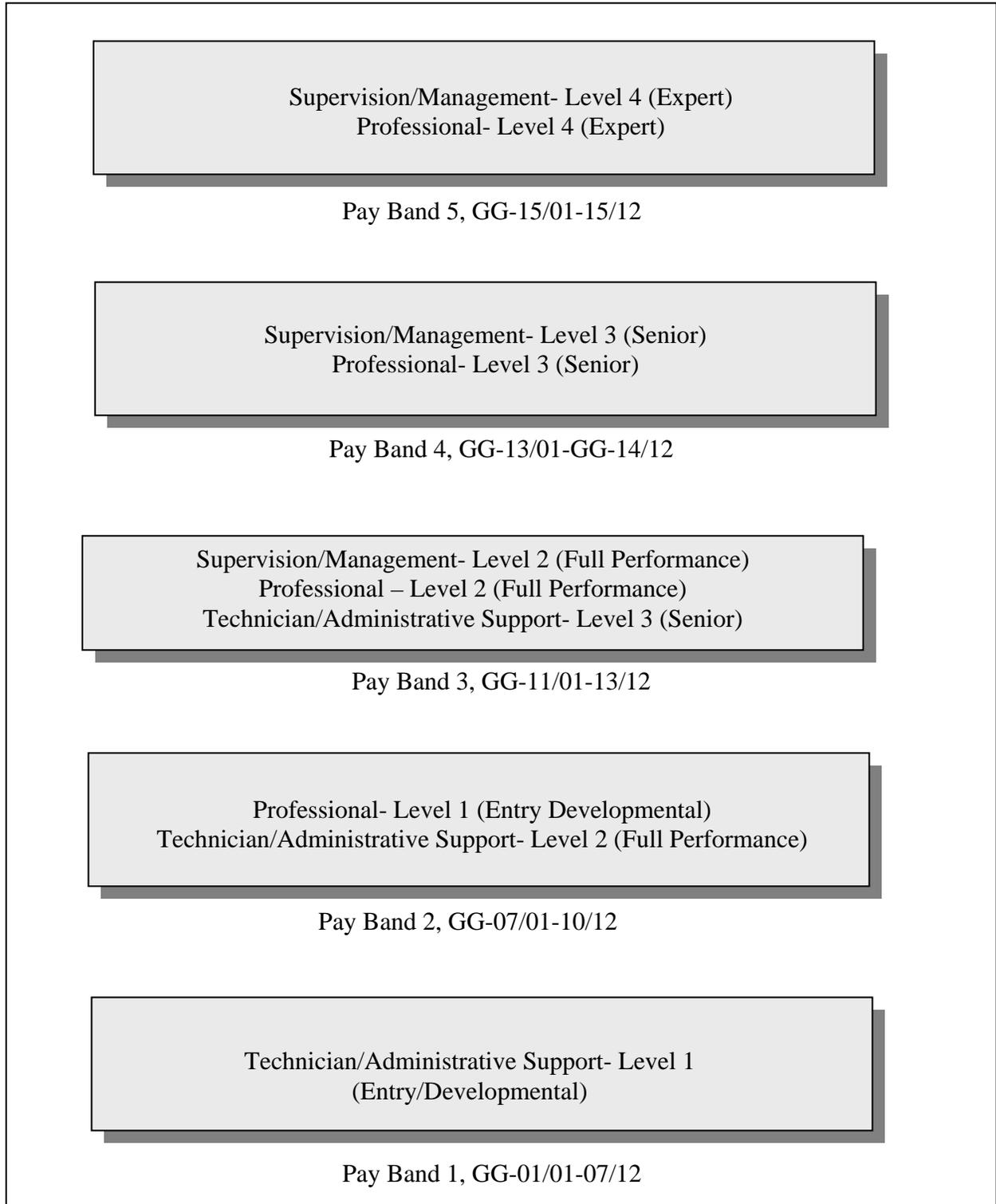
g. Promote a work environment that encourages employee productivity, innovation, and performance excellence through increased satisfaction, commitment, and engagement.

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

APPENDIX 2 TO ENCLOSURE 3

DCIPS PAY BANDS

Figure. DCIPS Pay Bands



APPENDIX 3 TO ENCLOSURE 3STANDARD LOCAL MARKET SUPPLEMENT AREAS

Most of the local market area supplement place names listed in the Table in this appendix are counties. The Federal Information Processing Standards (FIPS) geographic codes consist of a two-digit State and three-digit county identifier. These FIPS codes are derived from the Worldwide Geographic Location Codes, 1993, and are on the Internet at <http://www.itl.nist.gov/fipspubs/by-num.htm>.

- a. The District of Columbia is identified by its State code only.
- b. The towns of Berwick, Eliot, Kittery, South Berwick, and York in York County, ME, remain in the Boston locality pay area, while the remainder of York County, ME, remains in the "Rest of U.S." locality pay area.
- c. State, city, and county geographic codes are listed for applicable cities and towns in York County, ME; Edwards Air Force Base in Kern County, CA, which is part of the Los Angeles locality pay area; and the Federal Correctional Complex, Butner, NC, which is part of the new Raleigh-Durham-Cary, NC locality pay area. These are the only exceptions to the use of State and county codes.

Table. Local Market Supplement Areas

Atlanta-Sandy Springs-Gainesville, GA-AL	Miami-Fort Lauderdale-Miami Beach, FL
Boston-Worcester-Manchester, MA-NH-ME-RI	Milwaukee-Racine-Waukesha, WI
Buffalo-Niagara-Cattaraugus, NY	Minneapolis-St. Paul-St. Cloud, MN-WI
Chicago-Naperville-Michigan City, IL-IN-WI	New York-Newark-Bridgeport, NY-NJ-CT-PA
Cincinnati-Middletown-Wilmington, OH-KY-IN	Philadelphia-Camden-Vineland, PA-NJ-DE-MD
Cleveland-Akron-Elyria, OH	Phoenix-Mesa-Scottsdale, AZ
Columbus-Marion-Chillicothe, OH	Pittsburgh-New Castle, PA
Dallas-Fort Worth, TX	Portland-Vancouver-Beaverton, OR-WA
Dayton-Springfield-Greenville, OH	Raleigh-Durham-Cary, NC
Denver-Aurora-Boulder, CO	Richmond, VA
Detroit-Warren-Flint, MI	Sacramento--Arden-Arcade--Truckee, CA-NV
Hartford-West Hartford-Willimantic, CT-MA	San Diego-Carlsbad-San Marcos, CA

Table. Local Market Supplement Areas, continued

Houston-Baytown-Huntsville, TX	San Jose-San Francisco-Oakland, CA
Huntsville-Decatur, AL	Seattle-Tacoma-Olympia, WA
Indianapolis-Anderson-Columbus, IN	Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV
Los Angeles-Long Beach-Riverside, CA	Rest of U.S.

GLOSSARY

DEFINITIONS

Unless otherwise noted, the following terms and their definitions apply to this Volume of this Instruction and serve as the basic compensation administration taxonomy for DoD Components with DCIPS positions.

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

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

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

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

DoD Components with DCIPS positions. Defined in Volume 2001 of this Instruction.

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

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

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

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

targeted local market supplement. An addition to the base compensation of employees assigned to a specific occupation or locality not appropriately recognized by a local market supplement. The targeted local market supplement is considered basic pay for retirement purposes.