



INTELLIGENCE

UNDER SECRETARY OF DEFENSE
5000 DEFENSE PENTAGON
WASHINGTON, DC 20301-5000

NOV 29 2010

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DIRECTOR, DEFENSE INTELLIGENCE AGENCY
DIRECTOR, DEFENSE SECURITY SERVICE
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DIRECTOR, NATIONAL RECONNAISSANCE OFFICE
DIRECTOR, NATIONAL SECURITY AGENCY/CENTRAL
SECURITY SERVICE

SUBJECT: Implementing Guidance for Phasing Out the Targeted Local Market Supplement (TLMS) for Defense Intelligence Employees in Non-Foreign Areas Outside the Contiguous United States (OCONUS)

Effective concurrently with the first pay period of Calendar Year 2011, the Department will begin to phase-out the TLMS currently paid to Defense Intelligence employees assigned to non-foreign OCONUS areas. This decision is driven by alignment to the Non-Foreign Area Retirement Equity Assurance Act (NAREAA) of 2009 and is intended to establish pay equity between Defense Intelligence and other Department civilian employees assigned to non-foreign OCONUS areas.

The TLMS paid in non-foreign OCONUS areas was a benefit, which was originally implemented to address specific recruitment and retention issues affecting Defense Intelligence components. It has been paid in addition to the Cost-of-Living-Allowance (COLA) applicable to the non-foreign OCONUS areas. The Department recently completed a review of cost-of-living and labor market data and was unable to establish a business case for continuing the current TLMS rate structure for the non-foreign OCONUS areas.

With the implementation of the NAREAA, locality pay rates applicable to all federal employees, including Defense Intelligence employees, have been established for the non-foreign OCONUS areas. While the NAREAA allows for the establishment of TLMS (or special) rates to address specific recruiting and retention issues, as discussed above, the Department has been unable to establish the business case necessary for continuing the current TLMS rate structure for the non-foreign OCONUS areas.

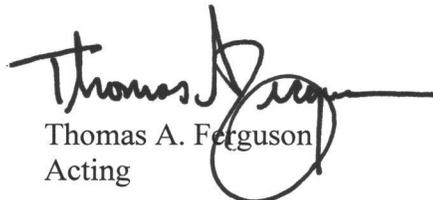
The phasing out of the TLMS in the non-foreign OCONUS areas will begin in January 2011 with the elimination of TLMS for employees newly assigned or newly hired in non-foreign OCONUS areas and initiation of a phased reduction of the TLMS rates for current Defense Intelligence employees in the non-foreign OCONUS areas already receiving the TLMS.



The following paragraphs detail the scheduled phase-out of the TLMS in non-foreign OCONUS areas:

1. Effective January 1, 2011, employees assigned to, or hired into, Defense Intelligence positions in non-foreign OCONUS areas will receive the appropriate COLA and local market supplement (i.e., locality pay) for their geographic area; they will not receive the non-foreign OCONUS TLMS. Components may request exceptions to this policy for those employees who, as of December 1, 2010, have entered into agreements to rotate to affected non-foreign OCONUS areas but will not have rotated by January 1, 2011. Components may also request exceptions to this policy for those employees who have been selected and scheduled to begin employment by December 1, 2010, but will not begin employment until after January 1, 2011. Requests for exceptions to policy must include documentation of the individual hardship to be encountered if current policy is applied and supporting documentation to include selection dates, signed rotational agreements, and permanent change of station (PCS) orders. Requests for exceptions to policy related to TLMS in non-foreign OCONUS areas must also include a signed statement of understanding by the employee noting that any exception to policy for non-foreign OCONUS TLMS granted will still align with the phase-out of TLMS commencing in January 2011 as discussed below.
2. Eligible Defense Intelligence employees in non-foreign OCONUS areas will continue to receive any General Pay Increase authorized by the President. COLA will decrease annually in accordance with the phase-out schedule effected by NAREAA. In January 2011, and again in January 2012, the TLMS will be adjusted to offset the decrease in COLA. No other adjustments related to the payment of TLMS will be made for those employees. Affected employees will see a small increase in gross pay.
3. Beginning in January 2013, the final stage of the phase-out of TLMS in the non-foreign OCONUS areas will begin. Defense Intelligence employees in non-foreign OCONUS areas will see a decrease in TLMS over three years, ending with a complete elimination of the TLMS in non-foreign OCONUS areas in January 2015.

My staff will be available to support communications for each component with affected employees. We have scheduled the phase-out of these payments to mitigate, to the extent possible, effects on the lifestyles of individual employees. However, I understand that this will be a difficult transition, and I request your support as we work with employees to minimize the effects on them. The point of contact for this matter is Mr. Gary Cunningham at 703-602-8602 or gary.cunningham@osd.mil.


Thomas A. Ferguson
Acting

cc:

Assistant Deputy Chief of Staff, G-2, Department of the Army

Director, Naval Intelligence, Department of the Navy

Director of Intelligence for Support, Headquarters, U. S. Marine Corps

Director of Intelligence, Surveillance and Reconnaissance Plans and Resources,
Headquarters, U.S. Air Force

General Counsel, Department of Defense

Chief of Staff, Office of the Under Secretary of Defense for Intelligence

Defense Intelligence Human Resources Board

Assistant Director of National Intelligence for Human Capital