



INTELLIGENCE

UNDER SECRETARY OF DEFENSE

5000 DEFENSE PENTAGON
WASHINGTON, DC 20301-5000

SEP 20 2012

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, NATIONAL SECURITY AGENCY/CENTRAL
SECURITY SERVICE
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY
DIRECTOR, DEFENSE INTELLIGENCE AGENCY
DIRECTOR, NATIONAL RECONNAISSANCE OFFICE
DIRECTOR, NATIONAL GEOSPATIAL-INTELLIGENCE
AGENCY
DIRECTOR, DEFENSE SECURITY SERVICE
DIRECTOR, MISSILE DEFENSE AGENCY
DIRECTOR, DEFENSE POW/MISSING PERSONNEL OFFICE
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES

SUBJECT: 2012 Defense Civilian Intelligence Personnel System (DCIPS) Guidance on
Pay Pools, Awards, and Reporting of Results

This memorandum provides guidance for conducting DCIPS pay pools based on Fiscal Year (FY) 2012 performance evaluations of record, and for paying individual cash awards during FY 2013. The Department will continue to observe last year's guidance from the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) which instructed all departments and agencies to cap fiscal year spending for non-Senior bonuses and individual cash awards at one percent of aggregate salaries. This restriction may be lifted should alternative guidance for FY 2013 be received from OPM and OMB.

Since DCIPS pay pool policies and practices are consistent with the OPM and OMB guidance to grant bonuses and awards based on robust performance criteria, I am directing that the rule requiring components to allocate at least 80 percent of the total budget for bonuses and awards to performance bonuses awarded through the pay pool process also remain in place during FY 2013. The remaining funds are available for lump-sum monetary awards within the components. We will be following Departmental practice of capping the budget for base pay increase awards (DCIPS Quality Increases and DCIPS Sustained Quality Increases) at .17 percent of aggregate salaries for fiscal year 2013. My point of contact is Mr. Gary Cunningham at (703) 602-8602 or gary.cunningham@osd.mil.

Michael G. Vickers



Attachments:

1. DCIPS Pay Pool/Bonus Pool Guidance for 2012
2. PowerPoint Template for Publishing 2012 DCIPS Performance Evaluation and Payout Results to the Workforce

cc:

Under Secretary of Defense for Personnel and Readiness
Assistant Deputy Chief of Staff, G-2, Department of the Army
Director, Information Dominance (N2/N6), Department of the Navy
Director of Intelligence, Surveillance and Reconnaissance Plans and Resources,
Headquarters, U. S. Air Force
Director of Intelligence for Support, Headquarters, U. S. Marine Corps
Deputy Assistant Secretary of Defense for Civilian Personnel Policy
Chief of Staff, Office of the Under Secretary of Defense for Intelligence
Defense Intelligence Human Resources Board Members

DCIPS Guidance on Pay Pools and Reporting of Results for Fiscal Year 2012 with Additional Guidance on Awards for Fiscal Year 2013

This attachment provides guidance on pay pools and reporting of performance management and pay pool results for fiscal year (FY) 2012 and awards spending for FY 2013. All Defense Intelligence Components and other organizations with DCIPS positions will comply with this guidance, and with DCIPS Volume 2012, “Defense Civilian Intelligence Personnel System (DCIPS) Performance-Based Compensation” and DCIPS Volume 2008, “Defense Civilian Intelligence Personnel System (DCIPS) Awards and Recognition.” Exceptions to this guidance or to DCIPS policy may be requested in writing with a supporting business case for the requested exception. Such requests should be directed to Director, Human Capital Management Office (HCMO), Office of the Under Secretary of Defense (Intelligence).

Compliance with Merit System Principles and Prohibition of Pre-decisional Demographic Analysis

- Pay pool deliberations and all decisions on awards will be conducted in accordance with Merit System Principles.
- Analyses of performance evaluations or pay pool results by demographic characteristics that identify protected classes of individuals are prohibited prior to conclusion of both the performance management and pay pool processes. Analyses by organizational and/or position-related characteristics are permitted.

Performance-based Salary Increases, Bonuses, and Base-Pay Increase Monetary Awards

- The National Geospatial-Intelligence Agency (NGA) will conduct DCIPS pay pools for the purpose of determining performance-based salary increases and bonuses based on FY 2012 performance evaluations of record. All other Components will conduct pay pools for their DCIPS employees to grant performance bonuses based on FY 2012 performance evaluations.
- Two new awards have been authorized through the revision of DCIPS Volume 2008, “Defense Civilian Intelligence Personnel System (DCIPS) Awards and Recognition.” These are the DCIPS Quality Increase (DQI), which awards a one-step increase in recognition of exemplary performance for one performance period, and the DCIPS Sustained Quality Increase (SQI), which awards a two-step increase in recognition of exemplary performance for three performance periods at the same grade level. Components other than NGA may, at the discretion of the Component Head, award DQIs and/or SQIs during the pay pool process. All other

awards are to be granted through the Component's awards process based on policy in DCIPS Volume 2008, "Awards and Recognition" and with guidance provided within this document.

- Components choosing to award DQIs and/or SQIs during the bonus pool process are not prohibited from awarding them at other times throughout the year, subject to budget constraints and other award limitations. Under DCIPS Volume 2008, employees who receive a DQI or SQI are not excluded from consideration for a performance bonus or other awards and vice versa.
- DQIs may only be awarded to employees whose base pay is at least one full step below the maximum of the pay grade, and SQIs may only be awarded to employees whose base pay is at least two full steps below the maximum of the pay grade. The pay grade maximum includes the extended pay range and is equivalent to the virtual step 12 rate of the grade. No partial SQIs or DQIs may be granted.
- Employees in non-foreign OCONUS areas who are subject to the TLMS phase-out plan beginning in January 2013 are not prohibited from receiving performance-based salary increases, base-pay increase monetary awards, lump-sum monetary awards, and bonuses.
- Under no circumstances may an employee's basic pay (base pay plus Local Market Supplement, locality pay, Targeted Local Market Supplement, or special salary rate supplement) be increased above the rate of pay equal to Level IV of the Executive Schedule.

Funding Levels for DCIPS Pay Pools and Awards

- The Department will continue to observe the cap on performance-based bonuses and awards that was implemented for FY 2012 through the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB) memorandum, "Guidance on Awards for Fiscal Years 2011 and 2012," dated June 10, 2011 unless new guidance is received for FY 2013. Fiscal year spending on performance bonuses and cash awards for GG and IA employees shall remain capped at 1.0 % of the sum of GG/IA aggregate salaries (base pay plus Local Market Supplement, locality pay, Targeted Local Market Supplement, and/or special salary rate supplement) for those employees.
- Component-wide funding levels for performance bonuses through the pay pools will be set within the range of 0.8% and 1.0% of total GG/IA employee aggregate

salaries. This leaves 0% to 0.2% for the Components to spend on other lump-sum monetary awards throughout FY13.

- NGA may set the funding for performance-based salary increases within the range of 2.0% and 2.4%.
- Base-pay increase monetary awards (DQIs and SQIs) do not count against the bonus funding percentage and are excluded from the 1.0% cap on bonuses and awards. However, Components with DCIPS positions will follow Departmental guidance by spending no more than 0.17% of aggregate GG salaries on base- pay increase monetary awards during FY 2013.

Computations for Establishing Individual Pay Pool Budgets

- For NGA, the preliminary pay pool budget for performance-based salary increases will be calculated by summing the total base salaries of all eligible employees in the pay pool and multiplying by the performance-based salary increase funding level.
- For all Components with DCIPS positions, the DCIPS Compensation Workbench (CWB) will provide two computations for the preliminary budget for performance bonuses: 1) by summing the total base salaries of all eligible employees in the pay pool and multiplying by the performance bonus funding level, and 2) by summing the total aggregate salaries (including base pay plus Local Market Supplements and Targeted Local Market Supplement) of all eligible employees in the pay pool and multiplying by the performance bonus funding level. Components have the option of funding based on base salaries or aggregate salaries, but must ensure that, when all pay pools are combined, the final sum of all bonus allocations and other lump-sum monetary awards outside the bonus process across the Component does not exceed 1.0% of aggregate GG or IA employee salaries for FY2013.
- Employees must have a DCIPS performance evaluation of record for FY 2012 to be eligible for participation in FY 2012 pay pools.

Automated Tools for Facilitating Pay Pool Decisions

- Components with DCIPS positions must use the DCIPS CWB, and may use the optional DPAT, for facilitating the DCIPS pay pool decision-making process and capturing pay decisions.

- DIA and NSA have been granted exceptions to use customized versions of the DCIPS CWB that have been integrated into their PeopleSoft systems while performing identical calculations as the DCIPS standalone CWB tool.
- No other tools are authorized for use in the DCIPS pay pool process.

Limitation on Awarding Performance Bonuses

- As noted in DCIPS Volume 2012, the number of employees who receive bonuses generally shall not exceed fifty percent of the eligible population within the Component. Base-pay increase monetary awards (i.e., DQI, SQI) do not count against the fifty percent nor do they count against bonus pool funds.
- Components with DCIPS positions may apply Component-specific caps or limitations on the numbers of base-pay increase monetary awards that may be granted within the previously prescribed funding limitations.

Relationship of Performance Evaluation of Record to Performance-based Salary Increases and Bonuses

- NGA employees with a Performance Evaluation of Record of “Successful” or higher are eligible for performance-based salary increases and bonuses through the NGA pay pool process. NGA Employees with an Evaluation of Record of “Minimally Successful” or “Unacceptable” are ineligible for any performance-based salary increase or bonus through the NGA pay pool process.
- All DCIPS employees with an Evaluation of Record of “Successful” or higher are eligible for consideration for performance bonuses through their Component pay pool process.
- All DCIPS employees, except those assigned to NGA, who meet the stated performance criteria are eligible to be considered for base-pay increase monetary awards in accordance with policies provided in DCIPS Volume 2008.

Consideration of Employees Transferring Between DCIPS Components and on Joint Duty Assignments

- DCIPS Employees who change pay pools within a Component or who move to another Component with DCIPS positions within 90 days of the annual performance evaluation close-out will be considered with the new pay pool to which they are assigned using the DCIPS performance evaluation of record from the previous DCIPS organization.
- Employees detailed to another DoD Component with DCIPS positions under a joint duty assignment (JDA) within 90 days of the annual evaluation close-out will be assigned considered for bonuses by the home organization. Employees detailed to another DoD Component with DCIPS positions under a joint duty assignment (JDA) with more than 90 days remaining in the performance period will be assigned to a pay pool in the gaining organization that will consider them for bonuses. If the gaining component is outside the Defense Intelligence Enterprise the employee may be considered for a lump-sum monetary award by the gaining component (in accordance with the gaining component's policies) if that component does not have a process for awarding performance-based bonuses.
- Special rules, to be communicated via separate memorandum, for use only during the FY 2012 pay pools have been established for employees transitioning or transitioned to the new Department of Defense Consolidated Adjudications Facility (DoD CAF).

Communicating Pay Pool Payouts

- As soon as possible after payout decisions have been finalized through Component processes, Rating Officials will communicate payout decisions to their employees. (Performance Management decisions are communicated at the close of the performance management process).
- All employees must receive communication about the payout process. Employees receiving performance-based payouts must receive personal communication regarding their salary increase and/or bonus.
- Components are responsible for ensuring Rating Officials are provided information and guidance on sharing results of the pay pool process.
- Rating Officials must document how and when such feedback was provided to employees.

Reporting Requirements for Performance Evaluations of Record and Pay Pool Results

- Components are required to provide aggregate performance evaluation of record and payout results to their workforces as soon as practical after the conclusion of the pay pool process using the USD(I) template provided for this purpose (Attachment 2).
- Performance evaluation of record and payout results should be displayed in an easily accessible location or through a convenient medium such as an internal website to ensure common messaging to all employees.
- Components may choose to provide additional high-level information that supports DCIPS policy and philosophy of transparency. However, such information must be consistent with DCIPS reporting conventions (e.g., no reported information may identify a specific individual, reporting of performance management results must align to DCIPS rating descriptors vice numeric scores with decimals).
- Components must provide OUSD(I) with an advance copy of the information to be provided to the workforce for review. The information provided to HCMO may be in the form of PowerPoint slides, screen shots from the Component website, or other appropriate method.
- As soon as is practical, but no later than **January 18, 2013**, Components will provide the DCIPS PEO with a raw data file, including employee demographics, on performance evaluation and payout results by employee. The DCIPS PEO will conduct an analysis which will be shared with each Component's leadership. The DCIPS PEO will also provide Component data to the Office of the Director of National Intelligence in accordance with oversight requirements.

Reporting Monetary Awards and Incentives

- Components with DCIPS positions will report spending on monetary awards granted outside of the pay pool process to the DCIPS PEO to support tracking of Component spending against previous years' spending and against DoD budget guidance.

- Components will provide the following data to HCMO no later than **January 18, 2013**:
 - A report on Component spending on recruitment, retention and relocation incentives for all civilian DCIPS employees (including DISES and DISLs) during calendar year 2012. This report must include spending by occupational series/group and by pay band or grade separated by the type of incentive.
 - A raw data file of deployment incentives granted for all civilian employees (including DISES and DISLs) during calendar year 2013. The file will include the dates of deployment, employee grade and step (or band), employee basic pay (including LMS and TLMS), and all allowances, awards, incentives, and differentials received during the calendar year.
 - A raw data file of monetary awards allocated outside of the pay pool process during the first quarter of FY 2013. The file will include the dates of employee grade and step or band, employee basic pay (including LMS, TLMS, or special salary rate supplement), occupational series/group

Payout Effective Date

- Components are generally expected to make performance-based salary increases, bonus payments, and base pay increase awards effective on the first day of the first pay period in January which is **January 13, 2013**. Exceptions to this date may be requested in writing with a supporting business case for the requested exception.



***Template for Publishing DCIPS Performance Evaluation
and Pay Pool Results to the Workforce***

September 2012



Sample Aggregate Report for Employees

Overall Summary – FY12 Performance Cycle

| | |
|--|----------------|
| Modal Performance Evaluation of Record* | Successful (3) |
| Mean Performance-based Salary Increase (NGA only) | 2.4% |
| Mean Bonus Amount | \$3,200 |
| Percent of Workforce Receiving a Bonus | 49% |
| Percent of Workforce Receiving a DQI or SQI (if applicable)* | 1% |

* DCIPS Quality Increase or Sustained Quality Increase.



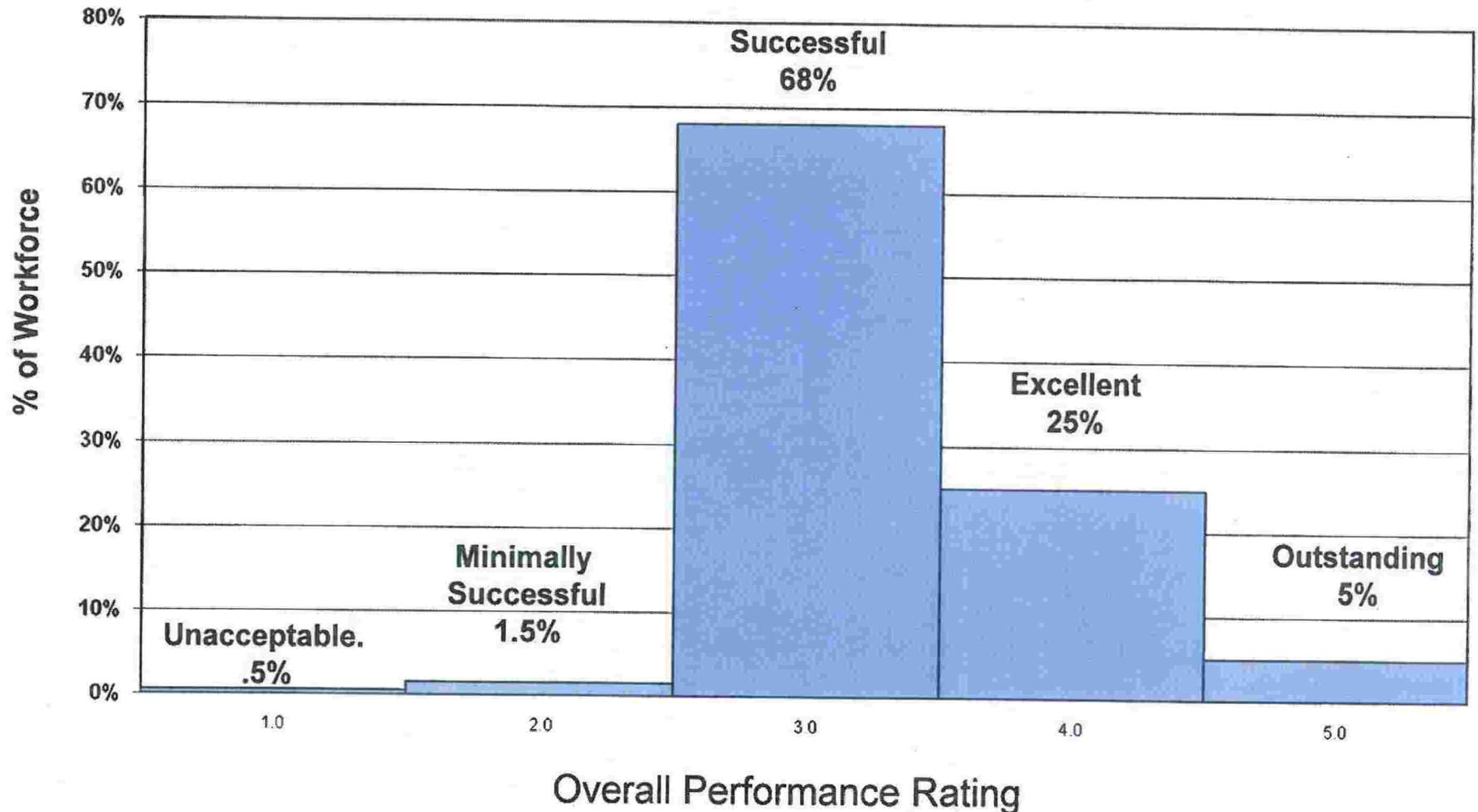
Sample Aggregate Report for Employees

Overall Results by Special Characteristics – FY12 Performance Cycle

| | Number of Employees | Average Bonus Amount |
|---|------------------------|-------------------------|
| Overall Workforce | 3,000 | \$3,200 |
| Employees in Developmental Programs | 120 | \$3,200 |
| Employees on Deployment | 75 | \$3,200 |
| Employees Away on Joint Duty Assignments | 50 | \$3,200 |
| Employees Hosted on Joint Duty Assignments | 36 | \$3,200 |

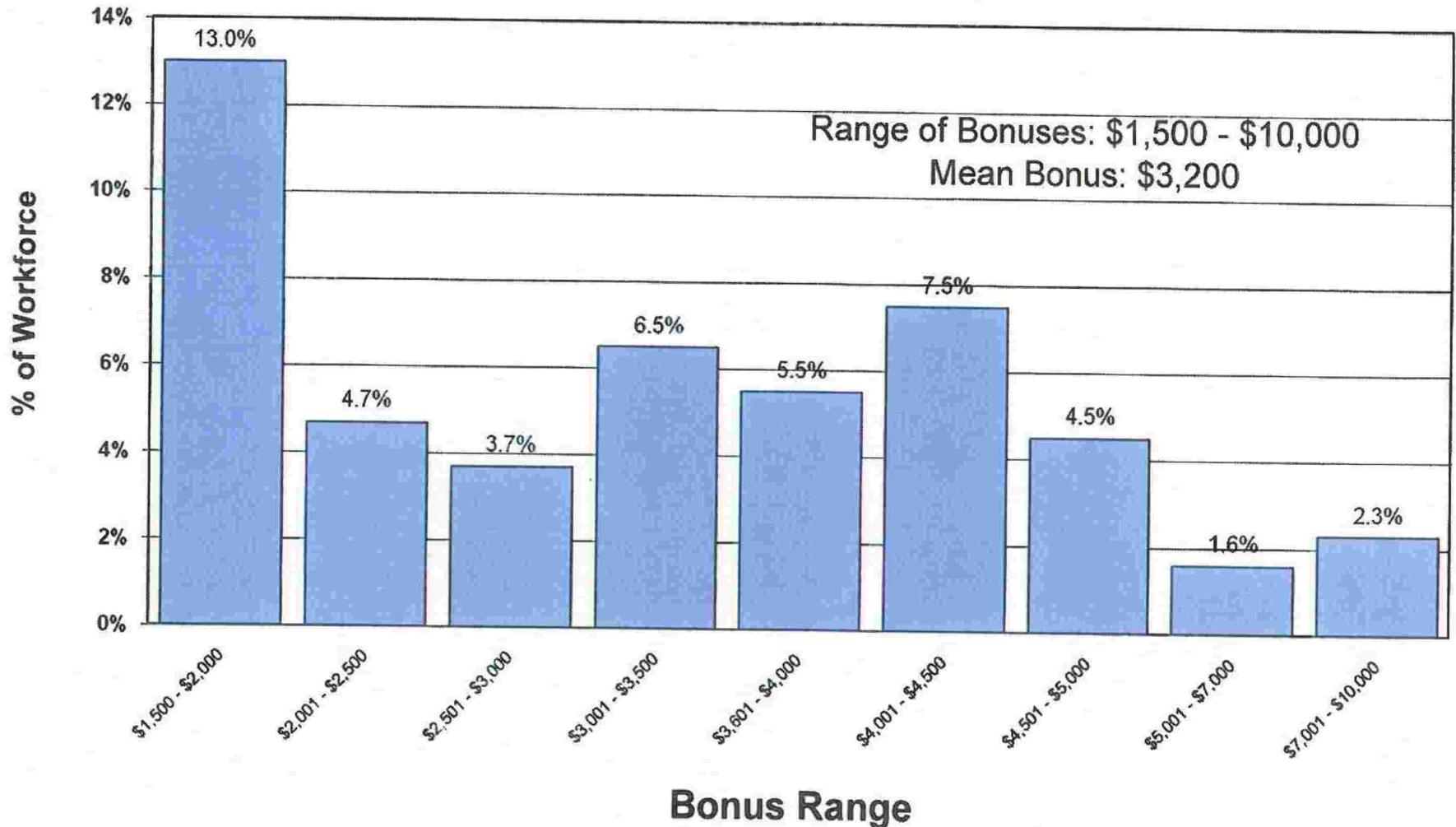
Sample Aggregate Report for Employees

Overall Performance Ratings – FY12 Performance Cycle



Sample Aggregate Report for Employees

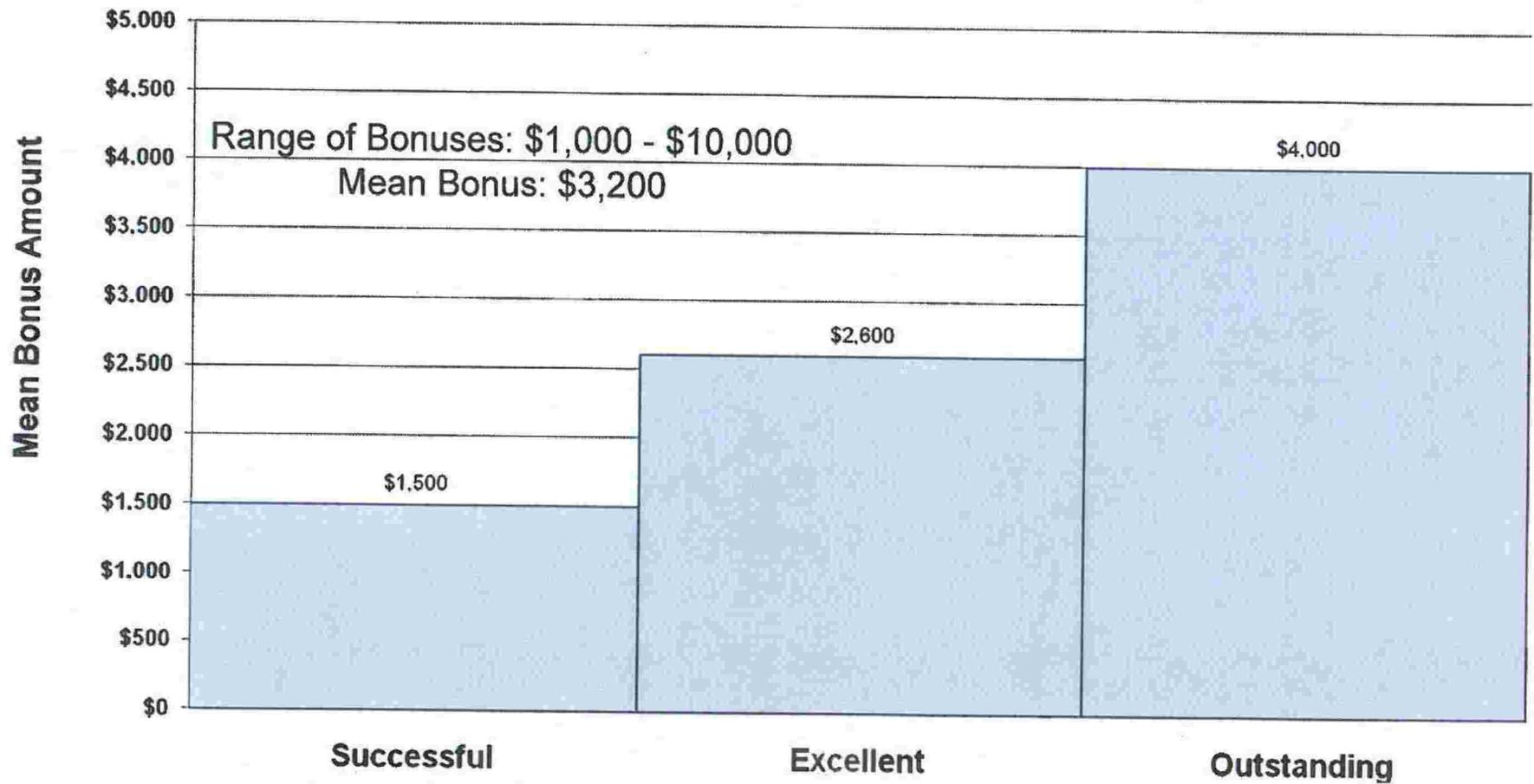
Bonus Amounts Awarded – FY12 Performance Cycle





Sample Aggregate Report for Employees

Average Bonus Amount by Bonus Factor – FY12 Performance Cycle



Performance Evaluation of Record



Sample Aggregate Workforce Data Report for Employees

Overall Results All DCIPS Components *(USD(I) HCMO Will Provide)*

| | Percent of Workforce | Mean Base Salary Increase (NGA only) | Mean Bonus Amount |
|----------------------------------|----------------------|--------------------------------------|-------------------|
| TOTAL WORKFORCE | 100% | 4.60% | \$3,200 |
| GENDER | | | |
| Female | 50% | 4.60% | \$3,200 |
| Male | 50% | 4.60% | \$3,200 |
| RACE | | | |
| White | 12.5% | 4.60% | \$3,200 |
| Black / African American | 12.5% | 4.60% | \$3,200 |
| Asian | 12.5% | 4.60% | \$3,200 |
| American Indian/Alaskan Native | 12.5% | 4.60% | \$3,200 |
| Native Hawaiian/Pacific Islander | 12.5% | 4.60% | \$3,200 |
| Multiracial | 12.5% | 4.60% | \$3,200 |
| Identity Pending | 12.5% | 4.60% | \$3,200 |
| Unspecified | 12.5% | 4.60% | \$3,200 |



Sample Aggregate Workforce Data Report for Employees

Overall Results All DCIPS Components *(USD(I) HCMO Will Provide)*

| | Percent of Workforce | Mean Base Salary Increase (NGA only)* | Mean Bonus Amount |
|--------------------------|----------------------|---------------------------------------|-------------------|
| ETHNICITY | | | |
| Non-Hispanic | 33.33% | 4.60% | \$3,200 |
| Hispanic | 33.33% | 4.60% | \$3,200 |
| Identity Pending | 33.3% | 4.60% | \$3,200 |
| AGE GROUP | | | |
| Under 40 Yrs of Age | 50% | 4.60% | \$3,200 |
| 40 Yrs of Age and Over | 50% | 4.60% | \$3,200 |
| DISABILITY STATUS | | | |
| No Disability | 50% | 4.60% | \$3,200 |
| Disability | 50% | 4.60% | \$3,200 |
| Targeted Disability** | 10%** | 4.60% | \$3,200 |
| VETERANS' STATUS | | | |
| Veteran | 50% | 4.60% | \$3,200 |
| Non-Veteran | 50% | 4.60% | \$3,200 |

* "Targeted disability" is a subset of "Disability" category