



Department of Defense INSTRUCTION

NUMBER 1400.25, Volume 2006

March 3, 2012

Incorporating Change 3, Effective July 6, 2020

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 DoD.

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. Hereinafter the 2000 Volume series of this Instruction shall be referred to as “the DCIPS Volumes.”

(2) This Volume. This Volume:

(a) Reissues DoD Instruction 1400.25-V2006 (Reference (e)) and, in accordance with Intelligence Community Directive Number 653 (Reference (f)), 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.

(b) Incorporates changes resulting from Title XIX, Subtitle B of Public Law 111-84 (Reference (g)).

2. APPLICABILITY

a. This Volume 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 DoD that employ individuals under DCIPS, hereinafter referred to collectively as the “DoD Components with DCIPS positions.”

b. This Volume does not apply to employees covered by the Federal Wage System or equivalent, non-appropriated fund employees, or foreign national employees employed under other than DCIPS authority. It does not apply to members of the Defense Intelligence Senior Executive Service (DISES) or the Defense Intelligence Senior Level (DISL), or other experts (e.g., highly qualified experts) who work at the DISES or DISL level, unless specifically addressed in other Volumes of this Instruction.

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 to by DoD.

b. Provide for the appropriate exchange of compensation information with 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 (h)).

5. RESPONSIBILITIES. See Enclosure 2.

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

7. **RELEASABILITY. Cleared for public release.** This volume is available on the Directives Division Website at <https://www.esd.whs.mil/DD>.

8. **SUMMARY OF CHANGE 3.** The changes to this issuance:

a. Update information regarding performance-based delay of within-grade increases for DoD civilian personnel to comply with Section 1106 of Public Law 114-92 (Reference (o)) in accordance with the direction in the June 23, 2020 Deputy Secretary of Defense memorandum (Reference (p)).

b. Update the title of the Under Secretary of Defense for Intelligence and Security in accordance with Public Law 116-92 (Reference (q)).

9. **EFFECTIVE DATE**

a. This Volume is effective March 3, 2012.

b. Change 2 to this Volume is effective December 29, 2015, pursuant to section 1613 of Reference (i).

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Enclosures

1. References
2. Responsibilities
3. DCIPS Compensation Administration Procedures

Glossary

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ENCLOSURE 1

REFERENCES

- (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&S)),” October 24, 2014, as amended
- (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, as amended
- (e) DoD Instruction 1400.25-V2006, “DoD Civilian Personnel Management System: Defense Intelligence Personnel System (DCIPS) Compensation Administration,” April 22, 2010, as amended (hereby cancelled)
- (f) Intelligence Community Directive Number 653, “Pay-Setting and Administration for the Intelligence Community Civilian Workforce,” May 14, 2008¹
- (g) Title XIX, Subtitle B of Public Law 111-84, “National Defense Authorization Act for Fiscal Year 2010,” October 28, 2009
- (h) Section 2301 and chapters 53, 55, 57, and 59 of title 5, United States Code
- (i) Sections 1596, and 1601-1614 of title 10, United States Code
- (j) Parts 530 to 591, title 5, Code of Federal Regulations
- (k) Department of State Standardized Regulations, current version²
- (l) Section 201 et. seq. of title 29, United States Code (also known as “The Fair Labor Standards Act, as amended”)
- (m) Quadrennial Defense Review Report, March 4, 2014³
- (n) Director of National Intelligence, “The National Intelligence Strategy of the United States of America,” September 18, 2014⁴
- (o) Public Law 114-92, “National Defense Authorization Act for Fiscal Year 2016,” November 25, 2015
- (p) Deputy Secretary of Defense Memorandum, “Performance-based Delay of Within-Grade Increases for Department of Defense Civilian Personnel,” June 23, 2020
- (q) Public Law 116-92, “National Defense Authorization Act for Fiscal Year 2020,” December 20, 2019

¹ Available through the Internet at <http://www.dni.gov/index.php/intelligence-community/ic-policies-reports/intelligence-community-directives>

² Available through the Internet at http://aoprals.state.gov/content.asp?content_id=231&menu_id=81

³ Available through the Internet at http://www.defense.gov/Portals/1/Documents/pubs/2014_Quadrennial_Defense_Review.pdf

⁴ Available through the Internet at http://www.dni.gov/files/documents/2014_NIS_Publication.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 and Security (USD(I&S)), 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), that the DIHRB considers business cases for DCIPS compensation policy or changes to existing policy and advises the USD(I&S) of its positions and recommendations.

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

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

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

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

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 5 broad pay bands (for those organizations operating under the DCIPS banded structure), and 15 grades (for those organizations operating under the DCIPS graded structure), 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 title 10, U.S.C. (Reference (i)), the USD(I&S), in conjunction with the USD(P&R), shall establish DCIPS pay band rate ranges and graded pay schedules 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 for other appropriate DoD human resources systems.

a. DCIPS positions shall be assigned to the DCIPS occupational structure in accordance with Volume 2007 of this Instruction.

b. DCIPS pay band and grade rate ranges will correspond to the rate ranges for the GS-equivalent GG grades extended by the value of two steps pursuant to authorities granted in sections 1601 and 1602 of Reference (i). The pay band and grade rate ranges will correspond to work levels defined in Volume 2007 of this Instruction.

c. When GS pay rates are adjusted based on an Executive order or by an act of Congress, DCIPS grade rate ranges and pay bands will be adjusted automatically based on the applied percentage derived from the updated GS rates to ensure consistency among GS and DCIPS. Employees in organizations operating under the DCIPS banded structure may be precluded from receiving a base pay increase due to poor performance as specified in Volume 2012 of this Instruction.

d. Base pay rate ranges adjusted in accordance with paragraph 2.c. of this enclosure will be effective the first full pay period beginning in January of each year. New or revised base pay ranges may also be issued with effective dates other than January, with the USD(I&S) 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 base pay rate ranges or pay structures.

3. LOCAL MARKET SUPPLEMENT (LMS). Pay band and grade rate ranges will be adjusted by LMSs that reflect the difference between the DCIPS base rate structure and the competitive

requirements for the labor market in the DCIPS locality area. LMS rates will be set in accordance with section 1603 of Reference (i), 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&S), in conjunction with the USD(P&R). LMS rates are based on the location of the employee's official worksite as documented on the employee's Notification of Personnel Action (Standard Form 50 or equivalent).

a. LMS rates will be set based on rates established for the GS pay system pursuant to Reference (h), but will be determined separately from these rates.

b. LMSs will be established as additions to the DCIPS base rate for pay bands and grades, and will be considered basic pay for computation of all entitlements. LMS areas correspond to the Office of Personnel Management (OPM) locality pay areas, unless otherwise identified.

c. Additional or modified local market areas may be established by the USD(I&S), in conjunction with the USD(P&R), where a mission-based business case exists.

d. LMSs will be granted to employees otherwise eligible on the effective date of their permanent assignment to a specific locality area qualifying for an LMS. The LMS will be computed as a percentage of pay added to their base pay rate. Eligibility for a particular LMS rate ends on the date before permanent assignment out of that particular local market rate area. Assignment to a new local market area will normally begin on the first day of a new pay period.

e. The USD(I&S), in conjunction with the USD(P&R), may increase or decrease LMSs at any time in response to mission requirements. Regardless of the supplement authorized by this paragraph, an employee's adjusted basic pay may not exceed the rate for Level IV of the Executive Schedule. The LMS for the employee shall be reduced as necessary to comply with this limitation.

f. When GS locality rates are adjusted based on an Executive order or by an act of Congress, corresponding DCIPS LMS rates based on GS locality rates will be adjusted automatically by the same percentage as the GS locality rates. Adjustments to DCIPS LMS rates based on GS locality rates will be effective the first full pay period beginning in January of each year. Any adjustments to LMS rates that have been created in accordance with paragraph 3.c. of this enclosure must be approved by the USD(I&S), in conjunction with the USD(P&R).

g. When an LMS is increased or decreased as a result of the annual market analysis or for other reasons (e.g., Executive order), the adjustment applies to all employees receiving the supplement regardless of current performance evaluation 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 an LMS. 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 LMS unless the employee is authorized to receive relocation expenses by chapter 57 of Reference (h) in conjunction with a temporary change of station.

4. TARGETED LOCAL MARKET SUPPLEMENT (TLMS). TLMS is a type of local market supplement that may be implemented within the DCIPS pay band and grade structure in appropriate circumstances. TLMSs are established following the same principles as the LMSs in section 3 of this enclosure. However, TLMSs 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 work levels, inclusive of the grades included in the work level(s). They are established in response to labor market conditions that are not fully addressed by the DCIPS pay band or grade rate ranges and LMSs. These TLMSs shall be established as additions to the standard DCIPS pay band and grade rate ranges.

a. The USD(I&S) may, in conjunction with the USD(P&R), set, modify, or eliminate, as needed, a TLMS. In determining the amount of the TLMS, mission staffing challenges, labor market conditions, availability of funds, and comparability with similarly-situated employees of the DoD and other Federal agencies, and any other relevant factors shall be considered.

b. Components operating under other market-based pay practices at the effective date of this regulation will be granted exceptions to continue with their current practices until a review and analysis of requirements is completed and a phased-in TLMS implementation plan is developed. The implementation plan will be approved by the USD(I&S) based on assessment of mission impact by the head of the affected component and DoD and Government-wide equity considerations.

c. TLMSs may not be paid in addition to an LMS. TLMSs include consideration of the total market situation with regard to the targeted situation.

d. DoD Components with DCIPS positions assigned to foreign locations are authorized to pay a common TLMS tied to the Washington-Baltimore-Northern Virginia, DC-MD-PA-VA-WV locality rate or LMS rate. This provision may be subject to such limitations as may be established by statute or changes made by the USD(I&S). This provision requires that Defense Intelligence Components 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 outside the contiguous United States locations.

e. Decrease in the amount or termination of a TLMS is not an adverse action.

f. TLMSs will be established as additions to the DCIPS base rate for pay bands and grades, and will be considered basic pay for computation of all entitlements. TLMS areas correspond to the OPM locality pay areas, unless otherwise identified.

g. Procedures for adjusting individual employee pay when a TLMS is increased or decreased, or when an employee is assigned to a different geographic area, will be handled in accordance with those established for LMSs in paragraphs 3.f., 3.g., and 3.h of this enclosure.

h. When GS locality pay rates are adjusted based on an Executive order or by an act of Congress, any TLMS rate that is directly linked to a specific DCIPS local market area corresponding to a GS locality pay area, such as that described in paragraph 4.d. of this enclosure, will be adjusted automatically by the same percentage as the GS locality rates. Such TLMS rates will be effective the first full pay period beginning in January of each year.

5. ESTABLISHMENT OF ADDITIONAL MARKET-BASED COMPENSATION RATE RANGES. If labor market conditions warrant, the USD(I&S), in conjunction with the USD(P&R), may establish new DCIPS base compensation rate ranges applicable to specific components, locations, occupational groups, or specialties. Generally, such action will be taken only when it has been demonstrated that other flexibilities within DCIPS policy are no longer sufficient 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 or retention issues regarding the targeted occupational or specialty groups, and supporting evidence that other actions within the existing DCIPS policy framework, including recruitment, relocation, and retention incentives are insufficient to ensure successful maintenance of the required workforce.

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

b. All policies regarding LMSs, TLMSs, 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 and at the band or grade 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 particular rate range. Employees on DCIPS indefinite pay retention will remain on pay retention unless the employee's basic pay falls within the base pay band or grade ranges of the new rate range plus any applicable LMS or TLMS. 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, LMSs, or TLMSs. Under DCIPS, an additional flexibility is available to address more subtle market pressures. This is the variable control point.

a. Variable Control Point. For those organizations operating under the DCIPS banded structure, or for progression within work levels for those organizations operating under the DCIPS graded structure, it may be appropriate, in certain circumstances, to establish control points that are above or below the midpoint of the work level. These control points are appropriate when market rates for a specific occupation or occupational specialty, or work level(s) within that occupation or occupational specialty, differ significantly from those other occupations assigned to the work level. In such situations, the establishment of variable control points may be used to accelerate or moderate the rate of increase within the work level for the affected occupations sufficiently to preclude the need for additional TLMSs 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 or pay band, and official worksite. Control points in a graded structure shall be set to a specific grade within a work level, rather than a specific salary within the pay range associated with the work level.

b. Establishing Variable Control Points. The DoD Components with DCIPS positions may submit requests to establish variable control points to the USD(I&S). 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, specialties, or locations. The USD(I&S) 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, specialties, or locations.

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

d. Adjusting or Terminating Variable Control Points. Variable control points are established for a period of 1 year. Absent an action by the USD(I&S) to continue or modify an individual control point other than the standard range midpoint for pay bands, 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&S) will determine to continue, adjust, or terminate those control points in response to appropriate market analysis.

7. DETERMINING THE OFFICIAL WORKSITE. Implementation of some of the tools for maintaining compensation market competitiveness requires establishment of an official worksite for the employee.

a. 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 Component must document the employee's official worksite on Standard Form 50 (or equivalent) (located at DoD Forms Management Program Website at <https://www.gsa.gov/forms-library/notification-personnel-action>).

b. For an employee serving on a Joint Duty Assignment (JDA) or other rotational assignment, the official worksite is the location where the employee regularly performs work associated with the JDA. Documentation of rotational assignments such as JDAs will be accomplished in accordance with law and standard DoD Component practices.

c. 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 paragraph 7.a. 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.

8. BASE COMPENSATION LIMITATION. The DCIPS base compensation rate ranges, and any associated supplements that are included as basic pay for retirement and other benefit determinations, will comply with Federal compensation guidelines on compensation limitations contained in Reference (h).

9. OFFERS OF COMPENSATION FOR DCIPS POSITIONS. Compensation offers once made generally may not be reduced by the offering component, subject to requirements and budget still existing for the position and the applicant meeting all conditions of employment. Offers of employment are addressed in Volume 2005 of this Instruction.

10. SETTING PAY WITHIN DCIPS

a. Setting Pay - General. Pay for DCIPS positions will generally be set between the minimum and step 10 of the applicable GG grade for organizations operating under the DCIPS graded structure, or between the band minimum and the rate that is equivalent to the step 10 rate for organizations operating under the DCIPS banded structure. – On initial appointment to a

DCIPS position from a Federal position not covered by DCIPS, DoD Components may set pay higher than the step 10 rate or equivalent pay band rate, but not higher than the maximum for the DCIPS rate range or grade, when such rate is necessary because the losing entity has authority to pay rates higher than those authorized for the DCIPS position to which the appointment is being made. USD(I&S) authorization is required for each such appointment.

b. Setting Pay on Initial DCIPS Appointment From Outside of the Federal Service

(1) Newly-appointed DCIPS employees from outside of the Federal service shall be placed within the appropriate pay band (for those organizations operating under the DCIPS banded structure) or work level and grade (for those organizations operating under the DCIPS graded structure) based on the occupational structure set forth in Volume 2007 of this Instruction. Discretionary considerations may also include:

- (a) Previous salary received for work in a similar occupation or specialty;
- (b) Consideration of the individual's highest previous rate if a former Federal Government employee; or
- (c) Qualifying work or educational experience applicable to the work category, occupation or specialty, work level, band (for organizations operating under the DCIPS banded structure) or grade (for organizations operating under the DCIPS graded structure), and job title of work to be assigned.

(2) For those organizations operating under the DCIPS banded structure, initial individual salaries may be set anywhere between the band minimum and the rate equivalent to step 10 of the highest equivalent GG grade in the DCIPS graded structure, but are normally set at or below the midpoint of the band.

(3) For those organizations operating under the DCIPS graded structure, initial individual salaries generally are set to the work level and grade that most appropriately represents the individual's experience. Once the appropriate grade within the work level is determined salary is determined. Salary offers may not exceed step 10 of the grade, but generally are set at or below step 5 of the grade.

(4) 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 guidelines established by the applicable DoD Component with DCIPS positions in accordance with paragraph 10.c. of this enclosure.

(5) Initial salary offers will be established from a total compensation perspective considering the combined DCIPS base compensation and any available LMSs or TLMSs.

c. Setting Pay on Initial Appointment to a DCIPS Position from the Federal Service Outside of the DoD or from the Federal Service Outside of the Intelligence Community (IC)

(1) Newly-appointed DCIPS employees from the Federal service outside of the DoD or from the Federal service outside of the IC shall be placed within the appropriate work category, work level, and pay band (for those organizations operating under the DCIPS banded structure) or work category, work level and grade (for those organizations operating under the DCIPS graded structure) based on the occupational structure set forth in Volume 2007 of this Instruction.

(2) For those organizations operating under the DCIPS banded structure, except as provided under paragraph 10.a. of this enclosure, initial individual salaries may be set anywhere between the band minimum and the rate equivalent to step 10 of the highest GG grade in the DCIPS graded structure but are normally set at or below the midpoint of the band.

(a) For those employees 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 the DCIPS appointment. If a buy-in of the within-grade increase (WGI) is authorized, the employee's current base pay rate will be adjusted for the pro-rata share of their next WGI earned as of the date of DCIPS appointment. 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 appointment computation purposes shall be adjusted in accordance with the requirements in part 531 of title 5, Code of Federal Regulations (Reference (j)) 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 appointment to establish the initial salary rate under DCIPS. Employees at step 10 or higher of their GS grade at the time of DCIPS appointment shall not be eligible for a buy-in adjustment of base pay. Payment of a WGI buy-in resets the employee's date of last equivalent increase.

(b) Employees under a non-DCIPS pay banded system on the date of appointment into a DCIPS pay banded position who do not have WGI eligibility under their current system are not eligible for a WGI buy-in upon DCIPS appointment.

(c) For those employees whose appointment is a promotion, pay setting will be accomplished as noted in subparagraph 10.g.(1) of this enclosure.

(3) For those organizations operating under the DCIPS graded structure, there is no change in salary upon assignment to a DCIPS position for those employees whose appointment from the GS to the DCIPS graded structure is determined to be a lateral movement except as provided under paragraph 10.a. of this enclosure.

d. Establishing Guidelines for New Appointment Salary Setting. The Heads of the DoD Components with DCIPS positions shall establish pay setting guidelines for new DCIPS appointments in coordination with the USD(I&S). 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, band (for organizations

operating under the DCIPS banded structure) or grade (for organizations operating under the DCIPS graded structure), 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 band (for organizations operating under the DCIPS banded structure) or grade (for organizations operating under the DCIPS graded structure) 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, or above step 5 of the grade for employees new to Federal Government, 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.

e. 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 for DCIPS positions from other DoD Components or the IC. Pay-setting practices for DoD and IC employees shall comply with DCIPS policy as set forth in paragraph 10.c. of this enclosure except that:

(1) When an employee is assigned from another pay banded system to a DCIPS pay band and the two pay 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. If the employee is not otherwise eligible for a pay increase in either system upon DCIPS appointment, 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 placed into a DCIPS pay banded position, consideration in determining the appropriate DCIPS salary may be given to:

(a) Time completed toward a WGI under the GS or equivalent pay system.

(b) A documented career ladder promotion expectation.

(c) The employee's highest previous salary rate if a former Federal employee.

(3) For GS or equivalent employees assigned to a DCIPS pay banded component, 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 subparagraph 10.c.(2)(a) of this enclosure shall be applied to determine the amount of any such increase in salary.

(4) For GS or equivalent employees whose appointment to the DCIPS graded structure is determined to be a lateral movement, there is no change in salary upon assignment to a DCIPS position from the DoD or IC except as provided under paragraph 10.a. of this enclosure.

(5) For former National Security Personnel System (NSPS) employees who were placed on retained pay as a result of conversion out of NSPS, who have not otherwise lost eligibility for pay retention, will retain their pay retention status on appointment into DCIPS if the retained rate of pay cannot otherwise be accommodated within the DCIPS work level and grade to which the employee is appointed.

f. Setting Pay Upon Lateral Transfer Within and Between DoD Components With DCIPS Positions. DCIPS employees who accept a position, or are directed to move without a break in service, within the DoD Components with DCIPS positions, through competitive or non-competitive processes in accordance with Volume 2005 of this Instruction, will be moved at their current base salary as of the effective date of the move. Employees on retained pay laterally reassigning keep the retained pay rate.

(1) For an employee moving from an organization operating under the DCIPS banded structure to an organization operating under the DCIPS graded structure, the salary will be aligned to the closest step of the new grade that is not less than the employee's current salary, not to exceed step 10 of the new grade. If the employee's current salary in the DCIPS banded structure is over the step 10 rate of the applicable GG grade in the DCIPS graded structure, the employee will be transferred at their current rate of pay, to include a retained rate.

(2) For an employee moving from an organization operating under the DCIPS graded structure to an organization operating under the DCIPS banded structure, a WGI buy-in shall be offered as part of the salary negotiation process provided the employee is not currently at or above step 10 of their grade. The procedures in subparagraph 10.c.(2)(a) of this enclosure shall be applied to determine the amount of any such increase in salary.

(3) Employees who move from an organization operating under the DCIPS graded structure into a DCIPS organization operating under the DCIPS banded structure will be eligible for consideration in the gaining organization's pay pool process, in accordance with Volume 2012 of this Instruction.

(4) When an employee transfers from an organization operating under the DCIPS banded structure to another organization operating under the DCIPS graded structure, and the timing of the transfer will make the employee ineligible for a within-band developmental salary increase or performance-based salary increase for which they would otherwise have been eligible, the gaining DoD Component may, in consultation with the losing Component, adjust the employee's salary on the effective date of the transfer by an amount not greater than that which would have been received as a developmental salary increase or the expected performance-based salary increase. The new salary must align to a specific grade and step.

g. Setting Pay Upon Promotion for Movements Within and Between DoD Components with DCIPS Positions. A promotion occurs when an employee moves to a higher pay band or grade within the DCIPS compensation structure either within his or her current DoD Component with DCIPS positions or to another DoD Component with DCIPS positions.

(1) Promotion to a Position in the DCIPS Banded Structure

(a) Upon the effective date of the promotion, an employee promoted to the next higher pay band, or promoted into a pay banded position, will receive a base pay increase of 6 percent of the base pay rate, or the minimum rate of the pay band to which the employee is being promoted, whichever is greater. In no case will an employee's rate of base pay be set higher than the rate equivalent to step 10 of the highest equivalent GG grade in the DCIPS graded structure.

(b) Promotions for employees under pay retention will be treated in the same manner as subparagraph 10.g.(1)(a) of this enclosure.

(2) Promotion Within the DCIPS Graded Structure

(a) Upon the effective date of the promotion, an employee promoted to the next higher grade will have their base pay increase calculated as equivalent to two steps in the employee's current grade aligned to the next highest step of the new grade, or the minimum rate for the grade to which the employee is being promoted, whichever is greater. In no case will an employee's rate of base pay be set higher than step 10 of the grade.

(b) Upon the effective date of the promotion, an employee promoted from a position in the DCIPS banded structure to a position in the DCIPS graded structure will receive an increase of 6 percent to their current base pay, aligned to the next highest step of the new grade, or the minimum rate for the grade to which the employee is being promoted, whichever is greater. In no case will an employee's rate of base pay be set higher than step 10 of the grade.

(c) When an employee under pay retention is promoted, he or she is entitled to the greater of basic pay at the lowest rate of the higher grade which exceeds the maximum rate (the equivalent of step 12) of the grade from which promoted by not less than two step increases of that grade; or his or her existing retained rate.

(d) If the employee's existing retained rate is the greater amount, the retained rate must be compared to the rate range of the position after promotion and the employee is entitled to the lowest step rate in the range that equals or exceeds the retained rate. If the retained rate exceeds the maximum of the rate range (the equivalent of step 12) after promotion, the employee is entitled to the retained rate.

h. Geographic Adjustment. When setting pay upon lateral transfer, reassignment, or promotion that involves a change in work location to a geographic area with a higher or lower LMS or TLMS rate, the previous LMS or TLMS rate shall cease to apply, and the new LMS or TLMS rate shall apply upon the effective date of the action.

11. ADVANCEMENT THROUGH THE RATE RANGE

a. Advancement Within the DCIPS Banded Structure. Employees will progress through the pay band structure 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.

b. Advancement Within the DCIPS Graded Structure

(1) Employees with an evaluation of record of “successful” or above in the DCIPS graded structure will advance through the steps of their grade in accordance with the provisions of 531 subpart D of Reference (j), except that no employee will advance beyond step 10 of his or her grade except in accordance with procedures for granting awards resulting in salary increases contained in Volume 2008 of this Instruction.

(2) If, at any point in a rating period, the employee is deemed by the rating official to be performing at a level of “Minimally Successful” or “Unacceptable,” then the employee will be issued a performance evaluation documenting the minimally successful or unacceptable performance in accordance with instructions contained in Enclosure 6 to Volume 2011 of this Instruction. Time while performing at a “Minimally Successful” or “Unacceptable” level will not be creditable toward the waiting period for the next within-grade increase.

(3) Employees within the DCIPS graded structure who are granted increases beyond step 10 of the pay grade (in accordance with Volume 2008 of this Instruction), or who are placed there through other means (such as setting pay at competitive rates in accordance with paragraph 10.a. of this enclosure) are not considered to be on pay retention.

c. Advancement Between Grades Included in a DCIPS Work Level in the DCIPS Graded Structure. DCIPS employees assigned to a grade within a work level will be advanced between grades in that work level in accordance with procedures detailed in subparagraph 10.g.(2) of this enclosure and Volume 2005 of this Instruction.

d. Employees in Developmental Programs. Employees in developmental programs will advance through the Entry/Developmental grades (or the Entry/Developmental pay band) in accordance with rules established at the DoD Component level, and in accordance with Volume 2005 of this Instruction.

(1) Developmental progression terminates in the Full Performance level once the employee has reached the termination point designated by the DoD Component with DCIPS positions.

(2) Employees may not be placed into a developmental progression program if hired into the position at the Full Performance level.

12. VOLUNTARY REDUCTION TO A LOWER PAY BAND OR GRADE

a. 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 will be set at his or her current rate, or the maximum rate for the new pay band if the current salary exceeds that new pay band. If an employee is placed in a lower pay band without a reduction in pay, or a reduction in pay of less than 6 percent in a banded system and is later promoted back to the higher band, the component will determine if there will be any salary increase associated with the promotion.

b. Voluntary Reduction to a Lower Grade. When an employee voluntarily requests and is approved to move to a lower grade, the employee's rate of pay in the new grade will be set at his or her current rate, except that for those employees whose current rate does not align directly with a step at the new grade, management will match the employee's current salary in the lower grade by rounding up to the next step. For those employees whose salary exceeds step 10 of the new grade, their pay will be set at that rate, not to exceed the equivalent of step 12 of the new grade. If an employee is placed in a lower pay grade without a reduction in pay, or a reduction in pay of less than the equivalent of 2 steps, and is later promoted back to the grade, the component will determine if there will be any salary increase associated with the promotion.

c. Pay Retention. Pay retention is not authorized under a voluntary reduction to a lower pay band or a lower grade.

13. INVOLUNTARY REDUCTION TO A LOWER PAY BAND OR GRADE

a. As a Result of Adverse Action. When an employee is involuntarily moved to a lower pay band (for those organizations operating under the DCIPS banded structure) or grade (for those organizations operating under the DCIPS graded structure) 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 supplemental guidance established by the DoD Component with DCIPS positions. The employee's base pay may be reduced to an amount not less than the minimum for the pay band or grade. In no case may the employee's salary exceed the maximum for the pay band or the equivalent of step 12 of the grade. Salaries below the step 10 rate of the new grade must be aligned to an actual step. 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 or grade through adverse action procedures.

b. As a Result of Adjustment-in-Force (AIF). When an employee is involuntarily moved to a lower pay band or grade 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 or the equivalent of step 12 of the grade, he or she shall be entitled to indefinite pay retention. If the employee's banded salary at the time of the reduction does not exceed the maximum rate for the pay band, he or she shall be entitled to that salary within the band. For those graded employees whose salary does not exceed step 10 of the new grade, his or her salary will be aligned to the closest step of the new grade that is not less

than the employee's current salary, not to exceed step 10 of the new grade. For those graded employees whose salary exceeds step 10 of the new grade, his or her salary may be set at that rate, not to exceed the equivalent of step 12 of the new grade. If an employee is separated as a result of adjustment-in-force and rehired as a result of a DCIPS Retention Program placement that was in process at the time the employee was separated, the employee's pay will be set at his or her rate of pay immediately prior to their separation.

c. As a Result of Management-directed Action. When an employee agrees to a reduction to a lower pay band or grade 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 or the equivalent of step 12 of the grade, he or she shall be entitled to indefinite pay retention. If the employee's banded salary at the time of the reduction does not exceed the maximum rate for the pay band, he or she shall be entitled to that salary within the band. For those graded employees whose salary does not exceed step 10 of the new grade, his or her salary will be aligned to the closest step of the new grade that is not less than the employee's current salary, not to exceed step 10 of the new grade. For those graded employees whose salary exceeds step 10 of the new grade, his or her salary may be set at that rate, not to exceed the equivalent of step 12 of the new grade.

14. CHANGE FROM A DISES OR DISL POSITION TO A DCIPS POSITION

a. Voluntary Change 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 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 band position.

b. Voluntary Change to a DCIPS Graded Position. When an employee voluntarily requests and is approved to move to a DCIPS graded position, the employee's rate of pay in the grade may be set at a rate equal to his or her current rate, subject to the maximum limitations set forth in this paragraph. For those employees whose salary does not exceed step 10 of the new grade, the employee's salary will be aligned, under DCIPS policy, to the closest step that does not result in a decrease to the employee's salary, not to exceed step 10 of the new grade. For those employees whose salary exceeds step 10 of the new grade, their pay may be set at that rate, not to exceed the equivalent of step 12 of the new grade. Pay retention is not authorized under a voluntary change from a DISES or DISL position to a DCIPS graded position.

c. Involuntary Change to a DCIPS Pay Banded or Graded Position. The pay setting rules of section 13 of this enclosure shall apply to involuntary changes from a DISES or DISL position to a DCIPS pay banded or graded position.

15. 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 DCIPS regulations, and may be eligible for a WGI buy-in in accordance with subparagraph 10.b.(2)(a) of this enclosure.

16. ADJUSTMENT OF RETAINED RATES AND TERMINATION OF PAY RETENTION.

a. When an increase to an employee's pay schedule is authorized, those employees on retained pay who have a current evaluation of record above "unacceptable" shall receive 50 percent of the increase to the maximum rate for the applicable grade or pay band of the employee's schedule to include any applicable LMS or TLMS. The USD(I&S) may authorize alternative methodologies for the adjustment of retained rates to address unique situations.

b. An employee's eligibility for pay retention terminates when any of the conditions are met as described in part 536.308(a) of Reference (j).

17. OTHER COMPENSATION ADMINISTRATION AUTHORITIES AND LIMITATIONS.

Compensation authorities and limitations contained in Reference (f), sections 1601-1614 of Reference (i), the Department of State Standardized Regulations (Reference (k)), and other compensation-related DoD issuances that apply to other than base and locality structure administration and are not otherwise addressed in this Volume, are applicable to covered 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 (h).

(2) Overtime pursuant to the chapter 8, section 201 et. seq. of title 29, U.S.C. (also known as "The Fair Labor Standards Act, as amended" (Reference (l))) in accordance with the work and regional eligibility criteria in sections 1601-1614 of Reference (i).

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

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

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

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

(7) Cost of living allowances the same as authorized by chapter 59 of Reference (h) for non-foreign areas and by part 591 of Reference (j) for foreign areas.

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

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

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

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

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 part 575 of Reference (j). 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 (j) and forward those plans to USD(I&S) for review and approval.

(2) Proposals to offer incentives to categories of employees (e.g., a specific occupation) shall be submitted to the USD(I&S) for review of potential effects on other elements of the Defense Intelligence workforce prior to approval, in addition to the approval noted in section 18 of this enclosure.

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 (f) and other similar payments authorized in section 1603 of Reference (i), excluding back pay due to an unjustified personnel action authorized in chapter 55 of Reference (h) for payments that were due in a previous calendar year; overtime pay authorized in Reference (k) and part 551 of Reference (j); 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 in this Volume as specified by DoD implementing issuances.

(2) Except as provided in subparagraph 17.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) 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 as required by this paragraph shall become available for payment at the beginning of the next calendar year.

(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.

(4) 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 in chapter 53 of Reference (h), 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 (j) may apply, if the employee's new position is subject to part 530 subpart B of Reference (j).

(5) 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 (h).

(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 Payment. Lump-sum leave payments for separating DCIPS employees will be computed in accordance with provisions contained in part 550 of Reference (j).

18. APPROVAL AND OVERSIGHT. The USD(I&S) shall be the approving and oversight official for those actions that are the same as specified in parts 530, 551, and 575 of Reference (j) requiring OPM approval or oversight, and other actions as appropriate.

Appendixes

1. DCIPS Compensation Philosophy
2. DCIPS Occupational Structure Reflecting DCIPS Work Levels: Pay Band and Grade Alignment

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. 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 and Department of Defense 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 (m)), Defense Intelligence guidance, and the National Intelligence Strategy (Reference (n)) 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.

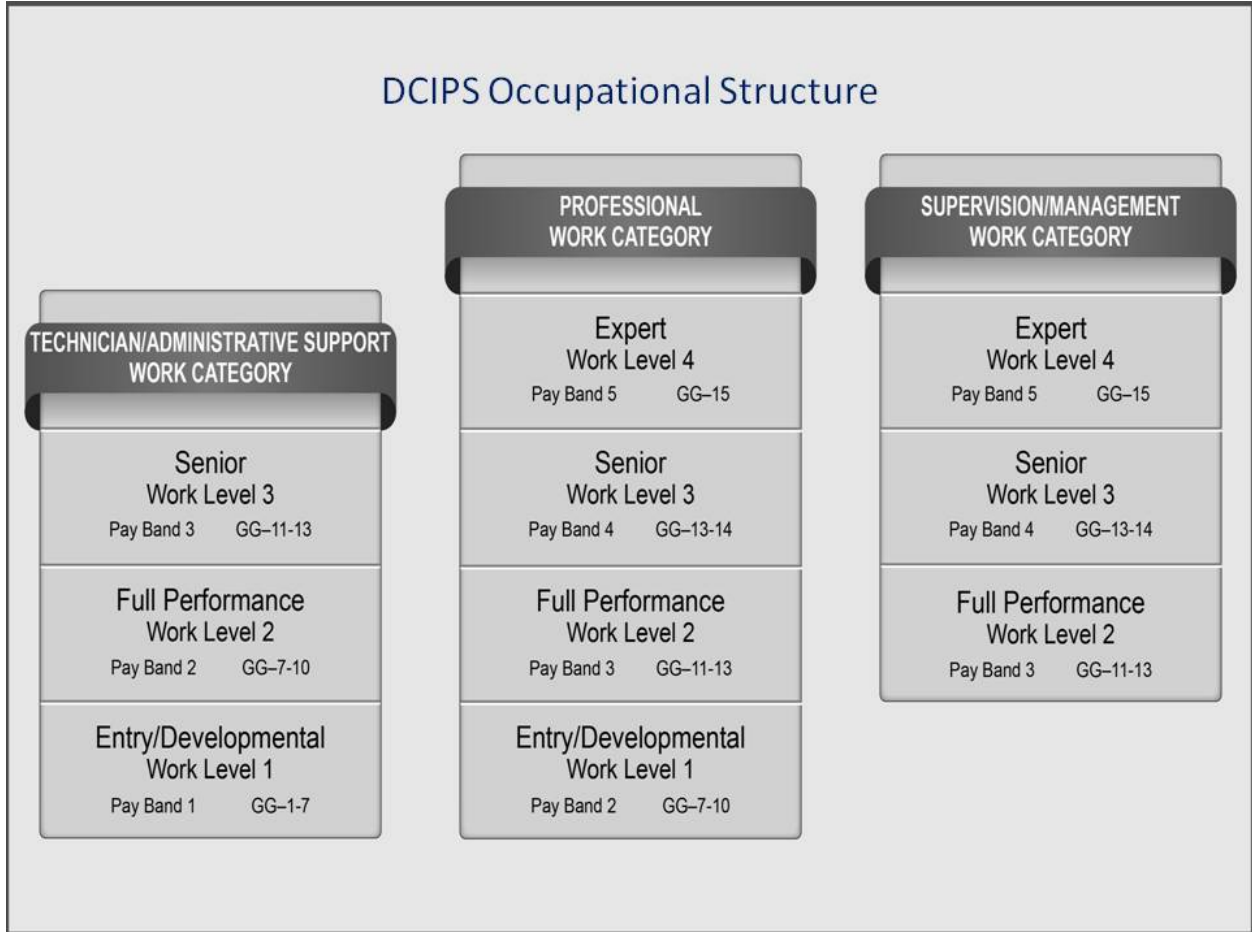
g. Promote a work environment that encourages employee productivity, innovation, and performance excellence through increased satisfaction, commitment, and engagement.

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 AND GRADE ALIGNMENT

Figure. DCIPS Occupational Structure Reflecting DCIPS Work Levels: Pay Band and Grade Alignment



GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

AIF	adjustment-in-force
DCIPS	Defense Civilian Intelligence Personnel System
DIHRB	Defense Intelligence Human Resource Board
DISES	Defense Intelligence Senior Executive Service
DISL	Defense Intelligence Senior Level
DoDD	DoD Directive
GS	general schedule
IC	Intelligence Community
JDA	joint duty assignment
LMS	local market supplement
NSPS	National Security Personnel System
OPM	Office of Personnel Management
TLMS	targeted local market supplement
U.S.C.	United States Code
USD(I&S)	Under Secretary of Defense for Intelligence and Security
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
WGI	within-grade increase

PART II. 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 basic pay. The sum of an employee's personal base pay rate plus any applicable LMS or TLMS.

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

base pay. A rate of pay exclusive of additional pay of any kind such as LMSs or TLMSs.

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.

basic pay. A rate of pay including any applicable LMS or TLMS, and before any deductions and exclusive of additional pay of any other kind.

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.

LMS. 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. This amount generally will correspond to GS locality rates and is considered part of basic compensation. The LMS is considered basic pay for retirement purposes.

maximum pay rate for band or grade. The maximum rate of base pay for a grade is equal to the step 10 rate of the GS base pay schedule, plus two additional steps. The maximum rate of base pay for a DCIPS band is equal to the maximum rate of base pay for the highest DCIPS grade contained within the pay band in accordance with provisions in Volume 2007 of this Instruction.

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 band rate ranges and the applicable labor market.

rate range. A range of rates of basic pay for a pay band or a grade within an established pay schedule, excluding any retained rate. A rate range may consist of base pay rates, LMS rates, TLMS rates, or similar rates under other legal authority.

TLMS. An addition to the base compensation of employees assigned to a specific occupation or locality not appropriately recognized by an LMS. The TLMS is considered basic pay for retirement purposes.