



DoD INSTRUCTION 1400.25, VOLUME 3006

DoD CIVILIAN PERSONNEL MANAGEMENT SYSTEM: CYBER EXCEPTED SERVICE (CES) COMPENSATION ADMINISTRATION

Originating Component: Office of the Under Secretary of Defense for Personnel and Readiness

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Purpose: This instruction is composed of several volumes, each containing its own purpose. In accordance with the authority in DoD Directive (DoDD) 5124.02:

- This instruction establishes and implements policy, establishes procedures, provides guidelines and model programs, delegates authority, and assigns responsibilities regarding civilian personnel management within the DoD.
- This volume:
 - Is part of the 3000 Volume series of this instruction. In accordance with the authority in DoDDs 1400.25, 5124.02, 5144.02, and 8140.01, the 3000 Volumes establish policy, assign responsibilities, and provide guidance for Cyber Excepted Service and are referred to as “the CES Volumes.”
 - Pursuant to Section 1599f of Title 10, United States Code (U.S.C.), establishes the policies, responsibilities, procedures, and delegations for the design and administration of compensation programs in the CES.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY.

a. This issuance 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 the CES, referred to collectively in this issuance as the “DoD Components.”

b. This issuance does **not** apply to:

(1) Employees covered by the Defense Civilian Intelligence Personnel System or the Federal Wage System, or equivalent; non-appropriated fund employees; and foreign national employees employed under authority other than the CES.

(2) Employees in CES-designated cyber positions who declined the voluntary opportunity to convert to the cyber excepted service).

(3) Employees in cyber positions that are not CES-designated.

(4) Employees in Senior Executive Service, senior level, scientific and professional, and equivalent positions, unless specifically addressed in the CES volumes of this instruction.

1.2. POLICY. It is DoD policy that compensation practices for CES-covered employees will:

a. Be competitive to attract and retain a high-quality workforce dedicated to the cyber mission and consistent with practices across DoD.

b. Provide for the appropriate exchange of compensation information with other human resource or financial systems within the DoD Components.

c. Provide a basis for linking awards, performance-based pay increases (for Components operating under an approved pay for performance system), 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, U.S.C.

f. Establish basic rates of pay consistent with other comparable DoD cyber and related positions as prescribed in Section 1599f(b) of Title 10, U.S.C. Such basic rates of pay will comply with the maximum pay limitation of Level IV of the Executive Schedule for basic pay. Supplemental pay to which an employee is otherwise eligible under paragraphs 3.3 or 3.4 will comply with this limitation.

g. Establish additional rates of pay (including incentives and allowances, in addition to basic pay) as prescribed in Section 1599f(c) of Title 10, U.S.C., consistent with, and not in excess of the level authorized for, comparable positions authorized by Title 5. As provided in paragraph 3.15.c, an employee's aggregate compensation during a calendar year will not exceed Level I of the Executive Schedule, unless otherwise permitted by statute or regulation.

SECTION 2: RESPONSIBILITIES

2.1. UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS (USD(P&R)). In conjunction with the DoD Chief Information Officer (DoD CIO) and in coordination with the Under Secretary of Defense for Intelligence (USD(I)), the USD(P&R) establishes and maintains CES covered by this volume.

2.2. USD(I). The USD(I) coordinates on compensation equity issues that cross Defense Cyber and Defense Intelligence interests and makes recommendations to the DoD CIO and the USD(P&R).

2.3. DOD CIO. The DoD CIO oversees the implementation and management of this volume.

2.4. DOD COMPONENT HEADS. The DoD Component heads implement and comply with this Volume.

SECTION 3: CES COMPENSATION ADMINISTRATION PROCEDURES

3.1. GENERAL STRUCTURE. The CES implements a world-wide base compensation structure consistent with the goals and principles of the CES compensation philosophy in Appendix 3A. For CES-covered employees the structure consists of 5 broad pay bands (for those organizations operating under the CES banded structure), and 15 grades (for those organizations operating under the CES graded structure), aligned to labor market factors to enable DoD Components to effectively recruit, develop, and retain a high-quality cyber workforce. The CES will be implemented based on a graded rank-in-position structure. Any DoD Component seeking to transition to a non-graded banded structure or a rank-in-person construct must forward the fully supported mission rationale and proposed implementing guidance, to the USD(P&R) for approval prior to implementation.

3.2. ESTABLISHING BASE GRADED PAY SCHEDULES AND PAY BAND RATE RANGES. Pursuant to Section 1599f (b) of Title 10, U.S.C., the DoD CIO, in conjunction with the USD(P&R), will establish CES base pay schedules and rate ranges based on the General Schedule (GS), other federal schedule adjustments, and appropriate labor market data analyses. The rate ranges established for other appropriate DoD human resources systems will be considered.

a. CES positions will be assigned to the CES occupational structure in accordance with Volume 3007 of this instruction.

b. CES base 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 1599f(a) and 1599f(b) of Title 10, U.S.C. The pay band and grade rate ranges will correspond to work levels defined in Volume 3007 of this instruction.

c. When GS grade rate ranges are adjusted based on an Executive order (E.O.) or by an act of Congress, CES base pay bands and grade rate ranges will be adjusted automatically, consistent with the new GS grade rate ranges.

d. CES base pay bands and grade rate ranges adjusted in accordance with Paragraph 3.2.c. will be effective the first full pay period in January of each year. New or revised base pay rate ranges may also be issued with effective dates other than January, with the DoD CIO's and USD(P&R)'s approval, in response to specific recruitment or retention demands or in other circumstances that would warrant changes to CES base pay schedules and rate ranges or pay structures.

3.3. LOCAL MARKET SUPPLEMENT (LMS). Pay band and grade rate ranges will be adjusted by LMSs that reflect the difference between the CES base rate structure and the competitive requirements for the labor market in the CES locality area. An LMS applies to a geographic area that is identical to an Office of Personnel Management (OPM)-established locality pay area listed in Section 531.603 of Title 5, Code of Federal Regulations (CFR), or a

subdivision of such an area. For any LMS, a uniform percentage supplement applies to all employees officially stationed in a given LMS area- i.e., the same percentage applies in all occupations and at all band or grade levels. LMS rates will be set in accordance with Section 1599f(b) of Title 10, U.S.C., based either on GS locality rates relative to the CES base rate structure, or on targeted labor market analyses conducted in accordance with generally accepted compensation practices and approved by the DoD CIO and the USD(P&R). LMS rates are based on the location of the employee's official worksite as documented on the employee's Standard Form (SF) 50, "Notification of Personnel Action."

a. LMS rates will be based on rates established for the GS pay system pursuant to Section 5304 of Title 5, U.S.C., but will be established separately from these rates.

b. LMSs will be established as additions to the CES base rate for pay bands and grades, and will be considered basic pay for purposes of Section 5304(c)(2)(A) of Title 5, U.S.C and Section 531.610 of Title 5, CFR. When GS locality rates are adjusted based on an E.O. or by an act of Congress, corresponding CES LMS rates will be adjusted automatically with rates equal to the new GS locality rates. Adjustments to CES LMS rates based on GS locality rates will be effective the first full pay period in January of each year.

c. Additional or modified local market areas may be established by the DoD CIO, in conjunction with the USD(P&R) and in coordination with the USD(I), where a mission-based business case exists for redefining the established local market areas in Section 531.603 of Title 5 CFR, into geographical subdivisions. Any adjustments to these additional CES LMS rates will be adjusted by the DoD CIO, in conjunction with the USD(P&R), as appropriate.

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 begin on the effective date of the personnel action..

e. The DoD CIO, in conjunction with the USD(P&R) and in coordination with USD(I), may increase or decrease LMSs at any time in response to mission requirements.

f. When an LMS is increased or decreased as a result of the annual market analysis or for other reasons (e.g., an E.O.), 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 when a reduction in an employee's pay results from a reduction in an LMS. This reduction in an employee's pay will not be an adverse action and will be handled consistent with the provisions in Section 531.611(d), of Title 5, CFR.

g. For an employee who is temporarily assigned to a different local market area, and the official worksite remains unchanged (i.e., the location of the permanent assignment) then there is no change to the LMS unless the employee is authorized to receive relocation expenses under Section 5737 of Title 5, U.S.C., in conjunction with a temporary change of station for a period of not less than six months and not greater than 30 months.

3.4. TARGETED LOCAL MARKET SUPPLEMENT (TLMS). TLMS is a type of local market supplement that may be implemented within the CES pay band and grade structure in appropriate circumstances. TLMSs are established following the same principles as the LMSs in Paragraph 3.3. However, TLMSs may be established for positions in specified local market areas (or worksites) that cross established locality area boundaries. They may also be established for employees in specific occupational categories or specializations that require separate interventions to ensure that qualified employees can be hired and retained in support of the cyber mission. They may cover one or more work levels inclusive of the grades included in the work levels. They are established in response to labor market conditions that are not fully addressed by the CES pay band or grade rate ranges and LMSs. These TLMSs will be established as additions to the standard CES pay band and grade rate ranges.

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

b. DoD Components operating under other market-based pay practices on the effective date of this volume 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 DoD CIO in coordination with the USD(P&R) based on assessment of mission impact by the head of the affected component and DoD and government-wide equity considerations.

c. A TLMS 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 CES 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 (LMS), or another established DoD or Component-specific TLMS that has been approved by DoD CIO and USD(P&R). A TLMS may be subject to limitations established by statute or changes made by the DoD CIO in conjunction with the USD(P&R). DoD Components paying special rates or allowances on the effective date of this Volume must adopt the targeted local market authority established by this volume for their employees assigned to foreign and non-foreign locations outside the contiguous United States.

e. TLMSs are established as additions to the CES base rate for pay bands and grades and are considered basic pay, consistent with Section 530.308 of Title 5, CFR. TLMS areas correspond to the GS- locality pay areas, unless otherwise identified.

f. 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 3.3.b, f, and g.

g. When GS locality pay rates are adjusted based on an E.O. or by an act of Congress, any TLMS rate that is directly linked to a specific CES local market area corresponding to a GS locality pay area, such as that described in Paragraph 3.4.d., will be adjusted automatically by the

same percentage as the GS locality rates. These TLMS rates will be effective the first full pay period in January of each year.

3.5. ESTABLISHMENT OF ADDITIONAL MARKET-BASED COMPENSATION

RATE RANGES. If labor market conditions warrant, the DoD CIO and the USD(P&R) in coordination with the USD(I) may establish new CES base compensation rate ranges applicable to specific DoD Components, locations, occupational groups, and specialties. Generally, such action will be taken only when it has been demonstrated that other flexibilities within CES policy are no longer sufficient to ensure ability to staff and retain a quality workforce in the targeted occupational or specialty groups required to execute the Defense Cyberspace mission. Additional market based compensation 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 CES compensation framework, in accordance with section 1599f(b).

a. The establishment of new CES base compensation rate ranges will 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 CES 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 CES framework as conditions warrant.

b. All policies regarding LMSs, TLMSs, and base rate range maintenance are applicable to any new CES base compensation rate ranges.

c. When a new CES 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 an employee should be assigned to a particular rate range. Employees on CES 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.

3.6. OTHER CES 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 CES, the variable control point provides an additional flexibility to address more subtle market pressures.

a. Variable Control Point. For organizations operating under the CES banded structure or for progression within work levels for organizations operating under the CES graded structure, it may be appropriate, in certain circumstances, to establish control points that are above or below the midpoint of the work level.

(1) These control points are appropriate when market rates for a specific occupation or occupational specialty, or work level within that occupation or occupational specialty, differ significantly from other occupations assigned to the work level.

(2) 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.

(3) 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 will 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. DoD Components may submit requests to establish variable control points to the DoD CIO. 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 DoD CIO, in coordination with the USD(P&R), will determine whether such control points will be applicable to a specific DoD Component or to all CES employees in the affected occupation, specialties, or locations.

c. Funding Variable Control Points. No additional funding will be added to the pay pool of CES Components operating under the CES banded structure as a result of the establishment of variable control points.

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

3.7. 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 the work activities are based as determined by the employing DoD Component. The employing Component must document the employee's official worksite on the employee's SF 50.

b. For an employee serving on a rotational assignment of significant duration, the official worksite is the location where the employee regularly performs work associated with the rotation. Rotational assignments will be documented 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 twice each biweekly pay period on a regular and recurring basis to the regular worksite for the employee's position of record, the regular worksite is the official worksite, in accordance with Section 531.605(d) of Title 5, CFR. However, for an employee whose work location varies on a daily basis, the employee need not report at least twice each biweekly pay period to the established official worksite as long as the employee is performing work within the local market area for that worksite at least twice each biweekly pay period on a regular and recurring basis. If an employee covered by a telework agreement does not meet the requirements of Paragraph 3.7.a., 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.

3.8. OFFERS OF COMPENSATION FOR CES POSITIONS. Compensation offers (that are consistent with law, regulations, and DoD policy) 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.

3.9. SETTING PAY WITHIN CES

a. Setting Pay - General. Pay for CES positions will generally be set between the minimum and step 10 of the applicable GG grade for organizations operating under the CES graded structure, or between the band minimum and the rate that is equivalent to the step 10 rate for organizations operating under the CES banded structure. On initial appointment to a CES position from a federal position not covered by CES, DoD Components may set pay higher than the step 10 rate or equivalent pay band rate, but not higher than the maximum (step 12) for the CES rate range or grade, when such rate is necessary because the losing entity has authority to pay rates higher than those authorized for the CES position to which the appointment is being made and the employee's current rate of pay exceeds the step 10 rate or equivalent pay band rate. DoD CIO authorization, in conjunction with the USD(P&R), is required for this type of appointment for employees who possess critical skills for hard to fill cyber positions.

b. Setting Pay on Initial CES Appointment From Outside Federal Service.

(1) The DOD Component heads will establish pay setting guidelines for new CES appointments in coordination with the DoD CIO. At a minimum these guidelines will require consideration of specific labor market indicators used to set salary offer ranges, evaluation of the quality of the employee's work history and experience, the employee's prior salary, and internal equity. The guidelines will include criteria for setting appointment salaries above the midpoint or step 5.

(2) Newly appointed CES employees from outside the federal service will be placed within the appropriate pay band (for those organizations operating under the CES banded structure) or work level and grade (for those organizations operating under the CES graded structure) based on the occupational structure in Volume 3007 of this instruction. Discretionary considerations may include:

(a) Previous salary received for work in a similar occupation or specialty;

(b) 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 CES banded structure) or grade (for organizations operating under the CES graded structure), and job title of work to be assigned.

(3) For organizations operating under the CES 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 CES graded structure, but are normally set at or below the midpoint of the band. When an employee possesses critical skills for a hard to fill cyber position, DoD Components may submit a request to offer a salary at a rate above the step 10, but not to exceed the CES step 12 rate, for DoD CIO and USD(P&R) approval.

(4) For organizations operating under the CES 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 typically do not exceed step 10 of the grade, but generally are set at or below step 5 of the grade. When an employee possesses critical skills for a hard to fill cyber position, DoD Components may submit a request to offer a salary at a step above the step 10 rate, but not to exceed the CES step 12 rate, for DoD CIO and USD(P&R) approval.

(5) Decisions on initial salaries will consider work to be performed, specific labor market, salary history, internal equity considerations, and other considerations that comply with the merit system principles and guidelines established by the DoD Component.

(6) Initial salary offers will be established from a basic pay compensation perspective considering the combined CES base compensation and any available LMSs or TLMSs and other authorized incentives.

c. Setting Pay on Initial Appointment to a CES Position from Federal Service Outside of DoD.

(1) CES appointments made for employees from the federal service outside of DoD will be placed within the appropriate work category, work level, and pay band (for those organizations operating under the CES banded structure) or work category, work level, and grade (for those organizations operating under the CES graded structure) based on the occupational structure in Volume 3007 of this instruction.

(2) For those organizations operating under the CES banded structure, except as provided under Paragraph 3.9.a., 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 CES graded structure but are normally set at or below the midpoint of the band. When an employee possesses critical skills for a hard to fill cyber position, DoD Components may submit a request to offer a salary at a rate above the step 10, but not to exceed the CES step 12 rate, for DoD CIO and USD(P&R) approval, when such rate is necessary because the losing entity has authority to pay rates higher than those authorized for the CES position to which the appointment is being made.

(a) For those employees whose CES 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 CES appointment.

1. 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 CES appointment.

2. 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.

3. Due dates for appointment computation purposes will be adjusted in accordance with the requirements in Part 531, subpart D, of Title 5, Code of Federal Regulations (CFR) for periods in non-pay status that would normally have affected the WGI due date.

4. 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 CES.

5. Employees at step 10 or higher of their GS grade at the time of CES appointment will not be eligible for a buy-in adjustment of base pay. Payment of a WGI buy-in sets the employee's date of last equivalent increase.

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

(c) For those employees whose CES appointment is a promotion, pay setting will be accomplished as noted in Paragraph 3.9.f.(1).

(3) For organizations operating under the CES graded structure, there is no change in salary upon assignment to a CES position for employees whose appointment from the GS to the CES graded structure is determined to be a lateral movement except as provided in Paragraph 3.9.a. of this section.

d. Setting Pay on Appointment to a CES Position from Another DoD Component. The CES authorities established in this volume should not be used to provide competitive advantage in recruiting employees for CES positions from other DoD Components. Pay-setting practices

for DoD employees into a CES position will comply with CES policy in Paragraph 3.9.c. except that:

(1) When an employee is assigned from another pay banded system to a CES pay band and the two pay bands overlap, consideration may be given to experience and current pay levels in determining whether the CES pay band placement is a promotion or a reassignment. If the employee is not otherwise eligible for a pay increase in either system upon CES 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 CES.

(2) For GS or equivalent employees placed into a CES pay banded position, consideration in determining the appropriate CES 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 CES 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 salary. The procedures in Paragraph 3.9.c.(2)(a) will be applied to determine the amount of any such increase in salary.

(4) For GS or equivalent employees whose appointment to the CES graded structure is determined to be a lateral move, there is no change in salary upon assignment to a CES position from another DoD Component except as provided in Paragraph 3.9.a.

(5) Former National Security Personnel System employees who were placed on retained pay as a result of conversion out of National Security Personnel System or Defense Civilian Intelligence Personnel System employees who transitioned from pay bands to a graded structure and who have not otherwise lost eligibility for pay retention will retain their pay retention status on appointment into CES if the retained rate of pay cannot otherwise be accommodated within the CES work level and grade to which the employee is appointed.

e. Setting Pay Upon Lateral Transfer Within and Between DoD Components. CES employees who accept a position within the DoD Component through competitive or non-competitive processes in accordance with Volume 3005 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 in accordance with paragraph 3.9.g.

(1) For an employee moving from an organization operating under the CES banded structure to an organization operating under the CES 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, typically not exceeding step 10 of the new grade. If the employee's current salary in the CES banded structure is over the step 10 rate of the applicable GG grade in the CES graded structure, the employee will be transferred at a step that is not less than his or her current base rate of pay, not to exceed the CES step 12 rate.

(2) For an employee moving from an organization operating under the CES graded structure to an organization operating under the CES banded structure, a WGI buy-in will 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 Paragraph 3.9.c.(2)(a) will be applied to determine the amount of any such increase in salary.

(3) Employees who move from an organization operating under the CES graded structure into a CES organization operating under the CES banded structure will be eligible for consideration in the gaining organization's pay pool process.

(4) When an employee transfers from an organization operating under the CES banded structure to another organization operating under the CES 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 he or she 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.

f. Setting Pay Upon Promotion for Movements Within and Between DoD Components.

A promotion occurs when an employee moves to a higher work level, pay band, or grade within the CES compensation structure either within his or her current DoD Component or to another DoD Component, in accordance with provisions in Volume 3007 of this instruction.

(1) Promotion to a Position in the CES 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. Typically, an employee's rate of base pay will not be set higher than the rate equivalent to step 10 of the highest equivalent GG grade in the CES graded structure. When an employee possesses critical skills for a hard to fill cyber position, a DoD Component may request authorization from DoD CIO, in conjunction with USD(P&R), to process promotion personnel actions with base pay increase calculations that result in equivalent rates above the step 10 (not to exceed the CES step 12).

(b) Promotions for employees under pay retention will be treated in the same manner as Paragraph 3.9.f.(1)(a).

(2) Promotion Within the CES Graded Structure.

(a) Upon the effective date of the promotion, an employee promoted to the next higher grade will have his or her 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. Typically, an employee's rate of base pay will not be set higher than step 10 of the grade. When an employee possesses critical skills for a hard to fill cyber position, a DoD Component may request authorization from DoD CIO, in conjunction with USD(P&R), to process promotion personnel

actions with base pay increase calculations that result in equivalent steps above the step 10 rate (not to exceed the CES step 12).

(b) Upon the effective date of the promotion, an employee promoted from a position in the CES banded structure to a position in the CES graded structure will receive an increase of 6 percent to his or her 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. Typically, an employee's rate of base pay will not be set higher than step 10 of the grade. When an employee possesses critical skills for a hard to fill cyber position, a DoD Component may request authorization from DoD CIO, in conjunction with USD(P&R), to process promotion personnel actions with base pay increase calculations that result in equivalent rates above the step 10 (not to exceed the CES step 12).

(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.

g. Geographic Adjustment. When setting pay upon lateral transfer, reassignment, promotion, demotion, or change to lower grade (or band) 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 will cease to apply, and the new LMS or TLMS rate will apply upon the effective date of the action.

3.10. ADVANCEMENT THROUGH THE RATE RANGE

a. Advancement Within the CES Banded Structure. Employees will progress through the pay band structure based on performance and personal base rate level within the pay band.

b. Advancement Within the CES Graded Structure.

(1) Employees with a performance evaluation of record of "successful" or above in the CES graded structure will advance through the steps of their grade in accordance with the provisions of Part 531, Subpart D, of Title 5, CFR, except that no employee will advance beyond step 10 of the grade unless supplemental CES guidance allows for additional salary increases in connection with awards recognition.

(2) Employees within the CES graded structure who are granted increases beyond step 10 of the pay grade, in accordance with supplemental CES guidance for awards recognition, or who are placed there through other means (such as setting pay at competitive rates in accordance with Paragraph 3.9.a.) are not considered to be on pay retention.

c. Advancement Between Grades Included in a CES Work Level in the CES Graded Structure. CES employees assigned to a grade within a work level will be advanced between grades in that work level in accordance with procedures in Paragraph 3.9.f.(2) and Volume 3005 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 3005 of this instruction.

(1) Developmental progression terminates at the Full Performance work level, as detailed in Section 6 of Volume 3007 of this instruction, once the employee has reached the termination point designated by the DoD Component.

(2) Employees may not be placed into a developmental progression program if hired into the position at the Full Performance work level, as detailed in Section 6 of Volume 3007 of this instruction.

3.11. 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. If the employee's 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 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 for employee salaries that exceed the step 12 of the new grade.

3.12. 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 CES banded structure) or grade (for those organizations operating under the CES graded structure) through adverse action procedures (as a

result of poor performance or misconduct), the authorizing management official may reduce the employee's base pay rate by the amount directed in the adverse action decision executed in accordance with the guidelines in Chapter 75 of Title 5, U.S.C. 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 Reduction-in-Force (RIF). When an employee is involuntarily moved to a lower pay band or grade through RIF procedures pursuant to Part 351 of Title 5, CFR, salary will be set for pay retention in accordance with Part 536 of Title 5, CFR. If an employee is separated as a result of RIF and rehired into a GS position as a result of placement through the DoD Component Reemployment Priority List procedures, the employee's pay will be set in accordance with Part 531 of Title 5, CFR. DoD Components will follow the DoD Priority Placement Program policy and procedures for setting pay when the registrant is placed through the Priority Placement Program, even when the employee has had a break in service.

c. As a Result of Management-Directed Action. When a reduction to a lower pay band or grade occurs as a management-directed action that is not the result of adverse action, the action will be treated the same as a reduction as a result of RIF. 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 will be entitled to pay retention. Pay retention will not be authorized for employees on temporary and term appointments in accordance with Section 5361(1) of Title 5, U.S.C and Part 536. 102(b)(2) of Title 5, CFR. 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 will 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 current salary exceeds step 10 of the new grade, his or her salary in the new grade may be set at a step that is not less than the employee's current salary, not to exceed the equivalent of step 12 of the new grade.

3.13. EMPLOYEES WITH STATUTORY RETURN OR REEMPLOYMENT RIGHTS TO A POSITION CONVERTED TO CES DURING THEIR ABSENCE. Employees returning to a CES position under a statutory entitlement will have their initial CES salary set such that they receive all entitlements to salary adjustments they would have received under governing CES regulations, and may be eligible for a WGI buy-in in accordance with Paragraph 3.9.c.(2)(a).

3.14. 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" will 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 DoD CIO and USD(P&R) in coordination with USD(I), 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 Section 536.308(a) of Title 5, CFR.

3.15. OTHER COMPENSATION ADMINISTRATION AUTHORITIES AND LIMITATIONS.

Except as specifically otherwise provided in this volume, compensation authorities and limitations contained in Titles 5 and 10, U.S.C; OPM regulations in Title 5 CFR; Department of State Standardized Regulations; 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 CES employees. Specific coverage includes:

a. Additional Compensation. CES employees are eligible for additional compensation under the following provisions of law and regulation:

(1) Premium pay (e.g., 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 Subchapter V or Chapter 55 of Title 5, U.S.C., and Subpart A of Part 550 of Title 5, CFR.

(2) Overtime pay pursuant to Chapter 8 of Title 29, U.S.C. (also known as "The Fair Labor Standards Act of 1938"); Section 5542(c) of Title 5, U.S.C.; and Part 551 of Title 5, CFR.

(3) Compensatory time off in lieu of overtime, subject to the same requirements in Section 5543 of Title 5, U.S.C., and Sections 550.114 and 551.531 of Title 5, CFR.

(4) Post differentials for environmental conditions at overseas posts as authorized by Section 5925 of Title 5, U.S.C.

(5) Post differentials and cost of living allowances for non-foreign posts as authorized by Section 5941 of Title 5, U.S. C., and Part 591 of Title 5, CFR.

(6) Danger pay in foreign areas as authorized by Section 5928 of Title 5, U.S.C.

(7) Cost of living allowances for foreign areas as authorized by Section 5924 of Title 5, U.S.C.

(8) Living quarters allowances for foreign areas as authorized by Section 5923 of Title 5, U.S.C.

(9) Hazard pay for duty involving unusual physical hardship or hazard as authorized by Section 5545(d) of Title 5, U.S.C., and Subpart I of Part 550 of Title 5, CFR.

(10) Physicians' comparability allowances as authorized by Section 5948 of Title 5, U.S.C., and Part 595 of Title 5, CFR.

(11) Foreign language proficiency pay authorized by Section 1596a of Title 10, U.S.C.

(12) Other compensation authorized by Section 1599f of Title 10, U.S.C.

(13) Other compensation authorized by Titles 5 and 10, U.S.C.

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 provided under Sections 5753-5754 of Title 5, U.S.C., and the implementing regulations in Part 575 of Title 5, CFR, but DoD will exercise the authority granted to OPM under those laws and regulations. Those incentives are available to the DoD Components subject to the requirements that:

(1) The DoD Components will develop recruitment, relocation, and retention incentive plans consistent with Sections 575.107, 575.207, and 575.307 of Title 5, CFR and forward those plans to the DoD CIO for review and approval in conjunction with the USD(P&R).

(2) Proposals to offer incentives to categories of employees (e.g., a specific occupation) will be submitted, to the DoD CIO for review and approval in conjunction with the USD(P&R), on the potential effects on other elements of the Defense Cyber workforce.

c. Aggregate Compensation Limitation. The aggregate compensation limit provisions of Section 5307 of Title 5, U.S.C., will be applied to CES employees if payments (in addition to basic pay) made under the CES authority in Section 1599f of Title 10, U.S.C., are being made under Title 5. An employee's aggregate compensation paid during a calendar year will not exceed Level I of the Executive Schedule, unless otherwise permitted by statute, consistent with OPM regulations under Subpart B or Part 530 of Title 5, CFR.

d. Projecting the Lump Sum Leave Payment. CES employees are covered under the annual leave lump-sum law and regulations found in Sections 5551-5553 of Title 5, U.S.C., and Subpart L of Part 550 of Title 5, CFR.

APPENDIX 3A: CES COMPENSATION PHILOSOPHY

3A.1. The DoD Components, as a community, will implement a CES 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. DoD Components will share an overarching compensation architecture intended to support the DoD goal of facilitating interchange of personnel across the DoD Components in the interest of expanding individual perspective in solving cyber problems. The shared compensation architecture will consider DoD human capital initiatives, thereby facilitating the exchange of personnel within the larger cyber community and further increasing individual perspective in problem solving.

3A.2. CES recognizes that, while pay is not the only factor in the satisfaction of the DoD cyber workforce, competitive compensation is the cornerstone for recruiting, retaining, and motivating the type of employees needed by the DoD Components. The management of compensation of individual employees under CES will be consistent with the needs and objectives specified by the Department, including those within the Defense Cyber Strategy, regarding the disposition of funds for employee compensation, recognition, and reward. CES 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.
- 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 cyber 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.

GLOSSARY

G.1. ACRONYMS.

CES	Cyber Excepted Service
CFR	Code of Federal Regulations
DoD CIO	Department of Defense Chief Information Officer
DoDD	DoD directive
E.O.	Executive order
GG	General Grade
GS	General Schedule
LMS	local market supplement
OPM	Office of Personnel Management
RIF	reduction in force
TLMS	targeted local market supplement
U.S.C.	United States Code
USD(I)	Under Secretary of Defense for Intelligence
USD(P&R)	Under Secretary of Defense for Personnel and Readiness
WGI	within-grade increase

G.2. DEFINITIONS. The following terms and their definitions apply to this volume and serve as the basic compensation administration taxonomy for DoD Components with CES positions.

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

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

base pay. A rate of pay exclusive of additional pay of any kind such as an LMS or TLMS.

base rate pay band. A single rate range within the CES 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 CES 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.

foreign area. Those areas outside of the United States and its territories and possessions.

LMS. An addition to the base salary of employees assigned to a geographic region that reflects the competitive requirements for the applicable labor market. An LMS applies to a geographic area that is identical to an OPM-established locality pay area listed in Section 531.603 of Title 5, CFR, or a subdivision of such an area. For any LMS, a uniform percentage supplement applies to all employees officially stationed in a given LMS area—i.e., the same percentage applies in all occupations and at all band or grade levels. An LMS is considered part of basic pay for most purposes, including 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 CES band is equal to the maximum rate of base pay for the highest CES grade contained within the pay band in accordance with provisions in Volume 3007 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 CES pay bands and serves as the reference point for establishing the relationship between CES band rate ranges and the applicable labor market.

promotion. Movement to a higher work level, or pay band (for those organizations operating under the CES banded structure), or grade (for those organizations operating under the CES graded structure) in accordance with provisions in Volume 3007 of this instruction.

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.

reduction to lower pay band or grade. Movement to a lower work level, or pay band (for those organizations operating under the CES banded structure), or grade (for those organizations operating under the CES graded structure) in accordance with provisions in Volume 3007 of this instruction.

TLMS. An addition to the base salary for a subpopulation of employees, where the subpopulation may be defined based on occupational category or specialization, work level, geographic location, or other factor to address labor market competitiveness issues that are not appropriately addressed by an LMS. TLMSs may be established for positions in specified local market areas that cross established locality area boundaries. The TLMS is considered basic pay for most purposes, including retirement purposes.

REFERENCES

Code of Federal Regulations, Title 5

Department of State Standardized Regulations, current version¹

DoD Directive 1400.25, “DoD Civilian Personnel Management System,” November 25, 1996

DoD Directive 5124.02, “Under Secretary of Defense for Personnel and Readiness (USD(P&R)),” June 23, 2008

DoD Directive 5144.02, “DoD Chief Information Officer (DoD CIO),” November 11, 2014

DoD Directive 8140.01, “Cyberspace Workforce Management,” August 11, 2015

Defense Cyber Strategy, April 2015²

United States Code, Title 5

United States Code, Title 10

United States Code, Title 29 (Section 201 et. seq. also known as “The Fair Labor Standards Act of 1938”)

¹ Available at https://aoprals.state.gov/content.asp?content_id=231&menu_id=92

² Available at http://www.defense.gov/News/Special-Reports/0415_Cyber-Strategy