



PERSONNEL AND
READINESS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

NOV 21 2017

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
DEPUTY CHIEF MANAGEMENT OFFICER

SUBJECT: Guidance on Award Limitations for Department of Defense Non-Senior Executive Service/Senior-Level/Scientific or Professional Employees for Fiscal Year 2018

On November 18, 2016, the Office of Management and Budget (OMB) and Office of Personnel Management (OPM) jointly published the memorandum, "Guidance on Awards for Non-SES/SL/ST Employees for Fiscal Year 2017," which provided updated budgetary limits and guidance on awards to be paid during Fiscal Year (FY) 2017 for non-Senior Executive Service/Senior-Level/Scientific or Professional (SES/SL/ST) employees. The guidance limited FY 2017 awards spending to no more than 1.5 percent of aggregate salaries of all non-SES/SL/ST employees at the end of previous FY, on the combination of performance awards and individual contribution (e.g., special act) awards.

In the attached December 21, 2016, memorandum titled, "Guidance on Award Limitations for Department of Defense Non-Senior Executive Service/Senior-Level/Scientific or Professional Employees for Fiscal Year 2017," the Office of the Under Secretary of Defense for Personnel and Readiness (OUSDP&R) provided supplementary guidance, which also covered alternate pay systems and Nonappropriated Fund (NAF) employees. The joint OMB/OPM memorandum is included as an attachment to the OUSDP&R memorandum.

On September 29, 2017, OPM advised Chief Human Capital Officers that the awards limitations and spending guidance published in 2016 remains in effect for FY 2018. The OUSDP&R supplementary guidance, dated December 21, 2016, also remains in effect. Accordingly, FY 2018 awards shall be calculated using the end of FY 2017 spending levels.

Please work with your local Human Resources and Labor and Employee Relations specialists to ensure consistent application of the awards limitation guidance and that all collective bargaining obligations are met prior to implementing any provisions contained herein.

For questions regarding non-NAF employee awards, my point of contact is Ms. Melissa Rubenstein, whom you may reach at (571) 372-1605 or dodhra.mc-alex.dcpas.mbx.hrops-lerd-perf-mgmt@mail.mil. For questions regarding NAF employee awards, my point of contact is Mr. Nathan Kitta at (571) 372-1567 or nathan.l.kitta.civ@mail.mil.

A. M. Kurta
Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness

Attachment:
As stated



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SUBJECT: Guidance on Award Limitations for Department of Defense Non- Senior Executive Service/Senior-Level/Scientific or Professional Employees for Fiscal Year 2017

On November 18, 2016, the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) jointly published the memorandum, "Guidance on Award Limitations for Non-SES/SL/ST Employees for Fiscal Year 2017." This memorandum provides updated budgetary limits and guidance on awards paid during Fiscal Year (FY) 2017 for non-Senior Executive Service/Senior-Level/Scientific or Professional (SES/SL/ST) employees. Regular budgetary constraints continue on spending; however, recognizing and rewarding top performers for their accomplishments remains key to increasing contributions to mission and improving both performance and morale in the workplace.

The OMB/OPM joint guidance limits awards spending to no more than 1.5 percent of the aggregate salaries of all non-SES/SL/ST employees at the end of the previous fiscal year (FY 2016) on the combination of performance awards and individual contribution (e.g., special act) awards.

The joint guidance also removes caps for other awards and incentives that have been frozen at FY 2010 spending levels (i.e., group awards, referral bonuses, and suggestion/invention awards; recruitment, relocation, and retention incentives; and Quality Step Increases) under the OPM memorandum, "Guidance on Recruitment, Relocation, and Retention Incentives," dated January 15, 2016. Accordingly, the limits set forth in my May 23, 2016 memorandum, "Guidance on Recruitment, Relocation, and Retention Incentives for Calendar Year 2016," no longer apply. However, Components should continue to remind hiring managers to comply with applicable regulations, and to use these incentives judiciously.

The OMB/OPM guidance covers Government-wide pay systems, including General Schedule and Federal Wage System employees. Guidance on FY 2017 funding for SES/SL/ST awards was issued under my October 3, 2016 memorandum, "Senior Executive Service and Senior Professional Pay and Performance Management System-Closeout Guidance for the Fiscal Year 2016 Performance Appraisal Period." Supplemental guidance for non-SES/SL/ST employees, including alternative pay systems managed under the Department of Defense authority and nonappropriated fund (NAF) employees, is provided at Attachment 1. The OMB/OPM joint guidance is provided at Attachment 2.

Please ensure all collective bargaining obligations are met when implementing any provisions contained herein.

Should you have questions about non-NAF employee awards, my point of contact is Ms. Michele Gee, whom you may reach at (571) 372-1634 or michele.r.gee.civ@mail.mil. For questions regarding NAF employee awards, my point of contact is Mr. Nathan Kitta at (571) 372-1567 or nathan.l.kitta.civ@mail.mil.

A handwritten signature in black ink, appearing to read "Peter Levine", with a large, stylized loop at the top and a long horizontal stroke extending to the right.

Peter Levine
Performing the Duties of the Under Secretary of
Defense for Personnel and Readiness

Attachments:
As stated

Guidance on Award Restrictions for Department of Defense Non-SES/SL/ST Civilian Employees

This guidance supersedes the memorandum, "Supplemental Guidance on Award Limitations for the Department of Defense Civilian Employees," dated December 11, 2014, as well as the memorandum, "Guidance on Recruitment, Relocation, and Retention Incentives for Calendar Year 2016," dated May 23, 2016.

On November 18, 2016, the Office of Management and Budget (OMB) and Office of Personnel Management (OPM), jointly released guidance memorandum M-17-07, titled "Guidance on Awards for Non-SES/SL/ST Employees for Fiscal Year 2017." The guidance limits Fiscal Year (FY) 2017 spending to no more than 1.5 percent of aggregate salaries of all employees at the end of FY 2016 on the combination of: (1) individual performance awards to non-Senior Executive Service (SES) and non-Senior-Level (SL) and Scientific or Professional (ST) employees, and (2) individual contribution awards (e.g., special act awards) for all non-SES/SL/ST employees.

If overall Government-wide discretionary funding levels are reduced below discretionary spending caps set forth in the Budget Control Act of 2011 (Public Law 112-25), each Component shall further reduce awards spending levels for these awards by an amount proportional to the Department-wide reduction, except for nonappropriated fund (NAF) awards solely funded with nonappropriated funds.

The limitations provided in this guidance apply to all non-SES/SL/ST awards programs in the Department, including NAF award programs, regardless of the source of underlying authority. Guidance specific to performance awards for the SES/SL/ST workforce has been provided under separate cover.

Applicability

Restrictions on discretionary monetary awards prescribed by OMB and OPM will apply to all awards programs in the Department of Defense (DoD) with a few exceptions. Thus, applicability of the limitations includes, but is not limited to, the following:

- Employees covered by provisions of title 5, U.S. Code (U.S.C.) and title 5, Code of Federal Regulations (other than SES,SL/ST, Defense Intelligence SES and Defense Intelligence SL personnel);
- Employees covered by provisions in sections 1601-1614 of title 10, U.S.C. (Defense Civilian Intelligence Personnel System (DCIPS));
- Civilian faculty members at DoD post-secondary education institutions, employed under the authorities in section 1595 of title 10, U.S.C.;
- Foreign national employees of DoD who are eligible for monetary awards, as long as restrictions do not conflict with host nation employment law or practice;

- Employees covered by the Physicians and Dentists Pay Plan, a hybrid of the title 38 pay system; and
- Awards that would otherwise be granted through the Defense Acquisition Workforce Development Fund.

Other Spending Limits (Recruitment, Relocation, and Retention Incentives)

The November 18, 2016 OPM memorandum supersedes the OPM memorandum, “Guidance on Recruitment, Relocation, and Retention Incentives,” dated January 15, 2016, and removes monetary caps for other awards that have been frozen at FY 2010 spending levels (i.e., group awards, referral bonuses, and suggestion/invention awards; recruitment, relocation and retention incentives; and Quality Step Increases). While there is no cap set for other awards and bonus programs, components should continue to comply with applicable regulations.

NAF

This guidance covers NAF employees, who include crafts and trades employees paid under the Federal Wage System, employees paid under the NAF pay band system, and employees in child and youth (CY) programs paid under the CY pay band system. Regardless of the source of funding, performance-based pay increases for employees paid under DoD NAF pay bands are not covered by the awards limits. When a performance-based continuing pay increase cannot be fully applied due to pay band limitations, the excess amount is generally paid as a lump-sum from the funding available for continuing pay increases. Payments of this nature are not considered performance awards and are not counted against the 1.5 percent budgetary limitation imposed by the attached OMB/OPM memorandum.

Alternative Pay Systems

Alternative pay systems, such as the Science and Technology Reinvention Laboratories, DCIPS, and the Acquisition Demonstration Project, rely on broad pay bands, which typically incorporate multiple General Schedule grades. The following apply to performance-based awards for alternative pay systems:

- When funding levels for performance-based compensation and/or awards are specifically identified in *Federal Register* notices, the *Federal Register* amounts are controlling. If funding levels are not prescribed by *Federal Register* language or collective bargaining agreement, then apply the limitations indicated in the OMB/OPM memorandum M-17-07, dated November 18, 2016.
- Unless pay pool funding levels are specifically identified in a Federal Register Notice or collective bargaining agreement, the pay pool funding lump sum cash awards may not exceed the 1.5 percent limitation.
- In order to ensure consistent application of OMB/OPM and Department guidance,

Components must request approval from the Deputy Assistant Secretary of Defense for Civilian Personnel Policy prior to permitting payment of discretionary cash awards that would result in a level of spending greater than the 1.5 percent limitation. The request for approval must include the detailed legal analysis from Component counsel supporting the rationale that payments of such levels are considered "legally required." This approval process does not apply to collective bargaining agreements.

- When a performance-based continuing pay increase cannot be fully applied due to pay band limitations, the excess amount is generally paid as a lump sum from the funding available for continuing pay increases. Payments of this nature are not considered performance awards under Chapter 45 of title 5, U.S.C., and are not counted against the 1.5 percent budgetary limitation imposed by OMB/OPM. However, if the excess amount is added to the funding available for performance-based bonuses and awards, such a lump-sum payment would be grouped with other awards subject to the 1.5 percent limitation.

Use of Non-Monetary Awards

A fair, credible, and equitable recognition program provides managers with non-monetary options to recognize performance and contributions to the mission. Supervisors are strongly encouraged to make full use of the honorary awards available throughout the Department to recognize and reward hard work throughout the performance year. Recognition in any form should be done publicly to maximize awareness of good performance and encourage a culture of high performance. The limitation on Departmental awards spending should not result in a reduction in non-monetary recognition of employee performance.

Time-off awards are not counted toward the spending limit. When granting time-off awards, management should remember that time-off awards:

- Cannot exceed 80 hours in one leave year or 40 hours for a single contribution (adjusted applicably for part-time employees).
- Should be scheduled and used within 1 year after the effective date of the award.
- Cannot be converted to a cash payment under any circumstances.
- May not be transferred outside the Department or between DoD Components.

Labor Relations

Components will comply with any applicable labor relations obligations when implementing the provisions of either the OMB/OPM or this guidance.