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MEMORANDUM FOR ECHELON I AND II COMMANDS

SUBJECT: Guidance on Awards for Fiscal Years 2011 and 2012

Enclosures: (1) Office of Personnel Management Memorandum: Guidance on Awards for Fiscal Years 2011 and 2012 dtd 10 June 2011
(2) Department of Defense Memorandum: Supplemental Guidance on Award Limitations for Department of Defense Civilian Employees in Fiscal Years 2011 and 2012 dtd 6 July 2011

In response to the current budget environment, the Office of Personnel Management and Office of Management and Budget (OPM/OMB) have jointly, in a 10 June 2011 memorandum, enclosure (1), published guidance on awards for fiscal years 2011 and 2012. On 6 July 2011, DoD issued supplemental guidance, enclosure (2), on awards limitations for fiscal years 2011 and 2012. This guidance discusses the applicability of the OPM/OMB memorandum on DoD alternative pay systems. Given the budgetary limits on awards amounts as described below, Commands must ensure that their awards programs are being implemented fairly and that meaningful distinctions in performance are being made.

The OPM/OMB and DoD guidance stipulates that:

- The limitations on awards and other similar payments prescribed by OPM/OMB are intended to apply to all awards programs in Executive branch agencies, regardless of the source of underlying authority. This guidance applies to: DOD Nonappropriated Fund (NAF) Pay System, Defense Civilian Intelligence Personnel System (DCIPS), Physicians and Dentist Pay Plan (PDPP), Science Technology Reinvention Laboratories (STRL), Acquisition Demonstration Project, National Security Personnel System (NSPS), DON Interim Performance Management System for employees transitioned from NSPS to GS, as well as the legacy DON Performance Management System, etc.
- For all employees, except Senior Executive Service (SES) and senior-level and scientific and professional employees (SL/ST), spending for individual performance awards and for individual contribution awards (e.g., special act awards and “on-the-spot” awards) must be limited to no more than 1% of aggregate basic salaries of those eligible employees who were employed at the end of the previous fiscal year. Guidance for SES/SL/ST employees will be issued separately from this memorandum.

- Although not included in the limits outlined above, other awards and incentives are frozen to fiscal year 2010 spending levels, including recruitment, relocation and retention incentives, and quality step increases (QSIs). Travel savings and foreign language awards are excepted from this guidance.

These limits apply for fiscal year 2012 at the Echelon I and II levels and apply to all awards programs. Progress towards those limits must also be made for fiscal year 2011 at the Echelon I and II levels. Additionally, Commands already spending at or below these levels in fiscal year 2011 must continue to limit spending to their fiscal year 2010 levels. The budget limits are to be calculated at the Echelon I and II levels. OPM will use data from the DON's usual reporting procedures – including information from specified nature of action codes and data calls – to confirm agency awards spending. NAF Headquarters activities will be required to report to the Office of Civilian Human Resources (OCHR) on annual NAF awards spending at the end of the FY.

Organizations with employees covered by the DON Interim Performance Management System for Employees Transitioning from NSPS to GS must adhere to these budgetary limits. This means the minimum 1.5% funding levels required by the Interim Performance Management System Covering Positions Transitioning to the General Schedule (GS) from the National Security Personnel System (NSPS), Section 12 on Performance Recognition do not apply for fiscal years 2011 and 2012.

All collective bargaining obligations must be met prior to implementing the provisions of the OPM/OMB guidance, the DoD supplemental guidance, or this guidance. Collective bargaining agreements may provide for a structure and minimum award amounts or percentages based on the ratings received by employees. Management must reach agreement with the union prior to implementing a change to an agreement. Management cannot unilaterally change the agreement based on the awards limits prescribed by OPM.

A DON Fact Sheet is enclosed that provides more detailed guidance and includes answers to frequently asked questions. Additional questions may be directed to Sara K. Pranio, DON Performance Management Program Manager, at sara.pranio@navy.mil or by phone at (202)685-6531 or David Macht, DON Awards Program Manager, at: david.macht@navy.mil or (202)685-6659.



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