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Various features that link pay to employees' performance ratings are designed to promote a high-performance culture within DoD.

(b) Any pay system prescribed under this subpart will be established in conjunction with the classification system described in subpart B of this part.

(c) Any pay system prescribed under this subpart will be established in conjunction with the performance management system described in subpart D of this part.

§ 9901.302 Coverage.

(a) This subpart applies to eligible DoD employees and positions in the categories listed in paragraph (b) of this section, subject to a determination by the Secretary under § 9901.102(b) or (f).

(b) The following employees of, or positions in, DoD organizational and functional units are eligible for coverage under this subpart:

(1) Employees and positions who would otherwise be covered by the General Schedule pay system established under 5 U.S.C. chapter 53, subchapter III;

(2) Employees in senior-level (SL) and scientific or professional (ST) positions who would otherwise be covered by 5 U.S.C. 5376;

(3) Members of the Senior Executive Service (SES) who would otherwise be covered by 5 U.S.C. chapter 53, subchapter VIII, subject to § 9901.102(d); and

(4) Such others designated by the Secretary as DoD may be authorized to include under 5 U.S.C. 9902.

§ 9901.303 Waivers.

(a) When a specified category of employees is covered under this subpart—

(1) The provisions of 5 U.S.C. chapter 53 are waived with respect to that category of employees, except as provided in § 9901.106 and paragraphs (b) and (c) of this section; and

(2) The provisions of 5 U.S.C. chapter 55, subchapter V (except sections 5544 and 5545b), are waived with respect to that category of employees to the extent that those employees are covered by alternative premium pay provisions established by the Secretary under §§ 9901.361 through 9901.364 in lieu of the

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provisions in 5 U.S.C. chapter 55, subchapter V.

(b) The following provisions of 5 U.S.C. chapter 53 are not waived:

(1) Sections 5311 through 5318, dealing with Executive Schedule positions;

(2) Sections 5341 through 5349, dealing with prevailing rate systems;

(3) Section 5371, insofar as it authorizes OPM to apply the provisions of 38 U.S.C. chapter 74 to DoD employees in health care positions covered by section 5371 in lieu of any NSPS classification and pay system established under this part or the following provisions of title 5, U.S. Code: chapters 51, 53, and 61, and subchapter V of chapter 55. The reference to “chapter 51” in section 5371(c) is deemed to include a classification system established under subpart B of this part; and

(4) Section 5377, dealing with the critical pay authority.

(c) Section 5379 continues to apply but is modified to allow the Secretary to modify the minimum service period and the limitations on the amount of student loan benefits in order to address critical hiring needs, subject to § 9901.105.

§ 9901.304 Definitions.

In this subpart:

Adjusted salary means an NSPS employee's base salary plus any local market supplement paid to that employee. For an employee moving into NSPS from a non-NSPS position, *adjusted salary* also refers to non-NSPS base salary plus any applicable locality pay under 5 U.S.C. 5304, special rate supplement under 5 U.S.C. 5305, or any equivalent supplement.

Band has the meaning given that term in § 9901.103.

Base salary means an NSPS employee's pay, as set by the authorized management official, before deductions and exclusive of additional pay of any kind (e.g., local market supplement). For an employee moving into NSPS from a non-NSPS position, *base salary* also refers to non-NSPS pay, before deductions and exclusive of additional pay of any kind (e.g., locality pay or a special rate supplement).

Basic pay has the meaning given that term in § 9901.103.

Bonus means an element of the performance payout that consists of a one-time lump-sum payment made to employees. It is not part of basic pay for any purpose.

Career group has the meaning given that term in § 9901.103.

Comparable pay band or *comparable level of work* has the meaning given in § 9901.103.

Competencies has the meaning given that term in § 9901.103.

Component has the meaning given that term in § 9901.103.

Contributing factor has the meaning given that term in § 9901.103.

Contribution has the meaning given that term in § 9901.103.

Contribution assessment means the determination made by the Pay Pool Manager as to the impact, extent, and scope of contribution that the employee's performance made to the accomplishment of the organization's mission and goals.

CONUS or *Continental United States* means the States of the United States, excluding Alaska and Hawaii, but including the District of Columbia.

Day has the meaning given that term in § 9901.103.

Department or *DoD* has the meaning given in § 9901.103.

Employee has the meaning given that term in § 9901.103.

General Schedule or *GS* has the meaning given that term in § 9901.103.

Implementing issuance(s) has the meaning given that term in § 9901.103.

Local market supplement means a geographic- and occupation-based supplement paid in addition to an employee's base salary, including a standard local market supplement or a targeted local market supplement, as described in § 9901.332.

Modal rating means, for the purpose of pay administration, the most frequent rating of record assigned to employees within a particular pay pool for a particular rating cycle.

National Security Personnel System (NSPS) has the meaning given that term in § 9901.103.

Occupational series has the meaning given that term in § 9901.103.

OPM has the meaning given that term in § 9901.103.

Official worksite has the meaning given that term in 5 CFR 531.605.

Pay band or *band* has the meaning given that term in § 9901.103.

Pay pool has the meaning given that term in § 9901.103.

Pay Pool Manager has the meaning given that term in § 9901.103.

Pay Pool Panel has the meaning given that term in § 9901.103.

Pay schedule has the meaning given that term in § 9901.103.

Performance has the meaning given that term in § 9901.103.

Performance payout means the total monetary value of a performance pay increase and bonus provided under § 9901.342.

Performance Review Authority has the meaning given that term in § 9901.103.

Performance share means a unit of performance payout awarded to an employee based on performance. Performance shares may be awarded in multiples based on the employee's rating of record and specified factors, as provided in § 9901.342(f).

Performance share value means a calculated value for each performance share based on pay pool funds available and the distribution of performance shares across employees within a pay pool, expressed as a percentage of base salary.

Premium pay means payments for work performed under special conditions or circumstances, as authorized under 5 U.S.C. chapter 55, subchapter V, or §§ 9901.361 through 9901.364 (including compensatory time off).

Promotion has the meaning given that term in § 9901.103.

Rate range means the range of base salary rates applicable to employees in a particular pay band, as described in § 9901.321. Each rate range is defined by a minimum and maximum base salary rate.

Rating of record has the meaning given that term in § 9901.103.

Reassignment has the meaning given that term in § 9901.103.

Reduction in band has the meaning given that term in § 9901.103.

Retained rate means a retained base salary rate (*i.e.*, excluding any local market supplement) above the applicable pay band maximum rate as established for an NSPS employee under the

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pay retention provisions in § 9901.356. For GS employees, *retained rate* has the meaning given that term in 5 CFR part 536.

Secretary has the meaning given that term in § 9901.103.

Standard local market supplement means the local market supplement that applies to employees in a given pay schedule or band who are stationed within a specified local market area (the boundaries of which are defined under § 9901.332(b)), unless a targeted local market supplement applies. Standard local market supplements are generally administered for covered employees in the same manner as locality-based comparability payments under 5 U.S.C. 5304 and 5304a.

Sub pay pool means a subset of a pay pool that is defined for the purpose of reconciling ratings of record, share assignments, and payout determinations.

Targeted local market supplement means a local market supplement established to address recruitment or retention difficulties or for other appropriate reasons and which applies to a defined category of employees (based on occupation or other appropriate factors) in lieu of any lower standard local market supplement that would otherwise apply.

Unacceptable performance has the meaning given that term in § 9901.103.

§ 9901.305 Rate of pay.

(a) The term “rate of pay” in 5 U.S.C. 9902(e)(9) means—

(1) An individual employee’s base salary rate, local market supplement rate, and overtime and other premium pay rates (including compensatory time off); and

(2) The rates comprising the structure of the pay system that govern the setting and adjusting of the individual employee rates identified in paragraph (a)(1) of this section, including, but not limited to—

(i) Band rate range minimum and maximum rates;

(ii) Control points within a band rate range;

(iii) Local market supplement rates;

(iv) Maximum rates of base salary and adjusted salary;

(v) Premium pay rates; and

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(vi) The percentage rate of total base salary payroll constituting the portion of a pay pool applied to provide performance-based increases in employees’ base salary rates.

(b) For the purpose of 5 U.S.C. 9902(e)(9), the establishment or adjustment of a rate of pay includes the establishment or adjustment of the amount or level of the rate and of the eligibility requirements associated with the type and level of pay in question. Illustrative examples of actions that establish or adjust a rate of pay include, but are not limited to, the following:

(1) Establishing the starting base salary rate for a newly hired employee;

(2) Establishing a retained rate for an employee under § 9901.356(e);

(3) Adjusting an employee’s base salary rate through various pay actions, including general salary increases, targeted general salary increases, performance pay increases, extraordinary performance recognition increases, organizational or team achievement recognition increases, pay reductions for unacceptable performance or conduct, reassignment increases and decreases, promotion increases, within-grade increase adjustments, and accelerated compensation for developmental positions (ACDP) increases;

(4) Establishing or adjusting the minimum or maximum rate of a band rate range or control points within that range;

(5) Establishing or adjusting the percentage amount of a targeted local market supplement, as well as the geographic area and other coverage requirements associated with that supplement;

(6) Establishing a higher premium pay limit under § 9901.362(a)(2);

(7) Establishing an overtime rate equal to an employee’s adjusted salary rate under § 9901.362(b)(6)(i);

(8) Establishing a new hazardous duty premium rate under 9901.362(i)(3); and

(9) Establishing the percentage rate of total base salary payroll constituting the portion of a pay pool applied to provide performance-based increases in employees’ base salary rates.