



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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ACQUISITION,
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MEMORANDUM FOR SEE DISTRIBUTION

OCT 21 2014

SUBJECT: **Change 2** to AcqDemo Memorandum (AM) 14-02 – Pay Setting for New Hires, Reinstatement Eligibles, and Non-AcqDemo Federal Employees Entering AcqDemo through Actions Other than Conversion and Associated Changes, **dated Jul 30, 2014**

References: (a) Federal Register Notice (FRN), 64 FR 1426, January 8, 1999, as amended, Civilian Acquisition Workforce Personnel Demonstration Project (AcqDemo); Department of Defense (DoD)
(b) DoD Civilian Acquisition Workforce Personnel Demonstration Project Operating Procedures (OP) dated May 15, 2003

Purpose. AM 14-02 issues new pay setting policy for New Hires, Reinstatement Eligibles, and non-AcqDemo Federal employees entering the demonstration project through actions other than conversion and addresses associated provisions. These changes are implemented under the provisions of References (a) and (b). **Change 2 clarifies and expands the guidance found in References (a) and (b) regarding additional pay setting options when Federal civilian employees enter AcqDemo through a permanent lateral transfer, reassignment, or realignment. The Change 2 additions are shown in red text. Change 1 modifications have been incorporated into this memorandum.**

Effective Date. This AM is effective June 1, 2014 except for hiring actions where a tentative offer letter was issued prior to the AM effective date. **Change 2 is effective immediately.** This AM is an augmentation to Reference (b), and will expire upon incorporation into an upcoming revision of Reference (b). Until its expiration, place this AM in front of Chapter 6 5 of Reference (b). Please ensure the widest dissemination possible to all AcqDemo organizations.

Background.

a. On May 22, 2011 approximately 13,000 DoD employees, formerly under the National Security Personnel System, converted to the DoD AcqDemo. Since that conversion, the AcqDemo workforce has grown to over 16,000 employees located within the Department of the Navy, Marine Corps, Department of the Air Force, Department of the Army, DoD agencies, and Joint Services. As a result of this growth and the differences between organizations implementing the AcqDemo pay setting guidance found in the AcqDemo Operating Procedures (OP) of May 15, 2003, Section 5.2, the AcqDemo Executive Council raised concerns about inconsistencies in application of pay setting particularly for promotions of non-AcqDemo Federal employees into AcqDemo positions. In addition, the guidance

lacked needed specificity on pay setting for reinstatement eligible candidates and for selectees hired from Federal pay systems other than the General Schedule.

b. Section 5.2, third paragraph provides: “Pay may be set at any rate encompassed by the broadband level for employees who enter the project by means other than lateral transfer, reassignment, or realignment. Competition is normally required to set pay at a higher rate than the buy-in.” In implementing this provision, some components did not provide promotion pay increases and others provided increases in varying amounts for non-AcqDemo Federal employees promoted into AcqDemo.

c. An assessment of the previously established pay-setting processes and procedures identified several modifications needed to the promotion pay-setting guidance and other pay setting provisions. During this study, contact was made with Defense Civilian Personnel Advisory Services staff, the Office of Personnel Management (OPM) Demonstration Project Liaison, and OPM Pay Policy Staff, all of whom provided suggestions, recommendations, and points to clarify. This feedback, as well as AcqDemo Executive Council participation, resulted in the revisions identified below.

Revised pay-setting guidance, processes, and procedures to be incorporated into the AcqDemo OP dated May 15, 2003, Chapter 5, Pay Administration, Section 5.2:

5.2 Movement into AcqDemo by New Hires, Reinstatement Eligibles, and Current Non-AcqDemo Federal Employees

5.2.1 New Hires and Reinstatement Eligibles

5.2.1.1 New Hires.

5.2.1.1.1 Definition. New hires are defined as selectees who are receiving their first appointment to a position as a civilian employee within the Federal Government.

5.2.1.1.2 Pay Setting. For new hires, initial base pay will be set within the base pay range for the broadband level of the position for which hired at a level consistent with the individual’s qualifications and the level of work and contribution expected for the position at the time of hire. Hiring officials will also determine starting base pay upon available labor market considerations relative to special qualifications requirements, scarcity of qualified applicants, programmatic urgency, and education/experience of new selectees.

5.2.1.1.3 Approvals. Hiring officials, depending upon their organization’s guidance, may approve or recommend base pay increases within a range of zero percent to a 10 percent increase over a selectee’s current salary. Recommended increases up to a 10 percent increase and recommended increases above 10 percent not to exceed the maximum base pay for the broadband level must be approved by a designated management official at least one level above the recommending official.

5.2.1.2 Reinstatement Eligibles.

5.2.1.2.1 Definition. Reinstatement eligibility generally allows a former Federal government employee to reenter the Federal competitive service workforce without competing with the public.

5.2.1.2.2 Pay Setting. For reinstatement eligibles, consideration will be given to the various criteria mentioned for new hires as well as the individual's experience and duties in former Federal government positions and base pay. Initial base pay will be set within the base pay range for the broadband level of the position for which hired at a level consistent with the individual's qualifications and the level of work and contribution expected for the position at the time of hire. Hiring officials will also determine starting base pay upon available labor market considerations relative to special qualifications requirements, scarcity of qualified applicants, programmatic urgency, and education/experience of new selectees. The maximum payable rate rule at 5 CFR 531.221 and the AcqDemo organization's policy on its use may provide an appropriate tool for establishing base pay for a reinstatement eligible.

5.2.1.2.3 Approvals. Hiring officials, depending upon their organization's guidance, may approve or recommend base pay increases within a range of zero percent to a 10 percent increase over a selectee's current salary. Recommended increases up to a 10 percent increase and recommended increases above 10 percent not to exceed the maximum base pay for the broadband level for which hired must be approved by a designated management official at least one level above the recommending official.

5.2.2 Non-AcqDemo Federal Civilian Employees Entering the Demonstration Project through Actions other than Conversion. Federal employees entering into the AcqDemo from the General Schedule (GS) or other pay systems not as the result of a conversion will be moved into a career path and broadband level with base pay set in accordance with AcqDemo guidance and reflective of the duties and responsibilities of the AcqDemo position and an individual's qualifications. The maximum payable rate rule at 5 CFR 531.221 and the AcqDemo organization's policy on its use may provide an appropriate tool for establishing base pay in this instance. The move will be described using the appropriate nature of action, e.g., promotion, reassignment, transfer, etc., as provided by the Office of Personnel Management's Guide to Processing Personnel Actions, AcqDemo specified Nature of Action Code (NOAC), and the AcqDemo legal authority, Public Law 111-383.

5.2.2.1 Promotion

5.2.2.1.1 Definition. A promotion occurs when a non-AcqDemo Federal employee is selected under competitive or merit promotion procedures for an AcqDemo position in a broadband level with a higher maximum base pay than that of the position currently held or previously held on a permanent basis in the competitive service.

5.2.2.1.2 Pay Setting. A promotion base pay increase within a range of zero percent to 20 percent of the selectee's current base pay will be set at a level consistent with the individual's

qualifications and the level, complexity, and scope of work and contribution expected for the position for which hired. However, if the minimum rate of the selectee's new broadband level is more than 20 percent greater than the selectee's current base pay, then the minimum rate of the new broadband level is the new base pay. The maximum payable rate rule at 5 CFR 531.221 and the AcqDemo organization's policy on its use may provide an appropriate tool for establishing base pay for a promotion. The employee's base pay shall not exceed the base pay range of the new broadband level.

5.2.2.1.3 Approvals. Recommended increases up to a 10 percent increase and recommended increases above 10 percent up to a 20 percent increase will be approved by a designated management official at least one level above the recommending official. If an increase of more than 20 percent is needed to reach the minimum base pay rate of the new broadband level, the minimum base pay rate becomes the selectee's new base pay.

5.2.2.1.4 Buy-in. No automatic pro-rated within-grade increase or non-competitive promotion pay increase (e.g., imminent career ladder promotion with current employer) buy-in payments are authorized.

5.2.3 GS Employees Receiving Permanent Lateral Transfers, Reassignments, and Realignment.

5.2.3.1 Eligible for Buy-in. Individual GS employees who enter the project voluntarily by permanent lateral transfer, reassignment, or realignment will be subject to the same pay setting rules as those GS employees entering the demonstration project upon initial conversion of their organization. These rules provide an adjustment to an employee's base pay for WGIs and or non-competitive career ladder promotions if eligibility requirements are met. (Refer to 64 FR 1483, Section V, Conversion, Paragraph A, Conversion to the Demonstration Project, page 1483 and AcqDemo OP, Chapter 2, Section 2.3, Employee Buy-in). An automated tool is provided by the AcqDemo Program Office at <http://acqdemo.dau.mil/tools.html> to facilitate the calculation of the new broadband base pay for GS employees. The employee's base pay shall not exceed the base pay range of the new broadband level.

5.2.3.2 Ineligible for Buy-in. Examples of situations where GS employees would not be eligible for a WGI or a Career Ladder Promotion Buy-in are **discussed below**.

5.2.3.2.1 WGI Buy-in. GS employees who are at the 10th step of their grade; employees on retained pay whose adjusted base pay exceeds the maximum adjusted base pay of their broadband level; employees on career ladder positions will not be eligible for a WGI Buy-in if their base pay is adjusted for a promotion that would be effective before the next scheduled WGI; and employees on retained grade who would not have received a WGI prior to expiration of their retained grade are ineligible for a WGI buy-in.

5.2.3.2.2 Career Ladder Promotion Buy-in. If a GS employee moving to AcqDemo by lateral transfer, reassignment or realignment receives a promotion within AcqDemo before the

expected date of the career ladder promotion in his/her previous position, the employee would not be eligible for a career ladder buy-in.

5.2.3.2.3 Other Pay Setting Conditions. WGI and or Career Ladder Promotion Buy-ins apply if the movement of a GS employee into AcqDemo provided the equivalent pay setting conditions as if the hire were actually being converted into AcqDemo. If pay is being set under different conditions, the WGI and or Career Ladder Promotion Buy-in provisions would not apply. If the hire is offered and voluntarily accepts a lower base pay than his/her current base pay to take a position within a broadband level that has the same maximum base pay as the GS grade from which he/she is moving, e.g., GS-15 reassigned to NH-IV, or accepts a higher rate of pay resulting from the use of the highest previous rate provision, these would be different conditions as neither method would be used in setting pay for a conversion.

5.2.4 Federal Employees in Pay Systems Other than GS or AcqDemo Receiving Permanent Lateral Transfers, Reassignments, and Realignments. Federal employees in other pay systems, e.g., Defense Civilian Intelligence Personnel System Pay Banded System or a Science and Technology Reinvention Laboratory Personnel Demonstration Project, who do not have WGI eligibility under their current pay system, are not eligible for a WGI Buy-in when they move into the AcqDemo by lateral transfer, reassignment, or realignment. A Career Ladder Promotion Buy-in is not authorized for movement from a pay system other than the GS pay system to the AcqDemo pay system by a permanent lateral transfer, reassignment, or realignment. The maximum payable rate rule at 5 CFR 531.221 and the AcqDemo organization's policy on its use may provide an appropriate tool for establishing base pay in this instance. The employee's base pay shall not exceed the base pay range of the new broadband level.

5.2.5 Temporary Reassignments Not to Exceed (NTE). Current AcqDemo authorities do not contain provisions for Temporary Reassignments NTE to, from, or within AcqDemo. However, if a component or agency has established a Temporary Reassignment NTE utilizing a 9XX Nature of Action Code, it may be used to move non-AcqDemo employees into AcqDemo, move AcqDemo employees out of the Demo to a non-AcqDemo organization, and move AcqDemo employees within AcqDemo, but no WGI Buy-in or Career Ladder Promotion Buy-in is authorized for any of these personnel actions.

5.2.6 Internal Component/Agency Guidance. Components/Agencies are encouraged to issue internal guidance/criteria to further define their promotion pay-setting processes based upon funding levels, qualifications and experience of selectees, market conditions, difficulty of position, organizational level of position, etc., to ensure standard application of this pay setting feature. Copies of an organization's internal pay setting guidance are to be provided to the AcqDemo Program Office.

5.3 Locality Pay. All AcqDemo participants will receive any applicable locality pay, based on geographic location, after changes to base pay.

Revised Definition of Reassignment (Federal Employee (Outside of the Demo) Entering the Demo) to be incorporated into the AcqDemo OP dated May 15, 2003, Glossary:

REASSIGNMENT (Federal Employee (Outside of the Demo) Entering the Demo). Change of an employee from one competitive service position in any other pay system to an AcqDemo position without promotion or change to a broadband level with a lower maximum base pay than the employee's current position. Depending upon an employee's eligibility, a change in base pay would result from application of the WGI and or Career Ladder Promotion Buy-in provisions, offer and acceptance of a lower base pay, or application of the maximum payable rate rule at 5 CFR 531.221. (Refer to AcqDemo Memorandum (AM) 14-02 – Pay Setting for New Hires, Reinstatement Eligibles, and Non-AcqDemo Federal Employees Entering AcqDemo through Actions Other than Conversion and Associated Changes) (~~Buy-in applies, refer to Federal Register Vol. 66, No. 98, 21 May 2001, Amendment to Federal Register Vol. 64, No. 05, 8 Jan 1999, See V.A.~~)

Action.

a. File this AM in front of Chapter 5 of Reference (b).

b. Retain the title for the definition of "Reassignment (Federal Employee (Outside of the Demo) Entering the Demo)" found in the AcqDemo OP dated May 15, 2003, Glossary, page 10. Cross through the entire narrative following the title. Replace narrative with the following statement: "Refer to AcqDemo Memorandum (AM) 14-02 – Pay Setting for New Hires, Reinstatement Eligibles, and Non-AcqDemo Federal Employees Entering AcqDemo through Actions Other than Conversion and Associated Changes).

Point of Contact. Questions concerning this policy should be directed to Betty Duffield, Policy Coordination Officer, at Betty.Duffield@dau.mil or by phone at 703-805-4460.



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