



REPLY TO  
ATTENTION OF

DEPARTMENT OF THE ARMY  
ASSISTANT SECRETARY OF THE ARMY  
FINANCIAL MANAGEMENT AND COMPTROLLER  
109 ARMY PENTAGON  
WASHINGTON DC 20310-0109

3 JAN 2011

SAFM-ZA

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: National Security Personnel System (NSPS) Pay Pool Funding Guidance for 2011 Payout

1. References:

- a. Department of the Army NSPS Policy dated 14 May 2009.
- b. PEO NSPS Action Memorandum, subject: Establishment of a Single DoD-wide Minimum NSPS Pay Pool Funding Rate, dated 7 November 2005.
- c. Under Secretary of Defense memorandum, subject: Pay Pool Funding Guidance for NSPS 2011 Payout, dated 27 December 2010.

2. In accordance with AP-SC 1930.9.2.1 of reference 1a, this memorandum provides Army-wide financial management policy regarding pay pool funding for NSPS organizations for the performance year ending 30 September 2010, with payouts effective on 2 January 2011.

3. A statutory requirement for pay for performance under NSPS was established so that employees would not be disadvantaged in the aggregate by the conversion to the NSPS. To ensure compliance with the law, in November 2005 the NSPS Senior Executive set the Component-aggregate pay pool funding floor at the Department of Defense-wide historical average of 2.26% for increases to employee base salaries (reference 1b). This percentage represents the amount that was historically paid to employees as within-grade increases, quality step increases, and certain promotions, none of which are used under NSPS. Current DoD guidance (reference 1c), issued on 27 December 2010 by the Under Secretary of Defense, retains the 2.26% component level funding floor for increases to base pay in Element 1 in paypools.

4. Guidance for each pay pool funding element for the January 2011 payout follows:

- a. Element 1 Funding Guidance: Element 1 funds are used to increase employee base pay based on performance ratings. As in previous cycles, the funding floor for Army in the aggregate for the current year will continue to be 2.26%. Addressees shall fund Element 1 at that level. If, based on historical spending data, funding was

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established below 2.26% in the past, or an exception or waiver has been granted, addressees are authorized to use that lower level. Individual organizations may also allocate additional funds to Element 1, but this funding is not to exceed 2.5%. Any such additional allocations to Element 1 funding must be done within approved budgetary authority; there is no new money to fund NSPS.

b. Element 2 Funding Guidance: Element 2 will not be funded in the current cycle.

c. Element 3 Funding Guidance: There is no DoD-wide funding floor for Element 3 pay pool funding. Pay pool funding for Element 3 may be based on historical funding, but will not exceed 1.5%. As in the past, cash awards are budgeted at 1% of base pay at the aggregate Army level. This 1% is built into your civilian pay rates generated by ASA, FM&C.

5. Reference 1c also sets a control point based on the level IV rate of the Executive Schedule (EX-IV) for all pay bands other than physicians and dentists. A control point establishes a limit on pay setting and pay progression. An increase in base salary may not cause the employee's adjusted salary to exceed this rate, nor may a pay increase be given if an employee's adjusted salary is at or above this rate. The control point will apply during the pay pool proceedings for this payout and continuously until employees transition to GS.

6. Pay Pool funding should be managed utilizing currently available budgetary tools and approved processes pertaining to your total Civilian Pay budget as executed in the past. It is incumbent upon commanders and their respective resource managers to ensure that all components (pay-for-performance, hiring actions, reassignments, cash awards, etc.) of civilian pay are captured in their affordability considerations.

7. If you require further information the point of contact for this action is Ms. Leean Nimmer, Office of the Assistant Secretary of the Army, Financial Management and Comptroller. She can be reached at (703) 692-5746, [leean.nimmer@us.army.mil](mailto:leean.nimmer@us.army.mil).



Mary Sally Matiella, CPA

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