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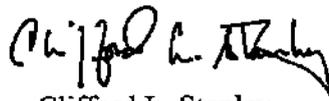
DEC 27 2010

MEMORANDUM FOR: SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
UNDER SECRETARIES OF DEFENSE  
DEPUTY CHIEF MANAGEMENT OFFICER  
COMMANDERS OF THE COMBATANT COMMANDS  
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DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTOR, NET ASSESSMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DoD FIELD ACTIVITIES

SUBJECT: Pay Pool Funding Guidance for NSPS 2011 Payout

This memorandum provides the attached pay pool funding guidance for Department of Defense (DoD) organizations eligible for an National Security Personnel System (NSPS) performance payout for the performance cycle ending September 30, 2010.

The pay pool funding guidance establishes the Element 1 pay pool funding floor for the 2011 NSPS payout and a mandatory adjusted salary control point for non bargaining unit employees.

  
Clifford L. Stanley

Attachment:  
As stated

## Pay Pool Funding Guidance

The following provides pay pool funding guidelines for the January 2011 NSPS performance payout:

**Element 1:** The DoD Component level floor for Element 1 pay pool funding is 2.26% of base salaries. Aggregate pay pool funding for performance-based increases as well as separately funded salary increases in the form of Accelerated Compensation for Developmental Positions may be included in the calculation towards meeting the funding floor for the 2010 performance cycle (i.e., January 2011 payout). Exceptions to the 2.26% aggregate Component funding floor may be approved by the Director, NSPS Transition Office based on compensation of the remaining population and/or labor market considerations, especially when these factors indicate that, based on the percent of the population at or above a control point or maximum rate of a salary range, meeting the 2.26% Element 1 floor will necessitate salary range progression of the remaining population at a rate faster than that of comparable Federal employees.

**Element 2:** Element 2 of the NSPS pay pool will no longer be funded.

**Element 3:** Element 3 represents funds historically spent for performance-based cash awards, and is determined at the DoD Component or lower organization level. These funds are only available for payout as a bonus during the pay pool process.

**Control Point:** An adjusted salary control point is established for NSPS non bargaining unit employees in all DoD activities based on the level IV rate of the Executive Schedule (EX IV). The control point will align NSPS employee pay with adjusted salary limits that will apply upon transition from NSPS. The control point does not apply to the adjusted salary of physicians and dentists (in occupational series 0602 and 0680 respectively) as adjusted salary for employees in these occupations will not be limited to the EX IV rate after transition and a higher rate is necessary to align with salary rates paid by the Veterans Administration and the non Federal sector. For all other non bargaining unit NSPS employees, application of the control point means a performance-based increase may not be made when such an increase will cause an employee's adjusted salary to exceed the EX IV rate or when such an increase will result in the increase of an adjusted salary already at or above the EX IV rate.

Organizations may also allocate additional funds to the pay pool fund, in accordance with Component policies.

Attachment