



Human Capital Performance Fund

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**Classification and Pay
Field Advisory Services**



Initial Administration Proposal

March 2003

- **2 percent pay raise for 2004**
- **\$500 million “performance fund” to boost salaries of Government’s best workers (0.5% of Federal payroll)**
- **Basic pay, but not funded in succeeding years**
- **Intended to lay the foundation for pay-for-performance systems**



Initial Administration Proposal [2]

March 2003

- **Fund administered by Office of Personnel Management (OPM)**
- **Ninety percent of fund available to agencies with performance plans approved by OPM as meeting OPM HCPF regulations; remainder of fund allocated at discretion of OPM**
- **Pro rata share provided to agencies**



House Proposal

- **Section 1111 of HR 1588 as passed by the House June 2, 2003**
 - **\$500 million performance fund**
 - **Basic pay for 2004, but not funded in succeeding years**
 - **Limited to not more than 15 percent of agency's employees**
 - **Payment not to exceed 10 percent of rate of basic pay**



House Proposal [2]

- Ninety percent of fund available to agencies with OPM-approved performance plans—except, of this 90 percent, ten percent allocated among agencies with exceptionally high quality plans**
- Ten percent withheld by OPM for training**



House Proposal [3]

- Prohibition on using HCPF funds to pay for new position or other performance-related payments**
- Requirement to fund continuation of previously awarded payments from salary and expense funds**
- Requirement for OPM to issue regulations regarding administration of HCPF**



Agency Plan Criteria

- **Adherence to merit principles**
- **Fair, credible, transparent employee performance appraisal system**
- **Link between pay-for-performance (PFP) system, employee performance appraisal system, and strategic plan**
- **Employee involvement in design and implementation**



Agency Plan Criteria [2]

- **Training**
- **Process for ongoing feedback**
- **Safeguards to ensure fairness**
- **Means to ensure adequate resources allocated for design, implementation, and administration of PFP system**



Department Position

- **Agree in concept with establishment of Human Capital Performance Fund**
- **Remove required percentage for training**
- **Allocate all funds on pro rata basis**
- **Remove population and payout restrictions**
- **Remove provision that limits use of Fund in subsequent years**



Status of Legislation

- **National Defense Authorization Act for 2004 (NDAA 04) in conference beginning mid- July**



Questions?