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This regulation supersedes HR 20-31, dated 9 October 1998.

HR 20-31 is revised and designated *AR 20-31. This revision also reflects that with the implementation of the Domestic Living Quarters Allowance (DLQA), Mobility Incentive Pay (MIP) is no longer a valid pay policy. In addition, paragraph e, refers Agency employees to Agency Notices AN [] and AN [] for current information on Addition to Compensation (ATC).

*This redesignation is part of an ongoing conversion to one set of Agency regulations for both headquarters and the field.

Because this regulation has been extensively revised, boldfaced text has not been used to indicate revisions.

This regulation was written by the Policy Branch, Centralized and Deployed Human Resources, Chief Human Resources Office (HR Policy @DA).

31. (U) PAY

(C) SYNOPSIS. This regulation sets forth Agency policy and responsibilities pertaining to salary administration for appointments, step increases, promotions, changes to lower grade and salary retention, wage administration for prevailing rate positions, [] mobility incentive payment, settlement of compensation differences, verification of pay, unpaid compensation of deceased employees, addition to compensation, tuition assistance program, and disposition of paychecks.

a. (U) POLICY. It is Agency policy to maintain a sound and internally equitable

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compensation structure. Rules and procedures are herein established for Agency pay administration.

- b. **(U) SALARY ADMINISTRATION.** The Director of Central Intelligence is authorized to establish and approve rates of pay for Agency employees. The Deputy Director of Central Intelligence and the Deputy Director for Planning and Coordination may only approve pay rates affected by congressional action and that also apply to other agencies. Agency policy on the position classification program is found in AR 20-11~~1~~, which provides for a position grade structure that will promote and maintain internal job and pay equity within occupations across Agency components. Basic pay fixing rules are outlined as follows:

(1) **NEW APPOINTMENTS.** Individuals with no prior Federal civilian service will be appointed at the minimum rate of the grade to which they are assigned unless:

- (a) The Director of Personnel approves an appointment to a higher step in an individual case.
- (b) The individual is being appointed to a position within a class of positions for which the Director of Personnel, in conformance with Office of Personnel Management determinations of such classes, has established an increased rate.

(2) **APPOINTMENT BY TRANSFER OR REEMPLOYMENT.** When individuals with prior Federal civilian service are appointed, the step of their grade will be determined in accordance with this paragraph unless the Director of Personnel approves a higher step in an individual case.

- (a) Individuals who have had prior service at a grade level that is equivalent to or higher than the grade to which they are being appointed may be appointed at any step of their grade that is not in excess of the present pay rate for the highest grade and step previously held. If the present pay rate for the highest grade and step previously held falls between two steps of their grade, the higher step may be selected. In the selection of the appropriate step, the Director of Personnel will consider such discretionary factors as the extent and nature of the individual's prior civilian service, the degree to which the individual is qualified for the position of assignment, and the resulting salary alignment within the component to which the individual is being assigned.
- (b) Individuals who have had prior service at one or more grade levels that are all below the grade to which they are being appointed will be appointed at the minimum rate of their grade unless the provisions of paragraphs b(1)(b) or b(2)(c) are applicable.
- (c) Individuals appointed, without a break in service of 1 workday or more, to a grade higher than both the highest grade previously held and the grade last held will be appointed at the lowest step of the grade that is at least two steps higher than the last grade held.

(3) **STEP INCREASES.** Regular and quality step increases will be granted in accordance with the provisions of this paragraph to employees (except temporary

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employees) compensated under the Classification Act of 1949, as amended, who are receiving pay at less than the maximum scheduled rate of their grades. A regular or a quality step increase will not be granted while a proposed adverse action based upon misconduct or unsatisfactory performance is pending.

(a) Regular Step Increases

(1) Requirements. The granting of a regular step increase to employees is contingent upon the completion of a prescribed waiting period and a positive certification in writing that their work is of an acceptable level of competence.

(a) Waiting Period. Advancement to the next higher within-grade step may be granted to employees upon the completion of the following number of calendar weeks of creditable civilian service: 52 weeks in steps 1, 2, and 3; 104 weeks in steps 4, 5, and 6; 156 weeks in steps 7, 8, and 9. A waiting period begins as follows:

- (i) Upon a new appointment in the Federal service;
- (ii) After a break in service or a nonpay status in excess of 52 calendar weeks; or
- (iii) After an increase or total of increases in base pay within a prescribed waiting period equal to a full step for the employee's grade, even though such an increase may have been under a different pay system. A quality step increase (QSI) or any increase in compensation granted by law will not be construed as an increase in compensation that requires the beginning of a new waiting period. If, however, the granting of a QSI advances an employee to either step 4 or step 7, the length of the waiting period will be increased accordingly.

Creditable civilian service toward a waiting period includes leaves of absence granted because of an injury for which compensation is payable under the Federal Employees' Compensation Act; absence for military duty; and time in a leave-without-pay (LWOP) status up to a total of 2 workweeks in steps 1, 2, and 3; 4 workweeks in steps 4, 5, and 6; and 6 workweeks in steps 7, 8, and 9.

(b) Acceptable Levels of Competence. In determining whether the work of an individual is of an acceptable level of competence, the supervisor must evaluate the employee's total work performance in relation to the overall requirements of the position. The supervisor should recognize that skills and strong points in performance will vary from person to person, and that employees who are not particularly strong in certain job factors may compensate for such performance by excellent work in other aspects of the job. The supervisor's determination should be based on an assessment of the employee's

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work in a broad context that includes any special demands of the position. Such factors as reliability, willingness to cooperate, acceptance of responsibility, and general effectiveness should also be considered since they directly relate to the employee's level of competence. An employee may be certified as performing at an acceptable level of competence if the supervisor determines that, in total, the employee's performance is satisfactory and above that of the employee whose performance is slightly less than proficient. An employee's work is not of an acceptable level of competence if performance is unsatisfactory or marginal.

(2) **Notification.** The Office of Personnel (OP) will forward a certification form (Form 560, Pay Change Notification) to the office concerned 60 days before the date that an employee will complete the prescribed waiting period.

(3) **Certification.** A written certification as to whether the work of an individual is of an acceptable level of competence must be made before the employee completes the waiting period for a regular step increase. Whenever a step increase is withheld, a new certification concerning the employee's performance must be made within a year.

(a) **Certifying Official**

(i) For employees assigned to headquarters the required certification will be made by the employee's immediate supervisor; that is, the person who would ordinarily prepare and sign the individual's performance appraisal report. The supervisor may consult the employee's previous supervisor to obtain assistance in determining the performance level.

(ii) In the case of overseas employees and other employees not assigned to headquarters, the required certification signature of Form 560 will be made at headquarters by the appropriate Operating Official. This certification, however, will be based upon a current determination from the field that the employee concerned is performing at an acceptable level of competence.

(b) **Approval of Step Increases.** If an employee's work is of an acceptable level of competence, the appropriate official will so certify in the space provided on Form 560 and forward all copies of the signed form through command channels to Office of Personnel no later than the end of the prescribed waiting period.

(c) **Withholding of Step Increases**

(i) If an employee's work is not of an acceptable level of competence and the step increase is to be withheld, the supervisor will inform the employee by memorandum, preferably at least 30 days before

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but in no case later than the end of the prescribed waiting period. The memorandum will set forth the specific conditions and reasons for the determination and the time when the supervisor plans to reappraise the employee's performance. At the time the employee is informed, the supervisor will forward a signed copy of the memorandum, attached to the unsigned Form 560, through command channels to the Director of Personnel. When the employee is assigned to the command jurisdiction of another Career Service, a copy of the memorandum will be forwarded to the Head of the employee's Career Service.

- (ii) If a step increase is withheld because of correctable deficiencies in performance, employees will be given all reasonable assistance and guidance to help them improve their work and establish eligibility for the step increase. A positive certification that an employee's work is currently of an acceptable level of competence may be made at any time after a step increase has been withheld. Normally, however, such certification will not be made until employees have demonstrated for a period of at least 90 days that they have raised their work performance to an acceptable level of competence. Certification to this effect must be by memorandum forwarded through command channels to the Director of Personnel.
- (iii) Employees who, after discussion with their supervisors, believe that the memorandum of notification does not accurately reflect their performance may appeal in accordance with the provisions of AR 7-6, Grievance Systems. Employees must initiate requests for reconsideration within 10 days after they receive notice that their step increase are being withheld.

(4) Effective Date

- (a) Step increases become effective at the beginning of the next biweekly pay period following completion of the required waiting period and after positive certification that performance is of an acceptable level of competence.
- (b) When a positive certification of an employee's eligibility is made after the step increase has been withheld, the effective date of the step increase is the first day of the first pay period beginning after the date the positive certification is made.
- (c) When a step increase is delayed beyond its proper effective date through administrative oversight, error, or delay, the increase will be made effective as of the date it was properly due.
- (d) When the effective date of a step increase occurs simultaneously with the effective date of any personnel action that effects an employee's grade level, the actions will be processed in the order that

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give the employee the maximum benefit.

(b) Quality Step Increases

(1) General

- (a) QSI's are granted, apart from and in addition to regular step increases, in recognition of high quality performance above that ordinarily found in the type of position concerned. They are designed to encourage excellence by recognizing and rewarding employees at all levels whose sustained work performance substantially exceeds normal requirements. There may be instances when a specific accomplishment during a period on which a QSI is based also warrants recognition under the Honor and Merit Awards Program. Approval of a QSI does not preclude this additional recognition.
- (b) A recommendation for a QSI must be carefully considered in terms of individual merit as recognition of a sustained level of excellence that is judged to be characteristic of the employee's performance. Requests should be submitted in a time frame related to the sustained performance and not in lieu of promotion or because of lack of promotional headroom. QSI's indefinitely raise the employee's future salary, are comparatively expensive in the long run, and have an impact on the total Agency work force. It is important, therefore, that only those employees whose performance wholly merits special recognition are recommended for such increases.

(2) Eligibility

- (a) A QSI consisting of one step within the pay range of the currently held grade may be granted to any GS-grade full-time or regularly scheduled part-time employee whose performance is determined to be of sustained high quality. No more than one QSI will be granted to an individual within a 52-week period.
- (b) Since a QSI is based on sustained high quality performance at the grade of the employee in the position to which assigned, such an increase normally will not be granted an employee whose personal grade exceeds that of the position to which assigned.
- (c) Although an employee who has received a QSI will not necessarily be required to exceed the performance on which the increase was based to be eligible for another QSI, care must be exercised to ensure that QSI's are not repeated on an automatic basis.

- (3) **Criteria.** High quality performance is characterized by an employee performing the most important functions of the job in a manner that substantially exceeds normal requirements and job standards. When viewed as a whole, the total work performance must be of a high degree of

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effectiveness.

- (a) High quality performance must exceed "medium," "average," "typical," or "proficient" work to such an extent that the employee concerned merits faster-than-usual pay advancement.
 - (b) Such high quality performance must be sustained for at least 6 months and must give promise of continuing at the same high level in the same position.
 - (c) A "strong" or "outstanding" performance in a position of a grade higher than the employee may be considered in determining the merit of an award but will not be the sole criterion for recommending a QSI.
 - (d) Unless the QSI recommendation is substantively detailed or the current performance appraisal report supports the recommendation and covers the appropriate timeframe, a special performance appraisal report will be required.
 - (e) Since selection for promotion usually includes consideration of high level performance that a QSI would normally recognize, it is appropriate for supervisors to hold QSI recommendations for a short period when comparative promotion reviews are in progress. In the event the employee is not promoted as the result of the promotion review, the recommendation for QSI may be forwarded.
- (4) **Recommendation.** An employee's supervisor may recommend that the employee be given a QSI by forwarding a memorandum through channels to the Head of the employee's Career Service.
- (a) The memorandum must indicate specifically in what way the employee's performance of the most important functions of the job has substantially exceeded the normal requirements of the position.
 - (b) The memorandum also must indicate that such high quality performance is expected to continue.
- (5) **Approval.** The Head of the employee's Career Service, or a sole senior subordinate designated in writing, will consider the recommendation, determine whether the employee's performance merits a QSI, and, if the determination is positive, will approve the recommendation and forward it to Transactions and Records Branch, Office of Personnel (TRB/OP). The increase will be effective at the beginning of the first biweekly pay period after the receipt of the approval in TRB.
- (6) **Relation to Regular Within-Grade Increase.** QSI's are in addition to regular within-grade increases and are not considered to be equivalent increases in pay. An employee who receives a QSI does not thereby start a new waiting period to meet the time requirements for a regular within-grade increase. When a QSI places an employee in the fourth or

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seventh step of the grade, credit is given for the time spent at the lower step towards completion of the waiting period requirement for advancement to the fifth or eighth steps.

- (7) **Relation to Honor and Merit Awards.** While the QSI is a device specially geared to recognize and reward high quality performance, incentive awards will continue to be available for granting monetary as well as honorary recognition for excellence in performance and in some cases will be a more appropriate form of recognition and reward. When conditions for QSI's are met, but it is considered that this kind of recognition would be insufficient, a supervisor may recommend another more appropriate honor or merit award. This might occur, for example:

- (a) When an employee would enjoy the benefits of an additional within-grade increase for an insufficient length of time, (for example, nearing retirement or about to resign).
- (b) When the employee's contribution is so significant that a lump-sum payment is a more fitting recognition than a smaller continuing benefit.

Because the QSI is related to the employee's overall performance of specific job functions in a position at or above the currently held grade for a 6-month period, an incentive award is the only choice when achievements are nonrecurring, occur in a special work situation of limited duration, or are the result of a group achievement.

(4) PROMOTIONS

- (a) Employees (other than those serving in a salary retention period) who are promoted to a higher grade will receive basic compensation at the lowest step of the higher grade that exceeds their existing rate of basic compensation by not less than two step increases. If there is no rate in the higher grade that is at least two step increases above their existing rate of basic compensation, they will receive the maximum rate of the higher grade.
- (b) Employees who are promoted to a higher grade while serving in a salary retention period (as authorized in accordance with paragraph (5)(d) below) will receive basic compensation either at the lowest step of the higher grade that is two step increases above the rate they would have been receiving were it not for salary retention, or at their retained rate, whichever is higher.

(5) CHANGES TO LOWER GRADE AND PAY RETENTION

- (a) For Other Than Unsatisfactory Job Performance. This policy does not apply to Senior Intelligence Service (SIS) employees. SIS grade and pay retention policy is addressed in AR 20-22.
- (1) An employee who is involuntarily reduced to a lower grade for any reason other than unsatisfactory job performance will receive grade and pay retention.

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(2) An employee who is reduced to a lower grade under the above conditions, and who has served for 52 consecutive weeks or more in one or more positions at a grade or grades higher than that of the new position, is permitted to retain their grade for two years and receive annual salary increases and within-grade increases. This grade retention period would terminate when the employee:

- (a) Has a break in service of one workday or more;
- (b) Is reduced in grade for personal cause or at the employee's request;
- (c) Is placed in, or declines a reasonable offer, of a position the grade of which is equal to or higher than the employee's retained grade; or
- (d) Elects in writing to have the benefits of this policy terminated.

(3) An employee is eligible for pay retention as the result of:

- (a) The expiration of the two-year period of grade retention;
- (b) Being involuntarily downgraded, for reasons other than unsatisfactory performance, and having served for less than 52 consecutive weeks in a position at a grade higher than that of the new position;
- (c) A reduction or elimination in a special pay rate; or
- (d) The placement of an employee into a non-special pay rate position or into a lower special pay rate position.

In a pay retention status, an employee's rate of pay is limited to 150 percent of the maximum rate of the lower grade. During an indefinite period, the employee is entitled to 50 percent of each annual pay comparability increase. The employee is also eligible to receive the full amount of any applicable locality payment, in addition to the retained rate. The rate of pay for the lower-graded position will ultimately match the employee's pay retention rate. Pay retention is terminated when the employee:

- (i) Has a break in service of one workday or more;
- (ii) Is entitled to a rate of basic pay which is equal to or higher than, or declines a reasonable offer of a position the rate of basic pay for which is equal to or higher than, the rate to which the employee is entitled under this policy; or
- (iii) Is reduced in grade for personal cause or at the employee's request.
- (iv) Elects in writing to have the benefits of this policy terminated.

(b) **Unsatisfactory Job Performance or Misconduct.** Employees who are reduced to a lower grade as a result of unsatisfactory job performance or misconduct will be paid at the step of the lower grade to which they would have progressed had they not been promoted to the higher grade. Their rate of

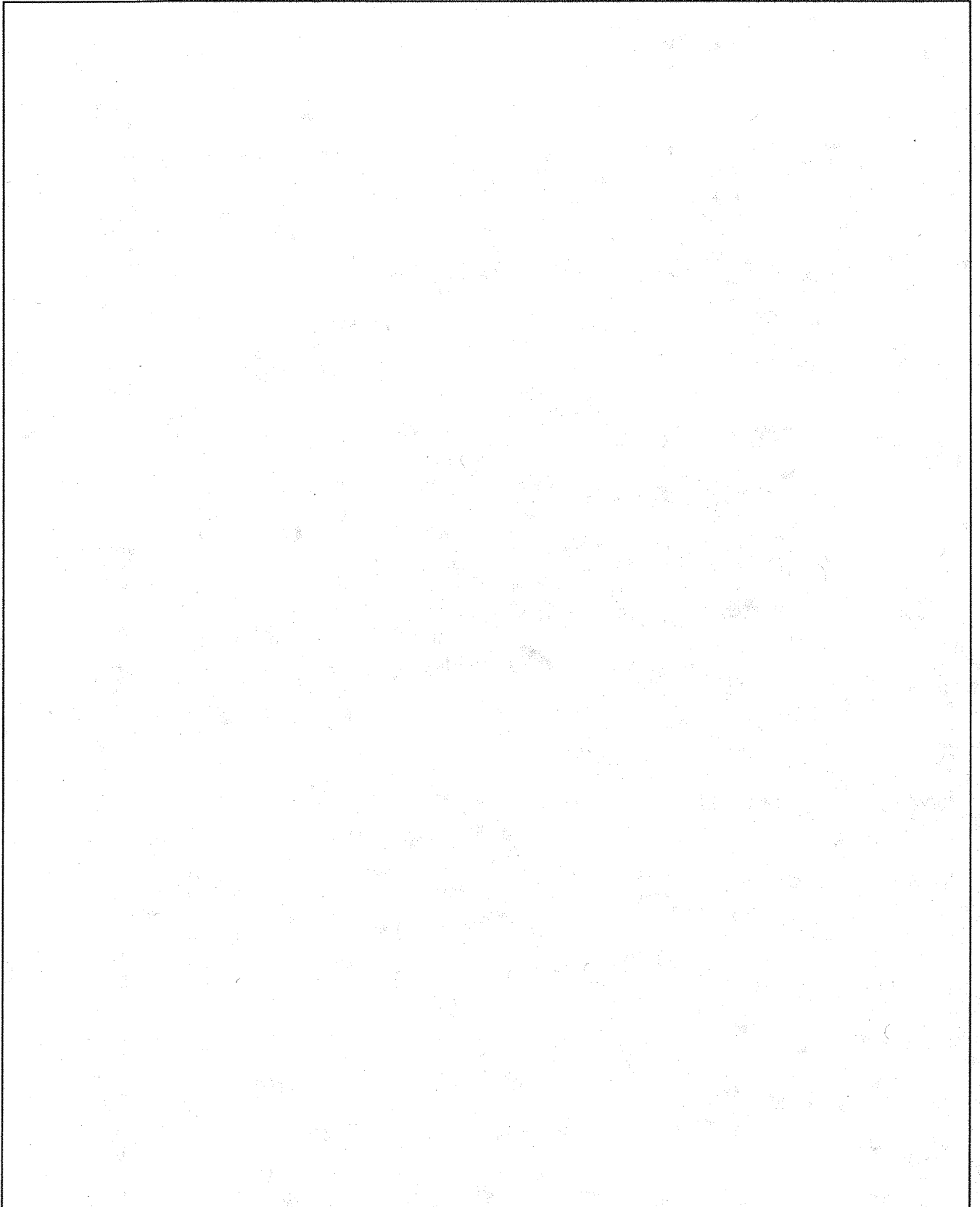
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compensation at the lower grade will not exceed their rate of compensation at the grade from which they were reduced.

- (c) **Failure to Qualify in Clerical Skills.** Employees who are reduced to a lower grade as a result of their failure to qualify in clerical skills upon entrance-on-duty will be paid at the lower grade and step to which they would have been appointed had they been appointed initially at the lower grade.
 - (d) **Salary Retention.** Employees who are reduced to a lower grade may be permitted to retain their existing rate of compensation for a period of 2 years at the discretion of the Director of Personnel, provided that (1) reduction to a lower grade is not due to the employee's own request, a personnel reduction resulting from a lack of funds or curtailment of work, unsatisfactory job performance, or misconduct; (2) their existing rate of compensation exceeds the maximum rate of the lower grade; and (3) they have had 2 years of continuous service in any grade or grades higher than the grade to which they are reduced. Upon termination of the 2-year salary retention period, their salaries will be adjusted to the maximum rate of the lower grade.
- c. **(U) WAGE ADMINISTRATION.** Wage administration applies to those positions and employees whose rates of compensation are fixed and periodically adjusted in accordance with prevailing rates in the locality or industry concerned on the basis of wage surveys conducted by Government wage boards or similar administrative authorities.
- (1) Agency wage administration for staff personnel is based on wage plans and schedules in effect in other Government agencies. The plans and schedules adopted by the Agency are those of the Federal Wage System and Interdepartmental Lithographic Wage Board, the Government Printing Schedule, and the Graphic Arts Schedule.
 - (2) Agency wage administration for Foreign Broadcast Information Service (FBIS) alien employees is based on wage plans and schedules established by the Agency or by other Government agencies for the foreign area in which the FBIS alien employee is employed. Rates are fixed and periodically adjusted in accordance with the prevailing pay practices of that area. The effective date of such adjustments will be the same effective date as used by the Department of State (or other "lead" agency, if appropriate) in adjusting its foreign national compensation plan for the given foreign area.

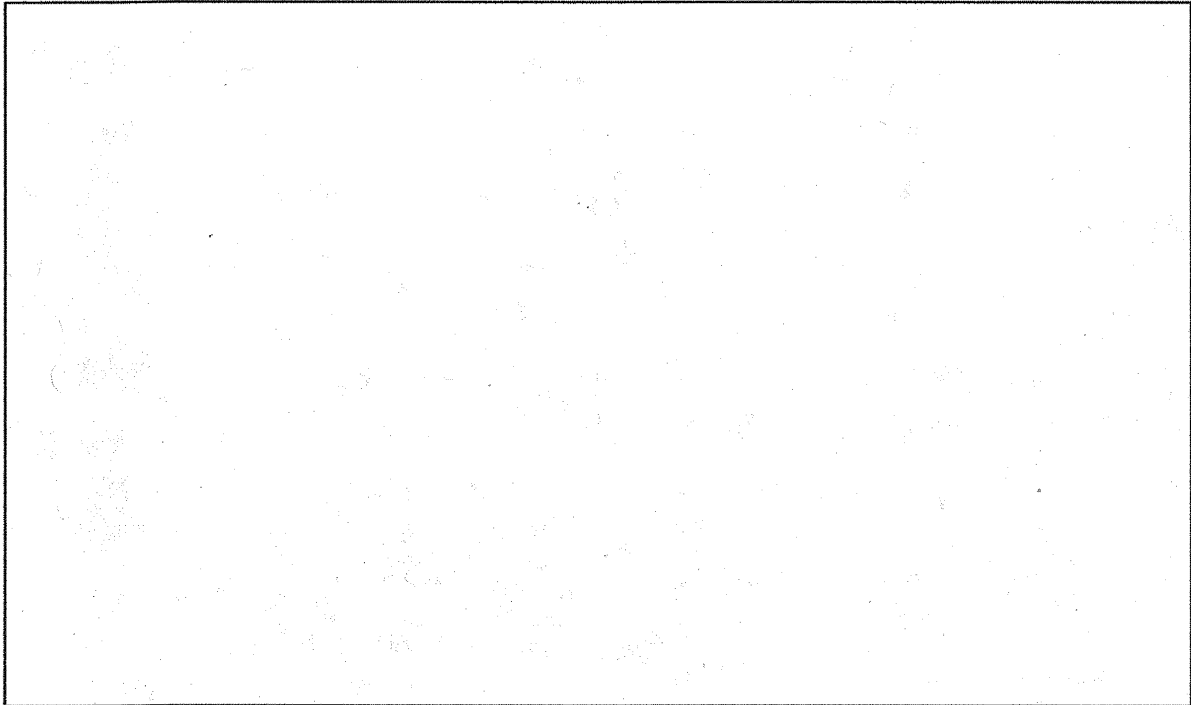
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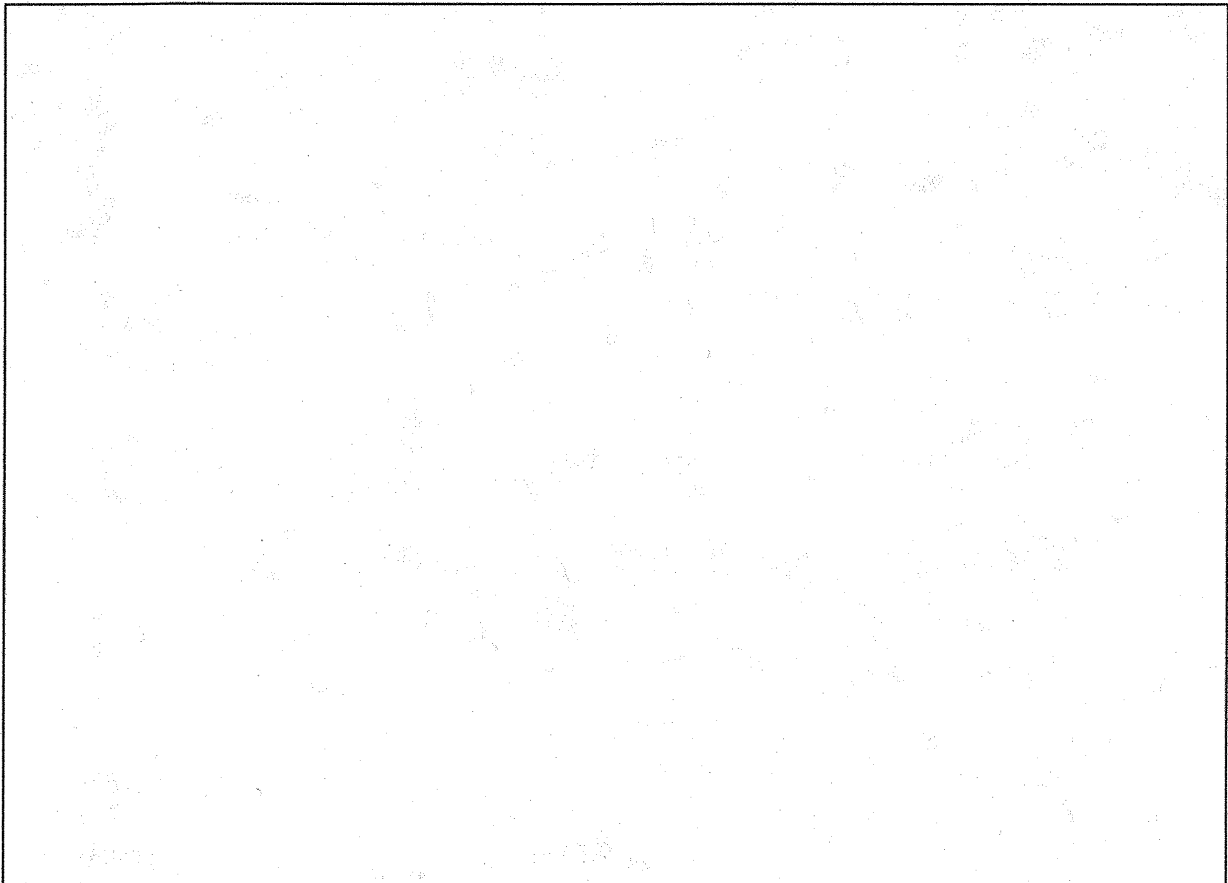
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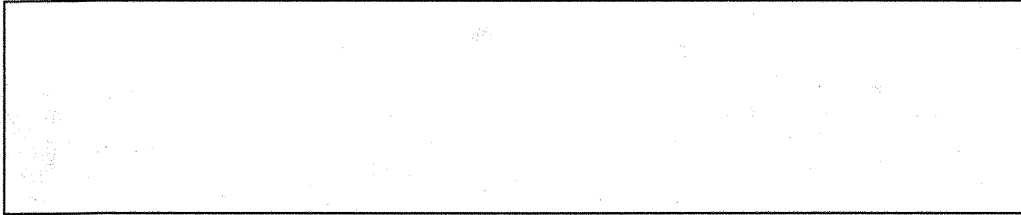


e. **(AIUO) ADDITION TO COMPENSATION.** Please see Agency Notices AN and for current information on Addition to Compensation.

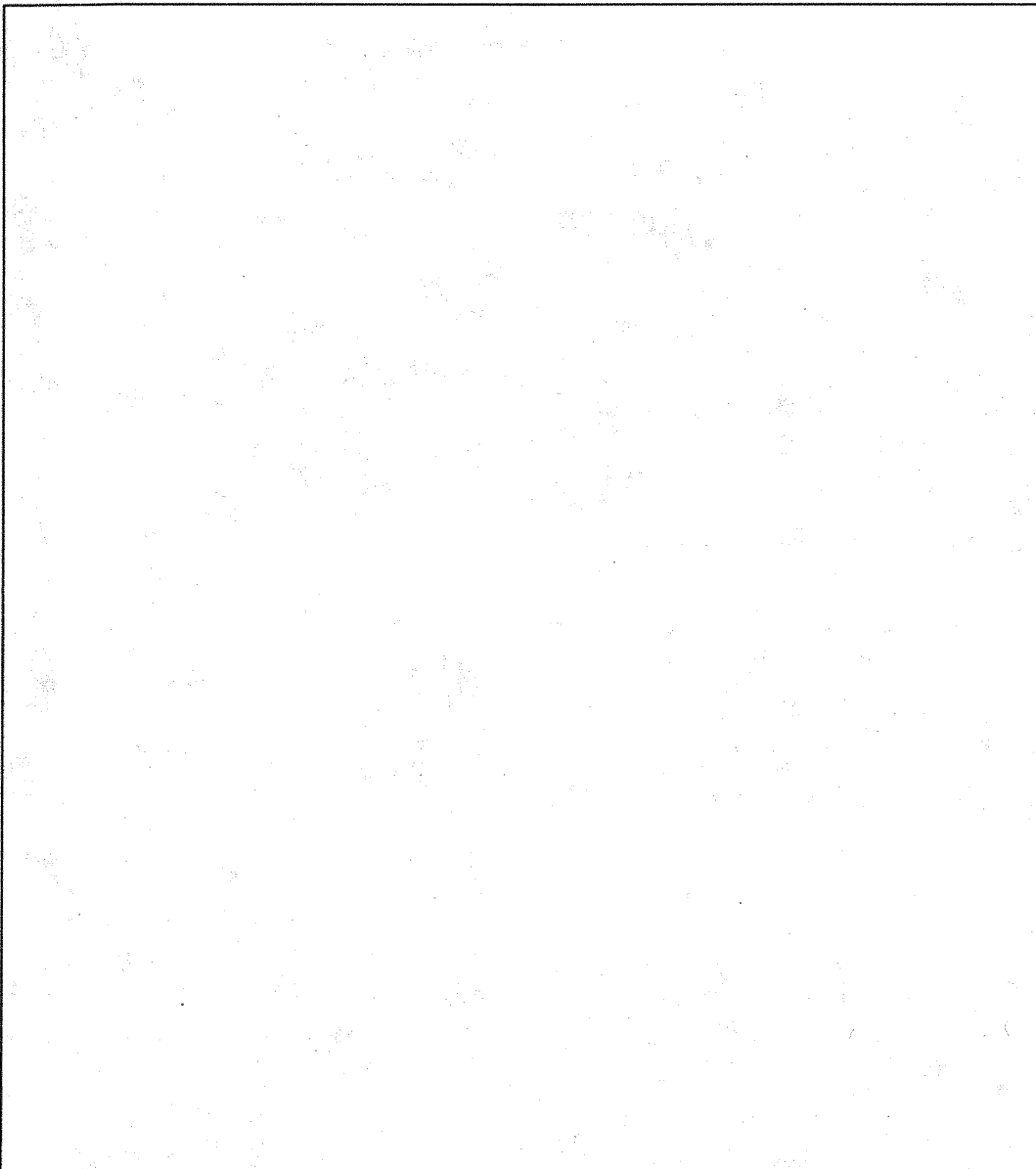
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~~SECRET~~**(3) RESPONSIBILITIES**

- (a) The Director of Personnel will include, in appropriate supplements to Agency personnel actions, recognition of the requirement for the settlement of compensation differences and will provide copies of such documentation to the component to which the individual is assigned and to the Compensation Division, Office of Finance.

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- (4) **SPECIAL BRIEFING PROCEDURES** [] In all cases where it is feasible from operational and security standpoints, the Operating Official concerned will arrange for a representative of the Compensation Division, Office of Finance, to meet with the [] for a financial briefing on compensation and other emoluments due. When such a briefing is not deemed feasible, arrangements will be made for the [] concerned to be briefed by the Compensation Division, Office of Finance, representative so that the [] may, in turn, brief the []. This briefing will take place before the [] departure from the United States or before assumption of duties if the [] is to perform duties in the United States.

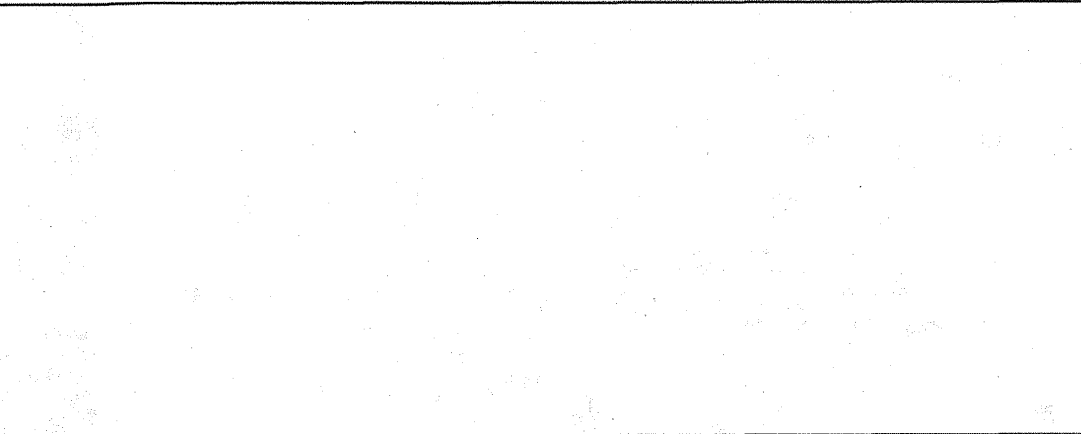
(5) **SETTLEMENT PROCEDURES**

- (a) **Compensation Differences.** Compensation differences involving current entitlements other than quarters and post allowances will be identified by the Compensation Division, Office of Finance, through regular payroll procedures. Amounts due employees will be paid in accordance with instructions received from the employee. Notification of amounts due the Agency will be made to employees through appropriate channels.
- (b) **Quarters or Post Allowance Differences.** Differences due to or from employees assigned abroad in connection with quarters or post allowances will be settled in accordance with the provisions of [].
- (c) **(S) Overpayments.** The accuracy with which current compensation differences are identified depends on the use of the correct rate []. Whenever there is an increase [] that is not recognized in the Agency payroll process with the same effective date [], an overpayment results that is subject to refund on a timely basis. It is not always possible to avoid such overpayments because of the procedures that must be followed in the administration of pay []. In the interest of minimizing the number and duration of overpayments of this nature, however, it is important, as required by paragraph f(3)(b)(3) above, that employees immediately report through normal administrative channels every change in [] except for legislative increases). It also is important that employees make inquiry when an anticipated adjustment of the Agency-paid portion of compensation is not made on a timely basis.

g. **(C) VERIFICATION OF PAY**

- (1) It is the continuing personal responsibility of each employee to monitor Form 456 or 456A, Earnings and Leave Statement, or other appropriate pay and leave statement, to ensure the accuracy of data pertaining to earnings, entitlements, and such deductions as have been authorized by the employee or required by law. Any unexplained variations should be reported immediately through normal administrative channels to Compensation Division, Office of Finance. []

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- (3) Employees are responsible for making follow-up inquiry concerning their reports when they do not receive a timely response either directly or by an adjustment in pay or deductions.

h. (U) UNPAID COMPENSATION OF DECEASED EMPLOYEES

- (1) Upon the death of an employee, unpaid compensation will be paid to the beneficiary (or beneficiaries) designated by the employee on Standard Form 1152, Designation of Beneficiary, Unpaid Compensation of Deceased Civilian Employee. If there is no designated beneficiary living or if the employee has not executed the above form, settlement will be made in the order of precedence established by Federal statute, as follows:
- (a) To the widow or widower.
 - (b) If no widow or widower survives, to the child or children in equal shares, with the share of any deceased child distributed among the descendants of that child.
 - (c) If there are none of the above, to the employee's parents in equal shares or the entire amount to the surviving parent.
 - (d) If there are none of the above, to the duly appointed legal representative of the estate of the deceased employee, or if there is no such representative, to the person or persons determined to be entitled thereto under the laws of the domicile of the deceased employee.
- (2) It is not necessary to designate a beneficiary unless the employee wishes to name some person or persons not included in paragraph h(1) or to change the order of precedence. Executed copies of Standard Form 1152 should be filed with OP and will be effective as long as the individual is continuously employed by the Agency.

i. (U) DISPOSITION OF PAYCHECKS

- (1) Employees are encouraged to have their salary forwarded directly to their bank for deposit to their account as the most efficient and safe procedure for disposition of pay. Employees also may elect to have their paychecks delivered by mail to some other designated address or, for those Agency employees assigned to the

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headquarters area and paid every 2 weeks, to receive their paychecks at the office.

- (2) Form 2595, Authorization for Disposition of Paychecks, or Standard Form 1199A, Authorization for Disposition of Federal Recurring Payments, must be executed by each employee upon entrance-on-duty to select one of the above options for disposition of pay. Standard Form 1199A is an option available only to overt Agency employees. Subsequent thereto, a new Form 2595 or Standard Form 1199A must be completed and forwarded to the Compensation Division, Office of Finance, to authorize a change from one option to another or to correct a previous authorization. A new authorization will supersede any previous authorization and the latest authorization of record will remain in effect until changed or revoked in writing by the employee.

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