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NAVAL AIR SYSTEMS COMMAND  
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IN REPLY REFER TO

NAVAIRINST 12531.1  
AIR-7.3.1

13 March 2002

NAVAIR INSTRUCTION 12531.1

From: Commander, Naval Air Systems Command

Subj: BASIC RATES OF PAY

Ref: (a) 5 CFR Part 530  
(b) 5 CFR Part 531  
(c) 5 CFR Part 532  
(d) 5 CFR Part 536  
(e) 5 CFR Part 550  
(f) 5 CFR Part 575  
(g) FPM Supplement 532-1, Subchapter 8

Encl: (1) Basic Pay Setting Procedures

1. Purpose. To establish policies and procedures for determining rates of pay for civilian employees per the provisions of references (a) through (g).

2. Scope. This instruction applies to all civilian positions of the Naval Air Systems Command (NAVAIR) and the Program Executive Offices (PEO) with the exception of Senior Executive Service (SES) employees. In the event of a conflict between a negotiated agreement and this instruction, the provision(s) of the agreement will prevail. This instruction does not affect other procedures used under the demonstration project.

3. Policy. It is the policy of the Department of the Navy (DoN) and this command to employ personnel at the minimum step required by law or regulation unless it is in the best interest of the government to do otherwise.

4. Action

a. Selecting officials will ensure that the provisions of this instruction are applied consistently and in the best interests of the organization.

b. The Human Resources (HR) Directors and Regional Service Center Directors servicing each NAVAIR/PEO Business Unit (BU) or their designees will ensure that rates of pay are set per references (a) through (g) and the provisions of this instruction.

c. Servicing HR Directors, or their designees, are delegated authority to approve deviations from this instruction.

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d. Servicing HR Specialists will apply the provisions of this policy and provide guidance regarding the criteria under which this authority may be used.

5. Review This instruction will be reviewed annually by the Director, Human Resources Programs (AIR-7.3).

A handwritten signature in black ink, appearing to read "P. Drew", is positioned to the right of the text.

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## BASIC PAY SETTING PROCEDURES

### 1. Definitions

a. Change to Lower Grade (CLG) or Demotion. Change of an employee from:

(1) one General Schedule (GS) grade to a lower GS grade, with or without a reduction in pay;

(2) a higher rate paid under authority other than subchapter III of chapter 53 of 5 U.S.C. to a lower rate within a GS grade;

(3) one grade to a lower grade under the same type of wage schedule, whether in the same or different wage area;

(4) a job or grade under a wage schedule to a job or grade with a lower representative rate under a different wage schedule; or

(5) a job or grade paid under the GS or other pay systems to a job or grade with a lower representative rate under a wage schedule.

b. Compensatory Time Off. Time off from an employee's scheduled tour of duty granted due to the employee's performance of irregular or occasional overtime work in lieu of payment for that time worked. Compensatory time off will be in an amount equal to the amount of time spent performing irregular or occasional overtime work.

c. Continued Pay. A rate of pay first established in January 1994 for an employee who previously received an interim geographic adjustment on top of a worldwide or nationwide special rate authorized under 5 USC 5305.

d. Conversion. A change or movement of an employee from one appointment to another appointment under either the same or a different authority, in the same agency without a break in service.

e. Formal Training Program. A defined training program, including both on-the-job and classroom training, performed under close guidance and instruction with promotion scheduled upon the satisfactory completion of the training period and upon meeting additional qualification and performance requirements.

f. General Managerial (GM). GM means an employee who was covered by the Performance Management and Recognition System under chapter 54 of Title 5, United States Code, on 31 October 1993 (and therefore became covered on 1 November 1993 by section 4 of Public Law 103-89, the Performance Management and Recognition System Termination Act of 1993), and who continues thereafter to occupy a position as a supervisor or management official (as defined

in paragraphs (10) and (11) of section 7103(a) of Title 5, United States Code) at the same grade and in the same agency without a break in service of more than 3 calendar days.

g. Grade Retention. An employee who is placed in a lower grade as a result of reduction-in-force procedures or as a result of a reclassification process 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 entitled to have the grade of the position held immediately before the downgrade treated as the employee's grade for pay purposes for a period of 2 years beginning on the date of the downgrade.

h. Highest Previous Rate (HPR). The highest actual rate of basic pay previously received by an individual while employed in a position in a branch of the federal government (executive, legislative or judicial), a mixed ownership corporation, or the government of the District of Columbia regardless of whether or not the position was subject to the pay schedules of the GS or to another wage schedule. (Note: For GS, rate means grade and step, not salary.)

i. Locality Pay. Amounts added to the basic pay of GS and certain other white collar employees within a specific geographic area for the purpose of reducing the extent to which rates of pay payable under the GS are generally lower than the rates paid for the same levels of work by non-federal workers in the same locality.

j. New Appointment. An individual's first civilian appointment, regardless of tenure, to federal government employment.

k. Pay Retention. An employee is entitled to the lower of the employee's former rate of basic pay or 150 percentage of the maximum rate of basic pay payable for the new grade.

l. Promotion. Change of an employee while continuously employed from:

(1) one GS/GM grade to a higher GS grade;

(2) a lower rate paid under authority other than for GS employees to a higher basic rate within a GS grade;

(3) one grade to a higher grade under the same type of wage schedule, whether in the same or different wage areas;

(4) a job or grade under a wage schedule to a job or grade with a higher representative rate under a different wage schedule; or

(5) a job or grade paid under the GS or other statutory pay schedule to a job or grade with a higher representative rate under a wage schedule.

m. Rate of Basic Pay. The rate of pay fixed by law or administrative action, including a retained rate of pay, for the position/job held by an employee before any deductions and exclusive of additional pay of any kind.

n. Reassignment. Change of an employee, while serving continuously in the same agency (e.g. Department of Defense (DoD)), from one position to another at the same grade level without promotion or demotion.

o. Reemployment. An employment, including reinstatement or another type of appointment, after a break in federal service of at least one full workday.

p. Representative Rate. A rate used to determine the nature of the job change (promotion, CLG, or reassignment) where different kinds of pay schedules are involved. The representative rate is the established rate on a single rate schedule (i.e., the second step on a five-rate regular wage schedule) in the local area to which the employee is being changed, and the fourth step on the ten-step GS.

q. Transfer. A change of an employee without a break in service of one full workday, from one branch of the federal government to another, or from one agency to another, or from the government of the District of Columbia to the federal government.

## 2. New Appointments

a. Policy. The rate of pay for a new appointee will be fixed at the first step of the grade to which appointed with the following exception.

b. Exception. Selecting officials may request a rate of pay higher than the minimum rate for any grade when the candidate has superior qualifications for the position in consideration. This authority is restricted to individuals entering the federal civil service for the first time or returning to federal employment after a break in service of 90 days or more or otherwise as detailed in reference (b). This authority can be used for both temporary and permanent appointments, but will in no case be granted retroactively. It is not intended solely to match selected candidates' existing pay. Individuals hired at advanced rates under this authority must either:

(1) have unusually high qualifications for the particular position and be forfeiting income (including benefits) that would justify a salary above the base pay for the grade; or

(2) have a unique combination of education and experience that meets a special need of the agency.

c. Objectives. The objectives of this authority are to:

(1) tie pay-setting for new appointees more closely to the market place by allowing the command to compete with localized or quality-based salaries offered by other employers; and

(2) maintain equity between the pay of new appointees and of current employees who have comparable qualifications.

d. Justification for Superior Qualifications Appointments

(1) Superior qualifications appointments must be justified in writing and approved prior to an official job offer being made. The justification must address the following:

(a) a comparison of the candidate's qualifications with those of other well-qualified and available candidates;

(b) a statement of the candidate's current salary and benefits that were used in determining the requested pay rate. Selecting officials and line managers will not make salary commitments to prospective appointees; and

(c) a copy of any other written offer letter received by the candidate that contains a specific salary/benefits description, if applicable.

(2) Approval authority rests with the local competency head and may be delegated to the servicing HR Director. Decisions should be coordinated with BU head. In any case, the servicing HR specialist may be consulted for advice and assistance in preparing the request.

3. Promotions. Change of an employee while continuously employed:

a. GS to GS. The pay of an employee who is promoted from one GS grade to a higher GS grade is set at a rate that exceeds the employee's existing rate of basic pay by at least two within grade increases of the grade from which promoted, unless that rate exceeds the maximum step rate of the grade to which promoted. If it exceeds the maximum rate of the grade, the employee's pay is set at the maximum rate of the higher grade. If an employee is receiving a retained rate which exceeds the maximum rate of the grade to which promoted, the employee continues to receive the retained rate. If the retained rate falls between two steps of the grade to which promoted, the employee is placed in the higher of the two steps and entitlement to the retained rate is terminated.

b. GM to GS. When a GM employee is promoted, the pay will be set as for a promotion from GS to GS described above.

c. Federal Wage System (FWS) to GS. A FWS employee who is promoted to a GS position is paid at the lowest basic rate of the grade (excluding locality pay) which provides an increase in compensation.

d. GS to FWS. When a GS employee is promoted to an FWS position with a higher representative rate, the pay is set at the lowest scheduled rate of pay of the grade to which promoted that exceeds the employee's existing scheduled rate of basic pay by at least 4 percent of the representative rate of the GS grade from which promoted. If there is no rate of pay in the grade to which promoted which meets the above requirement, the employee will be paid at the maximum scheduled rate of the grade, or his/her existing scheduled rate of pay if that rate is higher.

e. FWS to FWS. A FWS employee who is promoted to a higher FWS position is paid at the lowest scheduled rate of the grade to which promoted which exceeds the employee's existing scheduled rate of pay by at least 4 percent of the representative rate of the grade from which promoted. If there is no rate in the grade to which promoted that meets this requirement, the employee will be paid the maximum scheduled rate of the grade, or his/her existing scheduled rate of pay if that rate is higher. (Note: If the promotion is to a different wage area with a higher schedule of wages, the pay entitlement will be determined as if there were two pay actions; that is, a promotion and a reassignment. The actions will be processed in the order that give the employee the maximum benefit).

#### 4. Provisions for Use of Highest Previous Rate

a. When an employee is promoted, reassigned, transferred, reinstated, converted, or changed to a lower grade, the pay rate may be adjusted based on HPR when it is in the best interest of the government. In no case will there be an "automatic" salary adjustment based on the highest rate permissible. When setting pay based on HPR, the selecting official must consider the following factors:

- (1) the availability of funds (in collaboration with BU if applicable);
- (2) the needs of the activity;
- (3) the qualifications of the employee, and
- (4) equity among employees

b. The HPR cannot be based on a rate received:

- (1) in a position from which the employee was reassigned or reduced in grade for failure to satisfactorily complete a probationary period as a supervisor or manager;

- (2) under an appointment as an expert or consultant;
- (3) as locality pay; or
- (4) in other instances identified elsewhere in this instruction.

c. The selecting official may authorize salary adjustments at any step between the minimum rate required and the HPR held without prior approval. A determination to use HPR must be made before the employee enters the new position.<sup>1</sup> The determination must be either by memorandum or by annotating the request for personnel action, stating the rate to be set and that the factors in paragraph 4.a. were considered.

d. Use of a special salary rate as an employee's HPR requires justification when moving to a position not covered under a special salary rate or covered by a lower special salary rate. This justification must demonstrate how the need for the services of the employee, and the employee's contribution to the program of the agency, will be greater in the position to which he or she is being reassigned. This documentation must be forwarded to the Director, HRO, or his/her designee, via the servicing HR specialist for approval.

5. Reassignment and Transfers. The pay of an employee, who is to be transferred or reassigned from another federal activity or within the BUs serviced by the HRO without a change in permanent grade and pay system, will be set at the employee's present rate of pay (excluding special salary rates, Interim Geographical Adjustment (IGA), continued pay, and locality pay). This does not exclude the possibility of setting the pay rate upon transfer or reassignment based on the employee's HPR.

6. Reduction-in-Force (RIF) or Transfer of Function Rights. Per reference (d), an employee of the DoD who is scheduled for separation or demotion by RIF or failure to accompany a function, who is placed by reassignment, CLG, or transfer, will have pay fixed at a step rate which preserves, to the maximum extent possible, the last earned rate, except when such rate was earned while on a temporary promotion. This does not preclude the use of HPR. The provisions of grade or pay retention may apply.

7. Locality Pay. Locality pay is calculated on the nationwide basic GS rate. Under locality pay, employees receive the greatest rate to which they are entitled:

- a. the nationwide GS pay scale (basic GS pay scale) for the grade and step times the locality pay;

<sup>1</sup> Adjustments may not be made retroactively. However, adjustment of the step upon verification of prior salary is permissible if the decision to grant HPR or an intervening step was documented upon appointment.

b. a special salary rate (local or national) to which the employee is entitled;

c. an interim geographic adjustment;

d. a pay rate the employee is entitled to as a "law enforcement officer"; or

e. Continued pay.

#### 8. Changes to Lower Grade (CLG)

a. General. When an employee accepts a CLG with the prospect of promotion to the higher/former grade under merit promotion rules when the qualification requirements are met, the pay rate selected in the lower grade should be one which upon promotion places the employee at the rate in the higher/former grade which would have been attained had the employee not accepted the CLG. Within-Grade Increases (WGI) for which the employee would have been eligible had the CLG not taken place will be considered in setting the pay rate. Once the qualification requirements for the higher grade have been met, it is management's discretion on when the repromotion is effected.

b. Formal Training. When an employee requests a CLG to an upward mobility position, an intern position, or a formal training position, a rate will be selected in the lower grade, when possible, whereby the employee's current salary will be accommodated. If there is no rate in the lower grade which accommodates the salary, the employee will be given retained pay.

c. Temporary Actions. The pay of an employee changing to a lower grade from a temporarily held grade level when the grade level has been held for less than one year will be set at the step of the lower grade which would have been reached had the employee not been promoted.

d. Voluntary. The pay of an employee voluntarily changing to a lower grade from a permanently held grade level normally will be set at a step of the lower grade closest to but not higher than the pay in the former position. This does not preclude the use of HPR.

e. Involuntary

(1) When an employee is involuntarily changed to a lower grade as a result of unacceptable performance or misconduct, pay will be fixed at the first step of the lower grade unless a specific decision to set the pay at a higher step is made by the deciding official. In no case will pay be set at a rate equivalent or greater than the employee's current rate.

(2) If a CLG is due to no fault of the employee such as issuance of a new classification standard, correction of a classification error, RIF, or failure to meet specific conditions or requirements established by the Navy or by the Office of Personnel Management (OPM) such as physical standards, grade and pay retention will apply, provided all criteria for such is met.

9. Conversion. When an employee is converted to a higher graded position through an appropriate authority, promotion rules will apply. HPR may also be used if it would result in a greater benefit than application of the promotion rule and is in the best interest of the government.

10. Pay Upon Loss of GM Status. When an employee is no longer covered by the GM as a result of a promotion, demotion, or reassignment to a non-supervisory, non-managerial position, the pay setting rules described for promotion and CLG are applicable. In a reassignment, the pay will be set at the lowest rate of the GS grade which is equal to or greater than the employee's existing rate of basic pay. HPR provisions may be used if appropriate.

11. Compensatory Time Off and Overtime Pay

a. Approval of overtime or compensatory time is vested in the commander or commanding officer or, as delegated in writing, to at least one organizational level above the level ordering work which will earn overtime pay or compensatory time off.

b. Authorization of overtime or compensatory time work shall be in writing in advance of the performance of the work, except when the exigency of the situation prevents prior approval, in which instance written approval will be accomplished not later than the first normal working day after the work.

c. A non-exempt employee (GS or FWS) may request in writing and be granted compensatory time off in lieu of overtime pay for regularly scheduled or irregular and occasional overtime work per reference (f). The amount of the compensatory time off will equal the amount of time spent in overtime work. An intermittent employee may not request and be granted compensatory time off in lieu of payment for overtime work.

d. A non-exempt employee must request compensatory time in lieu of overtime in writing and may not be required to accept compensatory time off in lieu of payment for overtime work.

e. Compensatory time off should be used as soon as possible after it is earned but not later than the end of the twenty-sixth pay period following the pay period in which it is earned. Any unused compensatory time off shall be paid at the overtime rate at which it was earned.

12. Non-Appropriated Fund (NAF) Positions. Pay setting guidance for employees moving from the DoD NAF system to the civil service system is included in the DoD NAF Personnel Policy Manual 1401.1-M, Appendix F.

13. Pay Banding. Pay setting guidance for employees moving between the traditional civil service system and the Weapons Division Demonstration Project should be referred to the servicing HR Office.

14. Special Bonuses and Allowances. Various cash bonuses of up to 25 percent of basic annual pay may be paid as an incentive for candidates to accept federal jobs. In using any of the special provisions outlined below, fairness and equity must be considered, including equity between new appointees and current employees. These compensation tools may be necessary to recruit quality candidates from the available applicant pool, but they may also create morale problems among equally qualified employees already on board.

a. Recruitment Bonuses

(1) A one-time, lump-sum recruitment bonus of up to 25 percent of basic annual pay may be offered to a GS employee newly appointed to the civil service or one who is being reappointed after a break in service of at least 90 days. This bonus does not affect an employee's basic annual pay in any way. The position must be one that is hard-to-fill or in an occupation critical to the organization's mission, and the appointment must be for a period of not less than two years.

(2) The authority to recommend this bonus must be placed no lower than National or Site Level 3 in a competency or one organizational level below a Program Executive Officer (PEO), as appropriate. Such recommendations must be approved by a level above the recommending official. Concurrence of affected BUs is required. The approval must certify in writing that, absent the recruiting bonus, the organization would have difficulty filling the position with a highly qualified candidate. This certification must describe, as applicable, such things as the results of recent recruitment efforts, recent turnover in similar positions, labor market factors, special qualifications needed for the position, the feasibility of using a superior qualifications appointment, and that funding is available.

(3) Before a recruitment bonus may be paid, the employee offered such bonus will sign a written agreement to continue in the employ of DoD for a minimum of one year. Should the employee leave DoD employment prior to the expiration of the agreement, he or she must pay back a prorated portion of the bonus.

b. Relocation Bonuses

(1) A lump-sum relocation bonus of up to 25 percent of basic annual pay may be offered to a GS employee who must relocate with no break in service to accept a position within the organization in a different commuting area. The incumbent must occupy a position that is hard-to-fill or be in an occupation critical to mission accomplishment.

(2) The authority to recommend this bonus must be placed no lower than National or Site Level 2 in a competency or one organizational level below a PEO, as appropriate. Such recommendations must be approved by a level above the recommending official. Concurrence of affected BUs is required. The approval must certify in writing that, absent the relocation bonus, the organization would have difficulty filling the position with a highly qualified candidate. This certification must describe, as applicable, such things as the results of recent recruitment efforts, recent turnover in similar positions, labor market factors, special qualifications needed for the position, the feasibility of using a superior qualifications appointment, and that funding is available.

(3) Before a relocation bonus may be paid, the employee must sign a written agreement to continue in the employ of the organization for a minimum of one year. Should the employee leave the organization prior to the expiration of the agreement, he or she must pay back a prorated portion of the bonus.

c. Retention Allowances

(1) A retention allowance of up to 25 percent of basic annual pay may be offered to a current employee who otherwise is likely to leave federal government employment when the unusually high or unique qualifications of the employee or a special need for the employee's services make it essential to retain the employee. Group retention allowances of up to 10 percent may be offered to a group of employees; OPM approval of higher percentages for groups may be requested. This allowance is paid in the same manner as basic pay. It cannot be used to retain an employee who is likely to leave for employment in another federal agency. A retention allowance can be granted only to employees with at least one year of continuous service with the Navy prior to the payment. The employee may not be serving under a service agreement for a recruitment or relocation bonus when a retention allowance is given.

(2) The authority to recommend this allowance must be placed no lower than National or Site Level 2 in a competency or one organizational level below a PEO; as appropriate. Such recommendations must be approved by a level above the recommending official. Concurrence of affected BUs is required. The approval must certify in writing that, absent the retention allowance, the employee would be likely to leave federal service employment. This certification must describe the extent to which the employee's departure would affect the organization's ability to carry out an activity or perform a mission essential function and must certify that funding is available. It also may describe such things as the results of recent efforts to attract and retain employees with similar qualifications and labor market availability of candidates qualified to perform the full range of duties of the position with a minimum of training or disruption.

(3) A retention allowance is paid in the same manner and at the same time as basic pay, although it is not considered a part of basic pay. The existence and amount of the allowance must be reviewed annually and recertified to continue the payment of the allowance.

d. Financial Perspective: During the execution year, the funding for one-time lump sum pay-out of recruitment and relocation bonuses must come from a competency's support allocation. Command policy is to restrain the cost of the workforce, therefore retention allowances (part of the salary account - reflected as other OC11 just as awards) will not automatically result in increased salary allocation to the Competency. Retention allowances must come from the competency's support, salary and award allocation. (These allowances and bonuses may not count as part of the 1.5% of aggregate salaries budgeted for awards.) Competency managers must use discretion in the use of bonuses/allowances because it will impact on their support/salary/awards availability and managers must weigh impact of offsets such as reduced support funding. There is no budget baseline for such bonuses/allowances and funds used for such purpose would have to be offset in either the O&M,N Salary and Support account or charged to the reimbursable customer requesting/approving the bonus/allowance. Awards/bonuses paid will be captured in the payroll system and reported as other salary costs in the budget.