

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

Action Date: 5/15/91

For Information Only

DEPARTMENTAL PERSONNEL MANUAL SYSTEM

DPM BULLETIN NO. 540-40

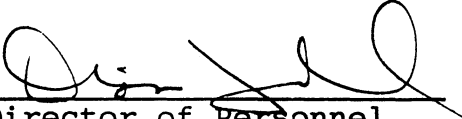
DATE: MAR -7 1991

SUBJECT: Approval of Revisions to the Departmental Performance Management and Recognition System Plan

The Office of Personnel Management has approved the revised Department of Transportation Performance Management and Recognition System Plan. A copy of OPM's approval letter and the approved plan is attached. This plan is effective at the beginning of the next PMRS rating cycle, August 1, 1991, and replaces the PMRS plan contained in DPM Letter 540-3, Combined Performance Management and Recognition System and Performance Management Plan System, dated March 18, 1987.

A new PMRS appraisal form is being developed to incorporate the new descriptive rating level titles and the new rating process. Operating administrations will be notified when those forms are available.

Operating administrations should now review their own operating instructions in light of the revised Departmental directive and submit their revised instructions by May 15, 1991, to the Director of Personnel, OST, for review and approval. A model PMRS plan, along with a supervisory training guide, will be provided soon to assist operating administrations in their implementation efforts. Any questions should be directed to Robert Stokes, Labor and Employee Relations Division, M-17, on 366-9440.



Director of Personnel

Attachments

Filing Instructions: File after FPM Chapter 540 Bulletins

Bulletin Expires: Effective Until Further Notice

Distribution: Personnel Council Members

OPI: M-17/STOKES/69440



United States
**Office of
Personnel Management**

Washington, D.C. 20415

In Reply Refer To

Your Reference

FEB 14 1991

Ms. Diana L. Zeidel
Director of Personnel
U.S. Department of Transportation
Office of the Secretary
of Transportation
400 Seventh Street, SW
Washington, DC 20590

Dear Ms. Zeidel:

The purpose of this letter is to approve the changes to the U.S. Department of Transportation Performance Management and Recognition System (PMRS) Plan required by the revisions to Title 5, Code of Federal Regulations, Parts 430, 432, and 540, published in the Federal Register on June 26, 1990.

Any proposed changes to the PMRS Plan must be submitted to this office for prior approval if the change would affect a provision of the PMRS Plan covered by law or regulation. Also, any other changes should be sent to us so that we are assured of maintaining updated copies of your PMRS Plan.

Sincerely,

A handwritten signature in cursive script that reads "Janice B. Smith".

Janice B. Smith, Chief
Performance Management Branch
Office of Pay and Performance/PSO

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CHAPTER 1

INTRODUCTION

PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM (PMRS)

SECTION 1 - BACKGROUND.

1. **Purpose.** This directive establishes the Department of Transportation (DOT) Performance Management and Recognition System (PMRS) applicable to supervisors and management officials in grades 13, 14, or 15. The PMRS provides for the periodic appraisal of job performance and seeks to recognize and reward able performance.
2. **Policy.**
 - a. **Congressional Intent.** In establishing the PMRS, Congress provided for a system which would:
 - (1) Within available funds, use performance appraisals as the basis for determining adjustments in basic pay (i.e., general pay increases and merit increases) and one-time cash payments (i.e., performance awards);
 - (2) Within available funds, provide for training to improve accuracy, objectivity, and fairness in the evaluation of performance;
 - (3) Regulate the costs of performance awards by establishing funding level requirements;
 - (4) Provide the means to reduce or withhold certain pay increases for less than Fully Successful performance; and
 - (5) Provide cash awards for suggestions, inventions, cost savings, superior accomplishments, and special acts or services.
 - b. **DOT Policy.** The PMRS establishes a uniform plan to ensure that the performance appraisal is used as a tool for executing basic management and supervisory responsibilities by:

- (1) Communicating and clarifying agency goals and objectives;
- (2) Identifying individual accountability for the accomplishment of organizational goals and objectives;
- (3) Evaluating and improving individual and organizational accomplishments; and
- (4) Using the results of the performance appraisal as a basis for adjusting basic pay and determining performance awards, training, rewarding, reassigning, promoting, reducing in grade, retaining, and removing employees.

c. **Performance Management.** Performance management is essential to the successful operation of the PMRS. Performance management is a systematic process by which managers at all levels of an organization integrate basic management functions with performance, pay, and award systems for the purpose of improving individual and organizational effectiveness in the accomplishment of agency mission and goals. The process of performance management includes five phases:

- (1) Identifying agency goals and translating those goals into clearly defined program activities and individual performance objectives;
- (2) Implementing planned program tasks, motivating employees to accomplish their objectives, and monitoring how effectively the work is accomplished;
- (3) Appraising individual performance and assessing organizational outcomes;
- (4) Linking individual performance results to personnel decisions; and
- (5) Linking organizational outcomes to management planning and decision making.

3. **References.** This directive reflects the requirements in:

- a. Public Law 98-615;
- b. Title 5, United States Code (U.S.C.), Chapters 35, 43, 45, 53, 54, 55, and 71;

- c. Title 5, Code of Federal Regulations (CFR), Parts 293, 351, 430, 451, 530, 531, 536, 540, and 550;
- d. DOT 1100.60, DOT Organization Manual;
- e. DPM Chapter 451, Incentive Awards; and
- f. FPM Chapters 293, 351, 430, 451, 530, 531, 536, 540, and 550 and related Office of Personnel Management guidance.

SECTION 2 - PMRS COVERAGE.

1. **Employees Covered**. The PMRS shall apply to all supervisors and management officials, as defined below, who occupy a position in grades 13, 14 or 15 of the general schedule. Positions covered by the PMRS shall be identified by the pay plan identifier "GM".
 - a. **A supervisor** is an individual employed by an agency having authority in the interest of the agency to hire, direct, assign, promote, reward, transfer, furlough, lay off, recall, suspend, discipline, or remove employees, to adjust their grievances, or to effectively recommend such action, if the exercise of the authority is not merely routine or clerical in nature but requires the consistent exercise of independent judgment, except that, with respect to any unit which includes firefighters or individuals who devote a preponderance of their employment time to exercising such authority (5 U.S.C. 7103(a)(10)).
 - b. **A management official** is an individual employed by an agency in a position the duties and responsibilities of which require or authorize the individual to formulate, determine, or influence the policies of the agency (5 U.S.C. 7103(a)(11)). This includes those individuals who: (1) create, establish or prescribe general principles, plans or courses of action for an agency; (2) decide upon or settle upon general principles, plans or courses of action for an agency; or (3) bring about or obtain a result as to the adoption of general principles, plans or courses of action for an agency.
 - c. **Exclusions**. The following employees identified in 5 U.S.C. 4301(2) and 5 CFR 430.403 are excluded from PMRS performance appraisal requirements:
 - (1) Employees outside of the United States who are paid in accordance with the prevailing wage rates applicable to local nationals; and

- (2) Excepted Service positions for which employment is not reasonably expected to exceed 120 calendar days in a consecutive 12-month period.

2. **Rules of Coverage.** The following rules of coverage are based on the regulations, coverage definitions, and past case law rulings of the Federal Labor Relations Authority (FLRA). The FLRA provides policy regarding labor-management relations in the Federal Government (5 U.S.C. Chapter 71) and, in that capacity, may determine exclusion from bargaining unit status by application of the supervisory and management official definitions also used to identify PMRS coverage. Therefore, in applying these coverage definitions, operating administrations must ensure no position in a bargaining unit (i.e., excluded from these definitions) is covered under the PMRS (i.e., included in the definitions), since such determinations must be consistent with FLRA unit determinations.

a. **Limited Supervisory Responsibilities.** Supervisory responsibilities may be present in a position to varying degrees. Positions may involve the performance of supervisory functions to such a limited extent that they should not be regarded as part of "management." These limited supervisory assignments should be distinguished from formal assignment to a supervisory position such as in a temporary promotion to a supervisory position. The following limited supervisory duties should also be excluded from the definition of supervisor:

- (1) Supervising subordinates on a temporary (excluding temporary promotions, intermittent appointments) or ad hoc basis;
- (2) Acting "in the absence of a supervisory employee;"
- (3) Technical, professional, or administrative positions directing subordinates only for the duration of a program or project;
- (4) Work leaders; and
- (5) Coordinators or reviewers who do not consistently exercise one or more of the supervisory functions.

b. **Appointment Type, Career Status, Occupation.** Employees shall not be excluded from coverage under the PMRS by reason of appointment type (e.g., competitive or excepted appointment), career status (e.g., temporary, career conditional, career), or occupation, unless done specifically by OPM.

- c. Details. The detail of an employee does not affect his or her coverage under or exclusion from the PMRS.
 - d. Temporary/Term Promotions. Employees on temporary/term promotion to a PMRS position are in the PMRS for the duration of that promotion. For example, an employee on temporary/term promotion to a PMRS position on the effective date of a merit increase will receive a merit increase. Employees not in a PMRS position on the effective date of a merit increase will not receive a merit increase.
 - e. Consistency of Coverage Determinations. Positions with the same title, series, grade, and major duties and responsibilities should receive the same coverage determination.
 - f. Training. The absence of an employee to attend a formal training program does not affect his or her coverage under, or exclusion from, the PMRS.
3. Coverage Identification. Operating administrations shall establish procedures in their implementing instructions for identifying specific positions and employees covered by the PMRS and the level of responsibility or the authority for final coverage determinations. Procedures shall include a system for ensuring consistency of coverage determinations among like positions and for reconsideration of coverage determinations upon the request of the affected employee. Procedures shall also include a statement of the administrative grievance procedure for coverage or noncoverage determinations, if different from the normal grievance procedure. The method for notifying employees of coverage must also be indicated.
4. Vacancy Announcements. Vacancy announcements for positions covered by the PMRS shall include a statement stipulating such coverage.

CHAPTER 2
PERFORMANCE APPRAISAL
UNDER THE
PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM (PMRS)

SECTION 1 - BACKGROUND.

This chapter sets forth the procedures for the operation of the performance appraisal systems for PMRS employees. This chapter explains the requirements for developing performance plans including the development of job elements and performance standards; how ratings are assigned; the process for determining ratings; the responsibilities of participants under the system; and other operational procedures.

SECTION 2 - DEVELOPING THE PERFORMANCE PLAN.

At the beginning of each appraisal period, a written performance plan shall be developed for each employee. The plan shall be based on the requirements of the employee's position and include the establishment of job elements and performance standards. Joint participation of the supervisor and employee in the development of the performance plan, such as the development of a work plan by the employee or the assignment of weights to job elements, is required for PMRS employees. Organizational objectives should be reflected in performance plans of PMRS employees by incorporating objectives, goals, program plans, work plans or other similar documents that account for program results. The DOT Performance Appraisal Form is to be used to record the plan (Appendix B).

A performance plan will also be developed and provided to the employee no later than 30 days after the employee enters into a new position through such actions as reassignment, promotion, and demotion, etc.

1. Before the performance plan becomes final, the plan will be reviewed and approved by the second level supervisor for consistency with plans established for similar positions, to assure plan uniformity within the organization, and for conformance with overall organizational goals. The supervisory officials have final authority over the content of the plan. Operating administrations may describe unique situations where exceptions to second level supervisory review and approval of performance plans may be appropriate.

2. The first and second level supervisors will sign and date the plan to document its approval and the employee will sign to indicate that the employee received a copy.
3. During the course of the appraisal period there shall be a discussion at approximately the mid-point between the supervisor and employee concerning progress being made toward meeting performance elements and standards, the currency of the elements and standards, the level of the employee's performance by comparison with performance elements and standards, and whether any changes or adjustments in the performance plan are necessary. The supervisor and employee shall sign and date the plan to show that the mid-point review took place. Comments may be entered in the Remarks Section of the DOT Performance Appraisal Form.
4. Changes to the performance plan are not limited just to the time of the mid-point review but can occur at any time during the appraisal period. Any revision to the plan becomes effective upon approval by the second level supervisor.

SECTION 3 - JOB ELEMENTS AND PERFORMANCE STANDARDS.

In developing the job elements and performance standards for the performance plan, the following must be taken into account.

1. Job elements and performance standards will be based on the requirements of the employee's position and shall reflect those aspects of performance over which the employee has control. Operating administrations may, at their discretion, use generic elements and standards when the duties of several positions are similar enough to warrant such use.
2. There shall be at least one critical job element (CJE) described for each position. Generally Operating Administrations should require the description of more than one CJE.
3. To the extent that the position involves such responsibilities, CJEs shall reflect the following:
 - (a) Workforce Diversity accomplishments;
 - (b) organizational objectives;
 - (c) cost efficiency;
 - (d) occupational safety and health; and

- (e) maintenance of a cost effective system of internal controls to assure that Federal programs and administrative activities are efficiently managed, as provided in OMB Circular A-123, to achieve the goals of the agency.
4. All supervisory positions shall have a distinct and separate CJE covering supervisory responsibilities.
 5. Noncritical job elements may be used when there are components of an employee's job which do not meet the definition of a CJE, but are of sufficient importance to warrant appraisal and the assignment of an element rating.
 6. There shall be a written performance standard only at the Proficient level of performance. The absence of written standards at other given rating levels shall not preclude the assignment of a rating at one of those levels. However, ratings at levels other than the Proficient shall require a narrative describing the performance that resulted in the assignment of a rating at the higher or lower rating level. In addition, if an employee is performing below the Proficient level of performance, the information contained in the performance improvement plan (PIP) describing such performance shall constitute a definition of performance at the Needs Improvement or Unsatisfactory level.
 7. At its discretion, an operating administration may display the relative importance of job elements by assigning them weights. If weights are used, the total percentages assigned must equal 100. No CJE may receive a weight less than 10 percent. A noncritical job element must receive a weight ranging from 1 to 5 percent to minimize noncritical elements having more weight in the summary rating procedure than critical elements.
 8. In order to facilitate equitable treatment of all employees, similar job elements and performance standards shall be used where both of the following factors exist for a particular category of positions:
 - a. The work performed is substantially similar in terms of duties, responsibilities, and skills required; and
 - b. There are no substantial variations in the working environment which would lead to differences in performance expectations.

SECTION 4 - APPRAISAL ASSIGNMENT.

The following explains who is assigned an appraisal rating, when those ratings are given, and how ratings are determined under certain special circumstances.

1. Performance appraisals normally shall be accomplished on an annual basis, and shall run from August 1 to July 31. The minimum appraisal period shall be 90 calendar days.
2. Annual performance appraisals are required for all employees who have been in their current positions for at least the minimum appraisal period as of the end of the appraisal cycle.
3. For an employee who cannot be rated under his/her current elements and standards, the appraisal period shall be extended for the amount of time necessary to meet the minimum appraisal period at which time a rating of record shall be prepared. For such employees this rating will be used for nonpay purposes only. For pay purposes, an employee who cannot be rated shall be treated as set forth in Chapter 3, Sections 3 and 4 of this directive.
4. Employees reassigned during the appraisal period shall have a summary rating of their performance prepared for each assignment in which they served for at least the minimum appraisal period. The summary ratings shall be considered in determining the rating of record at the conclusion of the appraisal period.
5. If an employee moves to a new agency or organization at any time during the appraisal period, the employee's current rating of record and all other ratings of record that are 3 years or less, including the performance plan on which the most recent rating is based, must be transferred to the gaining agency or organization, as required by 5 CFR, Part 293. If the employee meets the minimum appraisal period, a summary rating must be prepared by the losing organization and must be taken into consideration by the gaining organization when deriving the next rating of record. See Chapter 3, Section 3, of this directive on the treatment of transferred ratings for performance pay purposes.
6. The performance appraisal and resulting rating of a disabled veteran shall not be lowered because the veteran has been absent from work to seek medical treatment as provided in Executive Order 5396.

SECTION 5 - PERFORMANCE INFORMATION WHILE ON DETAIL OR TEMPORARY ASSIGNMENT.

Information about the performance of employees detailed or temporarily assigned to different positions shall be obtained and given appropriate consideration in making personnel decisions.

1. The performance of employees within the Department while on detail, temporary/term promotion or special assignment for a period of 120 calendar days or longer during the appraisal period must be appraised separately upon completion or at the end of the employee's normal appraisal period if the assignment continues beyond the end of the appraisal period.
 - a. Performance plans detailing the elements and standards upon which the employee's performance will be appraised must be prepared by the gaining organization no later than 30 days after the start of the detail or temporary assignment.
 - b. Ratings on job elements must be prepared by the gaining organization and forwarded to the official immediate supervisor who must consider the evaluation in completing the rating of record and/or in making personnel decisions. The supervisor of the gaining organization shall be responsible for the completion of the employee's rating of record in situations involving details, temporary or special assignments, or temporary/term promotions which cover the entire appraisal period or which occur at the end of the appraisal period.
2. When employees are detailed outside the Department, the losing organization must make a reasonable effort to obtain appraisal information from the outside organization.
 - a. If an employee has served the minimum appraisal period in his/her official employing organization, the employee must be rated, taking into consideration information from the borrowing organization.
 - b. If an employee has not served in the employing organization for the established rating period, but has served for the minimum period outside the employing organization, the employing organization must make a reasonable effort to prepare an appraisal using information from the borrowing organization.

SECTION 6 - THE RATING PROCESS.

At the end of the appraisal period the immediate supervisor assesses the employee's performance on each job element on which the employee has had a chance to perform and derives an overall summary rating.

1. Performance appraisals are the responsibility of the immediate supervisor and shall be based on a comparison of actual performance with the performance standards established for the appraisal period, and recorded and approved on the DOT appraisal form.
2. There shall not be any pre-established distributions of expected levels of performance (such as a requirement to rate on a bell curve) that interfere with the appraisal of actual performance. However, higher level management officials must ensure that only those employees whose performance exceeds normal expectations are rated at levels above Proficient. This may be achieved by procedures such as reviews of standards and ratings for difficulty and strictness of application.
3. Rating Individual Elements:

The first step in determining the summary rating is to rate the individual job elements. Each job element will be assigned one of the five levels of ratings as defined below. In addition, examples of actual achievements and the manner of performance shall be described to support the rating at all levels except the Proficient level.

- a. Distinguished
This is a level of especially high-quality performance. All aspects of the employee's performance have clearly and specifically exceeded the established standard of Proficient.
- b. Meritorious
This is a level of unusually good performance. The employee's performance has exceeded expectations in major areas and overall has substantially exceeded the established standard for Proficient.

c. Proficient

This is a range of performance of which the minimum level fully meets the expectations of the rating official. The employee has responded positively in accomplishing assignments. Since this describes good sound performance, the majority of employees should be expected to perform in this range, and a sizeable spread can be expected between the highest and lowest levels within this range.

d. Needs Improvement

The employee's performance only partially meets the standard of Proficient, has shown deficiencies, and needs improvement to meet Proficient.

e. Unsatisfactory

The employee's work products do not meet minimum requirements of the Proficient level and contain major deficiencies.

NOTE: Examples of what constitute Meritorious and Distinguished performance are provided below. Unsatisfactory or Needs Improvement performance in any CJE will result in an overall summary rating of Unsatisfactory or Needs Improvement. Further, any employee who is rated below the Proficient level must be placed on a PIP (see Section 8 of this directive).

4. Summary Performance Ratings:

After all individual job elements are rated, the following criteria will be used to establish the summary performance rating.

- a. Distinguished - Individual job elements constituting at least 70 percent of performance must be rated Distinguished and all critical elements rated at least Meritorious.
- b. Meritorious - Individual job elements constituting at least 70 percent of performance must be rated Meritorious and all critical elements rated at least Proficient.
- c. Proficient - All individual job elements rated at least Proficient.

- d. Needs Improvement - One or more critical elements rated Needs Improvement.
- e. Unsatisfactory - One or more critical elements rated Unsatisfactory.

Example of Summary Rating of Meritorious, assuming all elements are of equal weight:

<u>Job Element</u>	<u>Adjective Rating</u>
I	Meritorious
II	Distinguished
III	Meritorious
IV	Proficient
V	Meritorious

Since 70 percent or more of the performance was rated at least Meritorious, with no critical element being rated lower than Proficient, the employee's summary rating is Meritorious.

Example of Summary Rating of Distinguished, assuming all elements are of equal weight:

<u>Job Element</u>	<u>Adjective Rating</u>
I	Distinguished
II	Distinguished
III	Meritorious
IV	Distinguished

Since 70 percent or more of the performance was rated at least Distinguished, with no critical element being rated lower than Meritorious, the employee's summary rating is Distinguished.

Example of Summary Rating of Meritorious using weighted critical elements:

<u>Job Element</u>	<u>Weight</u>	<u>Adjective Rating</u>
I	20	Distinguished
II	15	Meritorious
III	25	Meritorious
IV	10	Distinguished
V	10	Distinguished
VI	10	Distinguished
VII	10	Distinguished

Although 71 percent of the adjective ratings are Distinguished, the assignment of weights to the job elements causes the total weighted rating score to be 60 percent Distinguished; i.e., although 71 percent of the job elements were rated at the Distinguished level, only 60 percent of performance was rated Distinguished, causing the overall rating to be lowered. In this case use of the weighted scoring method results in a summary rating of Meritorious.

5. The immediate supervisor forwards the rating of record to the second level supervisor for review and approval. Any disagreements with the appraisal by the second level supervisor are discussed with the immediate supervisor. The second level supervisor can change the rating and must document the performance based reason for the change either on the appraisal form or on an attachment to the form.
6. Following appropriate reviews and approvals, the rating official will discuss the rating of record with the employee as soon as practical after the end of the appraisal period. The supervisor and employee will sign and date the appraisal form to indicate that the discussion took place. The employee will have an opportunity to respond orally and/or in writing on the appraisal document to the rating official's assessment of performance. Any written comments shall become part of the official record. The employee's signature does not indicate agreement with the rating, and the rating does not require the employee's signature to be official. The employee will be provided with a copy of the final appraisal document.
7. The outcome of the performance appraisal rating process shall be reviewed and approved by the official responsible for managing the performance award budget. This official shall ensure equitable application of performance standards and treatment of employees by the rating process. (See Chapter 3, Section 1.)

8. Operating administrations shall prescribe due dates for the receipt of performance appraisals by their Personnel Office. The due dates shall not be later than 45 days after the end of the appraisal period. For employees whose appraisal period must be extended in accordance with Section 4, paragraph 3, performance appraisals must be received no later than 30 days after the end of the extended rating period.

SECTION 7 - RESOLVING DISAGREEMENTS OF THE RATING.

Wherever possible, disagreement concerning the performance rating should be resolved in an informal manner between the employee and the supervisor. However, upon formal request, an employee's rating shall be reconsidered. The employee must be given the right to reconsideration in accordance with the Operating Administration's grievance procedures.

SECTION 8 - LINKAGE WITH OTHER PERSONNEL DECISIONS OR ACTIONS.

The results of performance appraisals play an important part in the following decisions:

1. **Base Pay and Performance Award.** The rating of record must be used as a basis for adjusting base pay and making performance award decisions. The manner in which adjustments to base pay and performance awards are determined is explained in Chapters 3 and 4 of this directive.
2. **Performance Based Actions.**
 - a. Under 5 CFR 432.106 and 107, a PMRS employee may be reduced in grade, reassigned or removed at anytime during the performance cycle for less than Proficient performance on one or more critical elements. However, in accordance with 5 CFR 432.105, such an action only can be taken after the employee has had an opportunity to improve through a PIP. The PIP must:
 - (1) Notify the employee of the critical element(s) in which the employee is performing below the Proficient level;
 - (2) describe the types of improvements that the employee must demonstrate to attain the Proficient level of performance;

- (3) offer assistance to the employee in improving to the Proficient level (which may include formal or on-the-job training, closer supervision, and counseling); and
- (4) provide the employee a minimum of 30 days to improve his or her performance to the Proficient level.

If, at the end of the PIP, the employee's performance has not improved to at least the Proficient level on the critical element(s) rated below Proficient, the employee may be reduced in grade or removed, as provided in 5 U.S.C. 4302a(b).

- b. If an employee's performance improves to or higher than the Proficient level in the critical elements that caused placement on the PIP, but the performance again falls below the Proficient level in less than 1 year from the beginning date of the PIP, another PIP need not be afforded before determining whether to take a performance based action as described above.
 - c. If an employee performs at or higher than the Proficient level in the critical element(s) that caused placement on the PIP for at least 1 year from the beginning date of the PIP, and performance is then again determined to be below Proficient, another PIP must be afforded before determining whether to take a performance based action as described above.
 - d. Information concerning the procedures to be followed when taking a performance based action is found in 5 CFR 432.107.
3. **Training.** The results of performance appraisals may be used as one means for determining the training needs of the employee. When performance is less than Proficient, the employee should be provided with closer supervision, corrective counseling, and if appropriate, training to improve those skills, knowledges and abilities necessary to meet the established performance standard at the Proficient level or higher. The DOT Performance Appraisal form should clearly identify those areas where training or other assistance should be provided. The changing organizational needs, available resources, and other factors may influence the type and amount of training needed. While the performance appraisal is a useful tool to determine training needs, things such as changes in an Administration's mission, employee career goals and employee morale also should be used to determine training needs necessary.

4. **Reduction-In-Force (RIF)**. The results of performance appraisals will be used in reduction-in-force in accordance with 5 CFR Part 351.
- a. Additional service credit for RIF purposes shall be given based on an employee's last three annual performance ratings of record received during the 3-year period prior to the date of issuance of specific RIF notices.
 - b. Credit shall be given only for those ratings which are prescheduled and are given annually at the end of the PMRS rating period. An employee will be given an assumed rating of Proficient for RIF purposes only in the following instances: (1) after demotion or reassignment due to less than Proficient performance where the employee has not received an annual rating of record in the current position as of the date of the specific RIF notice is issued; or (2) if an employee has not received three annual ratings during a 3-year period, credit will be given for an assumed rating(s) of Proficient to bring the employee's ratings up to three.
 - c. Other than the exceptions specified above, special ratings given at times other than at the end of the employee's rating period, such as for a merit promotion action, shall not be considered ratings of record for RIF purposes.
 - d. No rating of record will be assigned for the sole purpose of affecting an employee's RIF retention standing.
 - e. The effective date of an employee's rating of record shall be July 31 of each year, unless the employee's rating period must be extended. However, service credit for RIF shall be given only if the employee's rating of record was signed by the required rating and approving officials and received by the personnel office prior to the issuance of specific RIF notices.
 - f. To provide adequate time to properly determine employee retention standing prior to RIF, the end of the rating period may be postponed when the rating period would end within 14 days of the issuance of specific RIF notices.
5. **Merit Promotion**. The performance appraisal must be used as one of the elements for considering employees under competitive promotion procedures. Performance appraisals will only be used to the extent that the employee's current job and the one for which he/she is being considered require similar knowledges, skills and abilities. Employees should see their organization's merit promotion plan directive for more detailed information.

6. **Probationary Periods.** For new employees, the performance appraisal shall be used as one of the bases for retaining an employee in Federal service. Performance plans should be prepared so that the assessment of those performance qualities that make an employee Proficient can be made. Likewise, the performance plans for new supervisors or managers should clearly reflect those performance characteristics which need to be observed to determine whether the individual should be retained in that position.

CHAPTER 3
COMPENSATION
UNDER
THE PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM (PMRS)

SECTION 1 - GENERAL.

1. **Performance Incentive Pay.** The PMRS provides four types of incentive pay.
 - a. Two types of incentive pay are granted as increases to basic pay.
 - (1) **General Pay Increase.** The adjustment in the pay rates of PMRS employees authorized by the President under 5 U.S.C. 5305 (or 5 U.S.C. 5303 for special salary rates) and provided in accordance with 5 U.S.C. 5403.
 - (2) **Merit Increase.** An increase in a PMRS employee's rate of basic pay authorized by 5 U.S.C. 5404 and based on the employee's performance appraisal rating of record and position in the rate range for his or her grade level. The merit increase is an amount equal to a full within grade increase, a fraction thereof or zero within-grade increase.
 - b. Two types of incentive pay are granted as one-time cash payments.
 - (1) **Performance Award.** An award authorized by 5 U.S.C. 5406 to reward a PMRS employee for performance reflected in his or her rating of record.
 - (2) **Superior Accomplishment Award.** An award authorized by 5 U.S.C. 5407 to reward PMRS employees for superior or especially meritorious suggestions, inventions, or accomplishments.
2. **Performance Incentive Pay Official.** In order to properly manage the PMRS, each Operating Administration and each subordinate organization allocated a performance award budget shall identify a performance incentive pay official. The

senior manager or executive for each organization assigned a performance award budget shall serve as the performance incentive pay official responsible for the following functions within his/her organization:

- a. Ensuring standards are reviewed in order to ensure equitable treatment of each employee.
- b. Ensuring individual performance appraisal ratings within an organization reflect the organization's accomplishments as a whole.
- c. Keeping rating officials informed of the budgetary implications of their actions.
- d. Reviewing and approving performance pay decisions for the PMRS employee population within the funding unit.
- e. Reviewing and approving the outcome of the performance appraisal rating process.

SECTION 2 - GENERAL PAY INCREASE.

1. **Amount of General Pay Increase.** PMRS employees shall receive general pay increases as follows based on a rating of record for the current appraisal period for which performance pay decisions are being made.
 - a. Employees rated Proficient or higher will receive the full general pay increase.
 - b. Employees rated Needs Improvement will receive one-half of the general pay increase.
 - c. Employees rated Unsatisfactory will not receive a general pay increase.
 - d. Employees may be paid at rates less than the minimum rate for their grade, if the lower rate resulted from receiving less than the full general pay increase based on performance rated Needs Improvement or Unsatisfactory.
 - e. Employees lacking a rating of record for the latest performance appraisal period will receive the full general pay increase.

2. **Computation of General Pay and Special Salary Rate Increases.**

- a. **General Pay Increase.** General pay increases for employees with Proficient or higher ratings shall be determined as follows:
- (1) Subtract the minimum rate of the employee's rate range in effect on the day immediately preceding the effective date of the increase from the employee's rate of basic pay on the same date.
 - (2) Subtract the minimum rate of the rate range in effect immediately preceding the effective date of the increase from the maximum of the rate range on that date.
 - (3) Divide the result of paragraph 2a(1) by the result of paragraph 2a(2).
 - (4) Subtract the minimum rate of the new rate range for the grade from the maximum rate of that range.
 - (5) Multiply the quotient from paragraph 2a(3) by the difference from paragraph 2a(4).
 - (6) Add the product from paragraph 2a(5) to the minimum of the new rate range and round to the next higher whole dollar amount.

Note: The salary of an employee whose rate of basic pay is less than the minimum rate of the rate range of the employee's position, and whose performance is rated Proficient or above, will be adjusted by multiplying the employee's rate of basic pay on the day immediately preceding the pay adjustment period by the full amount of the general increase applicable to the rate range of the grade of the employee's position for such pay adjustment period.

- b. **Special Salary Rate Increase.** Employees on special salary rates may be considered for an increase equal to the general pay increase under 5 U.S.C. 5305 in accordance with OPM procedures. Additionally, the rate ranges for their grades are increased when required by special salary rate surveys. When a special rate range becomes initially applicable to, or increased for a position occupied by a PMRS employee with a Proficient or

higher rating, the employee shall receive the full special salary rate increase and the employee's rate of basic pay shall be determined as follows:

- (1) Subtract the minimum rate of the employee's special salary rate range in effect on the day immediately preceding the effective date of the increase from the employee's rate of basic pay on the same date.
- (2) Subtract the minimum rate of the special rate range in effect immediately preceding the effective date of the increase from the maximum of the special salary rate range on that date.
- (3) Divide the result of paragraph 2b(1) by the result of paragraph 2(b)(2).
- (4) Subtract the minimum rate of the new special salary rate range for the grade from the maximum rate of that special salary rate range.
- (5) Multiply the quotient from paragraph 2b(3) by the difference from paragraph 2b(4).
- (6) Add the product from paragraph 2b(5) to the minimum of the new special salary rate range and round to the next higher whole dollar amount.

Note: The salary of an employee whose rate of basic pay is less than the minimum rate of the rate range of the employee's position, and whose performance is rated Proficient or above, will be adjusted by multiplying the employee's rate of basic pay on the day immediately preceding the pay adjustment period by the full amount of the general increase applicable to the rate range of the grade of the employee's position for such pay adjustment period.

- c. Employees with a Proficient or higher rating and a rate of pay at the minimum or maximum of the rate range in effect on the day immediately preceding the effective date for the general pay increase or special salary rate

adjustment will have their rate of pay adjusted to the minimum or maximum of the new rate range, respectively.

- d. The increase for employees with a Needs Improvement rating, including employees with a rate of pay less than the minimum rate for their grade, shall be computed by multiplying the employee's rate of pay on the day immediately preceding the effective date of the adjustment by one-half of the full adjustment and rounding to the next higher whole dollar amount.
 - e. An employee receiving retained pay under 5 U.S.C. 5363(a) will receive one-half of the general pay increase regardless of his or her rating of record.
3. **Effective Date.** The general pay increase for which a PMRS employee is eligible shall be effective on the same date as the General Schedule general pay increase. The special salary rate increase for which a covered PMRS employee is eligible also is usually effective on the same date as the General Schedule pay increase. Furthermore, based on the results of special rate surveys, additional special salary rate pay increases may be effective on the date specified by the Office of Personnel Management for that specific rate.
 4. **Documentation.** General pay increases shall be documented with a Notice of Personnel Action, SF-50.

SECTION 3 - MERIT INCREASES.

1. **Basis for Merit Increases.** Each merit increase must be based on a current rating of record. Individuals without a current rating of record shall be treated in accordance with paragraph 3 of this section.
2. **Merit Increases for Employees With a Current Rating of Record.** An employee who occupies a PMRS position on the first day of the first pay period beginning on or after October 1 shall receive a merit increase (the equivalent of a within-grade increase at the corresponding General Schedule grade) based on the actual PMRS rating of record received for the current performance appraisal period as follows:

a. **Proficient.**

- (1) Employees rated Proficient whose pay is below the first reference rate (the equivalent of the dollar amount of the fourth step for the corresponding General Schedule grade) shall receive a full merit increase,
- (2) Employees rated Proficient whose pay equals or exceeds the first reference rate but is less than the second reference rate (the equivalent of the dollar amount of seventh step for the corresponding General Schedule grade) shall receive one-half of a merit increase.
- (3) Employees rated Proficient whose pay equals or exceeds the second reference rate shall receive one-third of a merit increase.

b. **Meritorious.**

- (1) Employees rated Meritorious whose pay is less than the first reference rate (the equivalent of the dollar amount for the fourth step the corresponding General Schedule grade) shall receive a full merit increase.
- (2) Employees rated Meritorious whose pay equals or exceeds the first reference rate shall receive one-half of a merit increase.

c. **Distinguished.** Employees rated Distinguished shall receive a full merit increase, regardless of where their pay falls within the rate range.

d. **Need Improvement or Unsatisfactory.** Employees rated Needs Improvement or Unsatisfactory shall receive a zero merit increase.

3. **Merit Increases for Employees Without a Current Rating of Record.** The law requires that the merit increase be based on the employee's rating of record for the current performance appraisal period. When a PMRS employee cannot be rated for the current performance appraisal period, the following procedures shall apply:

a. For an employee who cannot be rated for the current appraisal period under his/her elements and standards because (1) the employee has been under PMRS elements and standards for less than the 90-day minimum appraisal period (for instance, due to detail or promotion within or into the PMRS); or (2) the employee cannot be rated because the supervisor has left and a higher level supervisor cannot reasonably appraise the performance of the employee; or (3) the employee is on long-term training; or (4) the employee is detailed to an Intergovernmental Personnel Act (IPA) assignment under sections 3371 through 3376 of title 5, United States Code, the employee's merit increase shall be granted using one of the following rules in the order specified:

- (1) The employee's appraisal period is extended to provide a minimum appraisal period (such an extension shall not exceed September 30 of the same year);
- (2) The employee's transferred summary rating is used when the employee is assigned to another organization between June 30 and July 31. (See Chapter 3, Sec. 3, Paragraph 4.)
- (3) The employee's last rating of record under the PMRS, provided it was given no earlier than the previous PMRS appraisal period, is extended and the appropriate increase is granted.
- (4) The employee shall receive an increase equivalent to that granted for a Proficient rating of record.

b. Except as provided in paragraph 3c and d below, when an employee who cannot be rated returns to a pay status after an approved absence which would be creditable service under 5 CFR 531.406 which included one or more general pay increases and merit increases, the employee's rate of basic pay shall be set at the sum of:

- (1) The employee's rate of basic pay immediately before the interruption of his or her employment with the agency; and, if appropriate,
- (2) The general pay increase for a Proficient rating of record that would have been required, if the employee's service had not been interrupted; and
- (3) The merit increases received by an employee rated at the Proficient level.

c. PMRS pay shall be granted as follows when an employee cannot be rated because of (1) service in the armed forces or non-Government service referenced in 5 U.S.C. 5405(d);

(2) return to a pay status after an IPA assignment under 5 U.S.C. 3371-3376; (3) other service for which an employee's advancement through the pay range is preserved by statute; or (4) one or more merit increases that occurred during a period for which the employee has received credit under the back pay provisions of 5 U.S.C. 5596 and 5 CFR Part 550, Subpart H. The employee's pay shall be set at the sum of:

- (1) The employee's rate of basic pay immediately before the interruption of his or her duty status, and, as appropriate;
 - (2) The general pay increases that would be required for a Proficient rating if the employee's service had not been interrupted; and
 - (3) Merit increases, which will be granted as follows:
 - (a) For the first merit increase,
 - (i) The employee's PMRS rating of record is extended and the appropriate merit increase is granted, if that rating was given no earlier than the previous Departmental rating period; or
 - (ii) If there is no rating of record that can be extended, the employee shall receive an increase equivalent to that granted for a Proficient rating.
 - (b) For all subsequent merit increases occurring during the period for which the employee cannot be rated, the employee will receive merit increases equivalent to that received for a Proficient rating for each rating period involved.
- d. When an employee's rate of basic pay is being set because of (1) leave without pay (LWOP) for a period of time such that the employee is not in a pay status for at least the minimum 90-day appraisal period; and (2) the employee returns to a pay status (a) for a period which is less than the Department's 90-day minimum appraisal period or (b) after the end of the Department's appraisal period and the effective date of the merit increase. Under these circumstances, the employee's pay shall be set at the sum of:

- (1) The employee's rate of basic pay immediately before the effective date of the LWOP and, as appropriate,
 - (2) The general pay increases that would be required by 5 U.S.C. 5403 for a Proficient rating of record, if the employee had not been on LWOP.
 - (3) Under these circumstances, no merit increase shall be granted for the current appraisal period for which merit increases are being granted. Nor will the employee be granted a performance award.
4. **Consideration of Transferred Summary Ratings.** When a PMRS employee is assigned from another agency or organization after June 30 but before July 31, the summary rating which is transferred with the employee shall be considered the rating of record for the purpose of granting merit increases and general increases.
5. **Movement Into the PMRS.** An employee moving into the PMRS on or before the effective date of the merit increase who has received an increase to base pay (i.e., promotion, within-grade increase, quality step increase) within 90 calendar days of the effective date shall not receive a merit increase for that fiscal year. An increase occurring on the effective date of the merit increase is considered to be within this 90-day period. Promotion within the PMRS is not subject to this restriction. Actions covered by this rule include:
- (1) Conversion to the PMRS;
 - (2) Reassignment to the PMRS from another Federal pay system;
 - (3) Promotion to the PMRS; and
 - (4) Temporary promotion to the PMRS.
6. **Computation of Merit Increases.** Merit increases shall consist of the equivalent of a full step at the corresponding General Schedule grade (one-ninth of the difference between the maximum and minimum rates of the grade) or the appropriate fraction thereof. When merit increases reflecting a fraction of a step increase are calculated, they shall be rounded to the next higher dollar.

7. **Effective Date.** Merit increases shall be received not later than December 31 and made effective on the first day of the first pay period in October of each year. Any merit increases granted after the first day of the first pay period beginning on or after the beginning of the fiscal year shall be retro-active to the October effective date unless otherwise required by the Office of Personnel Management.
8. **Documentation:** Merit increases shall be documented with a Notice of Personnel Action, SF-50.
9. **Employee Grievances.** Merit increases are final and are not subject to appeal or grievance.

SECTION 4 - PERFORMANCE AWARDS.

1. **Criteria.** Performance awards under the PMRS shall be granted as one-time cash payments outside basic pay when the employee receives a Distinguished rating for the current appraisal period. Performance awards may also be granted to an employee who receives a Meritorious or Proficient rating for the current appraisal period.
2. **Performance Award Budget.** In determining each operating administration performance award budget, consideration will be given to: the number of PMRS employees during the previous year; the aggregate rates of basic pay for these employees; the changes expected in the number of PMRS employees; and the general pay increases and merit increases to be paid to PMRS employees.
 - a. In consideration of these factors, each operating administration shall allocate 1.4 percent of the rate of basic pay for their PMRS employees on the last day of the performance appraisal period as the Operating Administration performance award budget and also shall meet any limitations established by the Office of Personnel Management and the Office of the Secretary for the funding of general pay increases, merit increases, and performance awards. Operating Administrations shall not transfer funds computed for their performance award budgets from one Operating Administration to another (31 U.S.C. 1532) nor shall funds computed for one PMRS unit's performance award budget be transferred to another PMRS unit. This will ensure performance award funding is established within statutory limits (1.15 - 1.5 percent) and still provide funds for any necessary subsequent corrective actions.

- b. Operating Administrations may seek exception from the performance award budget funding requirement as a result of budgetary constraints. Requests for exceptions should be submitted to the Office of Personnel, Office of the Secretary, not later than September 1. Exceptions will be authorized upon approval of the Assistant Secretary for Administration.
 - c. Operating administrations may further allocate funds to subordinate organizational groups, provided the PMRS units contain a sufficient number of employees to ensure a reasonable performance award budget. If adopted, these PMRS units and their composition shall be documented. In addition, operating administrations shall insure for each organization for which a separate performance award budget is established that the aggregate of general increases, merit increases, and performance awards does not exceed any percentage limitation established by the Office of Personnel Management and/or the Department.
 - d. Each operating administration shall report to the Office of Personnel, Office of the Secretary, the performance award budget for each separate PMRS unit established. This information shall be forwarded to the Office of Personnel Management, as required.
3. **Performance Award Requirements.** An employee is eligible for a performance award if he/she is in a PMRS position on the last day of the appraisal period for which performance awards are being paid. Performance awards shall be based on the employee's rating of record received for the current Department of Transportation PMRS appraisal period.

The head of an Administration may decide to grant a performance award to an employee who cannot be rated for the current appraisal period if the employee has been under PMRS elements and standards for less than the 90-day minimum appraisal period (for instance, due to detail or promotion within or into the PMRS); or because the employee's supervisor has left and a higher level supervisor cannot reasonably appraise the performance of the employee;

To make this decision, the employee's last rating of record under the PMRS is extended and the appropriate increase is/ may be granted if the last rating of record was given no earlier than the previous agency appraisal period.

- a. **Unusually Outstanding Performance Awards.** Only employees who receive ratings of Distinguished can be considered for unusually outstanding performance awards. Performance awards for unusually outstanding performance shall exceed 10 percent but not 20 percent of the nominated employee's annual rate of basic pay.
- (1) Individuals considered for an unusually outstanding performance award shall have:
 - (a) Made significant contributions to mission accomplishment;
 - (b) Demonstrated leadership in program administration such that their performance is clearly noteworthy; and
 - (c) Established a record of accomplishments.
 - (2) The authority to review and approve such an award is delegated to each operating administration and the Office of the Inspector General. Whenever an unusually outstanding performance award is granted, the appropriate approving authority must notify the Labor and Employees Relations Division (M-17) in writing and provide the recipient's name, social security number, the amount of the award, and identify the pool from which the award funds are being drawn.
 - (3) Notification of unusually outstanding awards shall be forwarded to M-16 no later than September 15 to allow ample time to process the awards.
- b. **Distinguished Performance Awards.** An employee who is rated Distinguished must receive a performance award of at least 2 percent of his/her annual rate of basic pay, but not more than 10 percent of base pay in any given year.
- c. **Meritorious Performance Awards.** An employee who is rated Meritorious may receive a performance award not to exceed 10 percent of base pay in any given year. The dollar amount of a performance award granted to an employee rated Meritorious must be less than the dollar amount of an award granted to an equally graded employee within the same organizational pool who is rated Distinguished.
- d. **Proficient Performance Awards.** An employee who is rated Proficient may receive a performance award not to exceed 10 percent of the employee's annual rate of basic pay in any given year.

The dollar amount of a performance award for an employee rated Proficient must be less than the dollar amount of a performance award granted to an equally graded employee within the same organizational pool who receives a rating of Meritorious or Distinguished.

- f. **Employees Who Cannot Be Rated**. Employees without a current rating of record for the performance appraisal period, except for those situations described in Section 4, Paragraph 3 of this chapter, shall not be eligible for a performance award.
4. **Determination and Documentation of Award Amounts**. The amount of a performance award for Distinguished, Meritorious and Proficient performance shall be determined in accordance with the policy adopted by the operating administration consistent with the requirements set forth in paragraph 3 of this section. Once the award amount is determined, it must be documented with a Notice of Personnel Action, SF-50. In addition, Unusually Outstanding performance awards shall have the performance appraisal and additional justification for the award placed in the employee's Official Personnel Folder or Employee Performance File.
5. **Eligibility Date**. An employee shall be eligible for performance awards if he/she is in a PMRS position on the last day of the appraisal period for which performance pay decisions are being made.
6. **Prohibition Against Performance Awards**. An employee shall not be granted a performance award when:
 - a. the employee was on leave without pay (LWOP) and was not in a pay status for at least the minimum 90-day appraisal period; and
 - b. the employee returns to a pay status between either of the following and the effective date of the merit increases:
 - (1) a period which is less than the Department's 90-day minimum appraisal period; or
 - (2) after the end of the Department's appraisal period.
 - c. the PMRS employee is newly appointed to the Government within 90 days of the end of the Department's appraisal period.
7. **Employee Grievances**. Performance awards are final and are not subject to appeal or grievance.

SECTION 5 - SUPERIOR ACCOMPLISHMENT AWARDS

Superior Accomplishment Awards, which include suggestions, inventions, superior accomplishments and special acts or services, will be granted in accordance with the incentive award program described in appropriate DPM Chapter 451 directives.

CHAPTER 4

PAY ADMINISTRATION

UNDER THE

PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM (PMRS)

SECTION 1 - BASIC PAY.

Range of Basic Pay. The range of annual rates of basic pay for each PMRS grade shall be the same as the range of annual rates of basic pay for the corresponding grade of the General Schedule, including any rates beyond the maximum range authorized under 5 U.S.C. 5303 for any position covered by this authorization. However, a PMRS employee may be paid at a rate less than the minimum rate for the employee's grade, or special rate range, if this results from the employee receiving a performance evaluation of less than Proficient; or may be paid in excess of the maximum rate for the range of basic pay applicable to the employee's position if the pay rate results from pay retention (5 U.S.C. 5363).

SECTION 2 - MERIT INCREASES.

1. PMRS merit increases shall be considered a part of basic pay. Therefore, increases shall be set at any whole dollar amount consistent with this order and the following conditions.
 - a. No merit increase may result in an employee's rate of basic pay being set above the maximum rate or below the minimum rate for the employee's grade. However, a PMRS employee may receive a rate of basic pay below the minimum rate as a result of receiving less than the full general pay increase.
 - b. While a PMRS employee may have his or her rate of basic pay set at the maximum for the employee's grade, no employee may be paid in excess of the rate of basic pay for Level V of the Executive Schedule.

- c. An employee moving into the PMRS on or before the effective date of the merit increase who has received an increase to base pay (i.e., promotion, within-grade increase, quality step increase) within 90 calendar days of the effective date shall not receive a merit increase for that fiscal year. An increase occurring on the effective date of the merit increase is considered to be within this 90-day period. Promotion within the PMRS is not subject to this restriction. Actions covered by this rule include:
- (1) Conversion to the PMRS;
 - (2) Reassignment to the PMRS from another Federal pay system;
 - (3) Promotion into the PMRS; and
 - (4) Temporary promotion into the PMRS.
- d. A PMRS employee shall not be eligible for a merit increase or performance award if newly appointed to the Government within 90 days of the effective date of the merit increase
- (1) Reinstatement is considered a new appointment for merit increase purposes.
 - (2) Reemployment under a reemployment priority list (5 CFR 351, Subpart J) is not considered a new appointment for merit increase purposes.
 - (3) Reemployment or reinstatement without a break in service of one or more work days is not considered a new appointment under this subparagraph.

SECTION 3 - ACQUISITION AND LOSS OF PMRS STATUS.

1. Pay Adjustment on Acquiring PMRS Status. When an employee acquires PMRS status, the employee shall receive his or her existing rate of basic pay plus any of the following adjustments that may be applicable, in the order specified:
 - a. The amount of any general pay increase made on that date, or in the case of an employee subject to special pay rates, the amount of any special salary rate adjustment made on that date under section 5303 of title 5, U.S.C.;
 - b. The amount of any within-grade or quality step increase to which the employee otherwise would be entitled on that date; and

c. The amount resulting from a promotion effective on that date.

2. **Pay Adjustment on Loss of PMRS Status.** When an employee loses PMRS status, the employee shall receive his or her existing rate of basic pay, plus any of the following adjustments that may be applicable, in the order specified:

- a. The amount of any general pay increase to which the employee otherwise would be entitled on that date, or in the case of an employee subject to special pay rates, the amount of any special salary rate adjustment made on that date under section 5303 of title 5, U.S.C.
- b. The amount of any PMRS merit increase to which the employee otherwise would be entitled on that date;
- c. The amount resulting from a promotion effective on that date;
- d. In the case of an employee whose resulting rate of basic pay falls between two steps of a General Schedule grade (or, in the case of an employee whose position is subject to special pay rates, between two steps of the applicable special rate range), the amount of any increase that may be necessary to pay the employee the rate for the next higher step of that grade (or special rate range); and
- e. In the case of an employee whose resulting rate of basic pay falls below the minimum rate of a General Schedule grade (or, in the case of an employee whose position is subject to special pay rates, below the minimum rate of the applicable special rate range), the amount of any increase that may be necessary to pay the employee the minimum rate for that grade (or special rate range).

Note: Special Exceptions. This section does not apply to an employee who loses PMRS status as the result of:

- (1) An action taken for disciplinary or performance related reasons; or
- (2) the expiration or termination of a temporary promotion.

3. **Equivalent Increase Determinations.** A PMRS merit increase, like a PMS within-grade pay increase, is considered to be an equivalent increase for pay determination purposes. Therefore, an employee who receives a full, one-half, one-third, or zero merit increase is considered to have received the equivalent of a full within-grade increase and would start a new waiting period on the effective date of the increase, if the employee moves into a PMS position at an equivalent or lower grade.
4. **New Appointments.** Employees appointed to a PMRS covered position on the general pay increase date whose pay is set in accordance with the new pay range for their grade are not considered to be covered by the PMRS on that date for the purposes of granting a general pay increase, merit increase, or performance award on that date.

SECTION 4 - PROMOTIONS AND DEMOTIONS.

1. **Promotions.**

- a. On promotion from the General Schedule into the PMRS, the employee shall receive the rate of basic pay in the grade to which promoted which equals the rate he or she would have received if the promotion had been to a General Schedule position--the two step promotion rule.

Note: Promotion actions for individuals on pay retention shall be governed by 5 U.S.C. 5332(b).

- b. On promotion within the PMRS, the employee shall receive the greater of:
 - (1) A 6 percent increase in pay; or
 - (2) The amount necessary to raise the employee's rate of pay to the minimum rate of the grade to which promoted.

2. **Demotions.** Unless otherwise amended, pay setting for demotion out of, into, and within the PMRS will be administered in the same manner as is established for General Schedule positions.

SECTION 5 - ORDER FOR PROCESSING SIMULTANEOUS PAY ACTIONS.

1. **Within the PMRS.** Actions which involve changes to a PMRS employee's pay (e.g., promotion) which are effective on the

same date as the general pay increase and merit increase shall be received in the following order:

- a. General pay increase, if applicable;
- b. Merit increase, if applicable; and
- c. Promotion, if applicable.

2. **From the General Schedule Into the PMRS.** Actions which involve changes to pay (e.g., promotion) effective on the same date as the General Schedule or special salary rate pay increase and merit increases for employees moving from the General Schedule into the PMRS shall be processed in the following order:

- a. General Schedule pay increase, if applicable;
- b. General Schedule pay entitlements (i.e., within grade increases, quality step increases), if applicable, in the order resulting in the maximum benefit to the employee; and
- c. Promotion to the PMRS position, if applicable.

SECTION 6 - TERMINATION OF SPECIAL SALARY RATES.

If the employee is receiving a rate of basic pay established under 5 CFR 540, the employee shall retain his/her existing rate. This rate may be lower than the minimum rate of the regular schedule as provided under 5 CFR 540.106(c)(3).

SECTION 7 - PREMIUM PAY, ALLOWANCES, AND DIFFERENTIALS.

Unless otherwise amended, premium pay; pay for exposure to hazards, physical hardships or work conditions of an unusual nature; equalization allowances; dual pay; and other pay-setting actions shall conform to the General Schedule pay policy.

CHAPTER 5
GENERAL PROGRAM ADMINISTRATION
UNDER THE
PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM (PMRS)

SECTION 1 - BACKGROUND.

This chapter sets forth the general PMRS program responsibilities concerning training, communication of the plan to employees, maintenance of records, reports, evaluations and approvals.

SECTION 2 - COMMUNICATION TO EMPLOYEES.

Each operating administration shall communicate the purpose and operation of the PMRS to its employees.

SECTION 3 - TRAINING.

Each operating administration is charged with the responsibility to train employees covered by the PMRS, as well as employees responsible for its operation, in the specific details of the system. Individuals requiring training include employees and their supervisors as well as rating and reviewing officials (e.g., SES, military officers, etc.). Training will cover performance appraisal, performance awards, superior accomplishment awards, and merit increase programs.

SECTION 4 - EVALUATION.

Each operating administration and the Department have responsibility to evaluate the operation of the PMRS. These responsibilities are divided as follows:

1. **Operating Administration Evaluation.** Each operating administration is required to establish such means and methods as are necessary to evaluate the effectiveness of the PMRS within its organization. Implementing directives shall describe the general methods and procedures to be used to conduct the periodic self-evaluations. Such methods and procedures shall include reviews for conformance

with the requirements of the PMRS, the performance appraisal system, the performance and superior accomplishment award programs, and merit increase programs.

2. **Office of the Secretary Program Evaluation.** The Director, Office of Personnel, Office of the Secretary, will be responsible for and direct the conduct of periodic evaluation of the operation and effectiveness of PMRS within the Department.
3. **Reports.** Each operating administration should be able to provide the following reports for use in internal evaluations as well as for submission upon request to the Office of Personnel, Office of the Secretary, for Departmentwide evaluations:
 - a. Management initiated changes from GS to GM and GM to GS;
 - b. Grievances or other challenges regarding coverage determinations and the actions taken; and
 - c. Performance Awards.

Other reports will be obtained from the Consolidated Personnel Management Information System data base.

4. **Performance Management Overview.** As part of the Department's overall performance management effort, the Department shall establish a PMRS Performance Standards Review Board.
 - a. The PMRS Performance Standards Review Board shall be comprised of six members of which half will be employees covered by PMRS and in the competitive service. The Assistant Secretary for Administration is designated as Chair and permanent member. The Director of Civil Rights and the Director of Personnel, OST, are also permanent members, with the Director of Personnel serving as Secretary to the Board. The remaining members will be designated by the Chair from the operating administrations to serve a 2-year term. Nonpermanent membership participation on the Board will be rotated among the operating administrations. The Board will:
 - (1) Assess, by the use of representative sampling techniques based on criteria developed by the Board, the appropriateness of performance standards by reviewing performance plans developed and used by the Department. The Board advises the Secretary or his or her designee on ways to improve performance plans but still has no authority to approve or modify performance plans;

- (2) Review the ratings and make recommendations to the Secretary or his or her designee on improving the equitable application of standards, but shall not recommend any distribution of ratings. Such reviews shall be conducted after ratings of record have been prepared and communicated;
 - (3) Study the feasibility of an awards program based on the collective performance of organizations or groups of employees;
 - (4) Provide technical assistance with respect to any demonstration projects on performance appraisal; and
 - (5) Prepare an annual report to the Secretary concerning its activities.
- b. The staff of the Departmental Office of Personnel shall provide administrative support to the Board in carrying out its responsibilities. Each operating administration shall provide such information as requested by the Board.

SECTION 5. RECORDS MAINTENANCE.

1. **Retention Schedule.** Except as provided in 2. below, performance ratings or documents supporting them are generally not permanent records and shall be retained as follows:
 - a. Performance ratings of record, including the performance plans on which they were based and supporting documentation, shall be retained for 3 years;
 - b. Performance records superseded (e.g., through an administrative or judicial procedure) are to be destroyed and not retained for 3 years;
 - c. Performance related records pertaining to a former employee are not to be retained but forwarded to the National Personnel Records Center as provided in 2. below;

- d. Except where prohibited by law, retention of automated records longer than the maximum 3-year period is permitted for purposes of statistical analysis so long as the data are not used in any action affecting the employee when the manual record has been or should have been destroyed; and
 - e. When an employee is reassigned within the Department of Transportation, disposition of records, including transfer with the employee who changes positions shall be in accordance with 2. below.
2. **Disposition of Records.** When the OPF of an employee covered by this plan is sent to another Operating Administration in the Department of Transportation, to another agency, or to the National Personnel Records Center, the "losing" servicing office shall include in the OPF all performance ratings of record that are 3 years old or less, including the performance plan on which the most recent rating was based, and the summary rating prepared when the employee changes positions as prescribed in Chapter 2, Section 4, paragraphs 4 and 5. Also, the "losing" office will purge from the OPF all performance ratings and performance plans that are more than 3 years old, and other performance records in accordance with the appropriate DPM and FPM Supplement 293-31.

SECTION 6 - APPROVALS.

1. Implementing instructions for this directive and any subsequent changes to those instructions (except for editorial revisions) must be submitted to the Director, Office of Personnel, Office of the Secretary, for review and approval, not less than 6 months before the proposed implementation date, unless otherwise arranged with that Office.
 - a. Within 30 days, the Office of the Secretary will review and respond to the request for approval. Approved requests will be forwarded to the Office of Personnel Management by the Office of the Secretary.
 - b. Within 90 days of receipt, the Office of Personnel Management will advise the Office of the Secretary whether the implementing instructions are approved. This information will be passed along to the appropriate Operating Administration immediately. The remaining 90 days (or more) will be used for modifications as required by the Office of Personnel Management and for preparations for implementation.

DEFINITIONS

Appraisal. The act or process of reviewing and evaluating an employee's performance of duties and responsibilities against prescribed performance standards.

Appraisal Period. That portion of the year during which employee performance and accomplishments are evaluated to determine the employee's rating of record--generally August 1 through July 31.

Appraisal System. A performance appraisal system established by an agency or component of an agency under Subchapter I of Chapter 43 of Title 5 U.S.C. and this subpart which provides for identification of critical and noncritical elements, establishment of performance standards, communication of elements and standards to employees, establishment of methods and procedures to appraise performance against established standards, and appropriate use of appraisal information in making personnel decisions.

Cash Award. An award authorized by 5 U.S.C. 5407 to reward PMRS employees for superior or especially meritorious suggestions, inventions, accomplishments or special acts or services in the public interest in connection with or related to the employee's Federal employment. Cash awards are a one-time cash payment.

Coverage Determination. The decision to include or exclude a position under the PMRS based on the definitions for supervisor and management official contained in 5 U.S.C. 7103.

Critical Element or Critical Job Element (CJE). A component of an employee's position consisting of one or more duties and responsibilities which contributes toward accomplishing organizational goals and objectives and is of sufficient importance that performance below the minimum standard established by management requires remedial action and may be the basis for removing or reducing the grade level of that employee. Such action may be taken without regard to performance on other components of the job. These components are assigned weights of 10 to 100 percent.

General Pay Increase. The increase in the pay rates of the General Schedule authorized by the President in accordance with 5 U.S.C. 5305 or in the special pay rates of eligible employees in accordance with 5 U.S.C. 5303 and based on performance.

GM. The pay plan identifier for employees covered by the PMRS.

Level of Performance. The summary rating received on the performance appraisal (e.g., Proficient, Meritorious).

Merit Increase. The increase in basic pay for a PMRS employee granted under 5 U.S.C. 5404 which is equivalent to one-ninth of the difference between the maximum rate of the grade or special rate range and the minimum rate of the grade or special rate range.

Noncritical Job Element. A component of an employee's position that is significant, but does not meet the Critical Job Element definition. Sub-standard performance on noncritical elements may impact the employee's overall rating. These components are assigned weights of 1 percent to 5 percent.

Operating Administrations. Operating administrations include, for the purpose of this directive, the Office of the Secretary and the Office of Inspector General, as well as the United States Coast Guard, Federal Aviation Administration, Federal Highway Administration, Federal Railroad Administration, National Highway Traffic Safety Administration, St. Lawrence Seaway Development Corporation, Maritime Administration, and the Research and Special Programs Administration.

Performance. An employee's accomplishment of assigned duties and responsibilities as specified in the critical and noncritical elements of the employee's position.

Performance Award. An award authorized by 5 U.S.C. 5406 to reward employees for performance reflected in their rating of record. Performance awards are a one-time cash payment.

Performance Award Budget. The amount of money allocated by an organization for distribution as performance awards to covered employees.

Performance Incentive Pay Official. The official responsible for a performance award fund and managing all ratings within his or her organization. The performance incentive pay official also reviews and approves the outcome of the performance appraisal rating process.

Performance Management Plan. The description of the agency's methods which integrate performance, pay, and awards systems with its basic management functions for the purpose of improving individual and organizational effectiveness in the accomplishment of the agency's mission and goals.

Performance Pay Decision. The determination of the total amount of the general pay increase, merit increase, and performance award to be granted an employee.

Performance Plan. The aggregation of all of an employee's written critical and noncritical elements and performance standards.

Performance Standard. A statement of the expectations or requirements established by management for critical and noncritical elements at a particular rating level. Performance standards may include, but are not limited to, elements such as quantity, quality, timeliness, and manner of performance.

Consolidated Personnel Management Information System (CPMIS). The automated record system which contains Departmental personnel data and which will be used to compute general pay increases and merit increases.

PMRS Employee. An individual occupying a position covered under the PMRS in accordance with the coverage definitions of this directive.

PMRS Pay Plan. PMRS positions are designated by the separate pay plan code "GM."

Position Description. The official record which describes the duties and responsibilities assigned a position and upon which the classification of the position is based.

Progress Review. A review of the employee's progress toward achieving the performance standards, generally occurring in the middle of the performance cycle. A progress review is not in itself a rating.

Rate of Basic Pay. The rate of pay fixed by law or administrative action for the position held by an employee before any deductions and exclusive of additional pay of any kind.

Rating Official. The employee's immediate supervisor (first level supervisor).

Rating of Record. This is a summary rating level which is designated at a specified time in the performance management plan or because of the special circumstances under which it is prepared, e.g., at the end of the appraisal period, and is used as the basis for pay and personnel decisions, including the written notice at any time that the employee's performance is Unsatisfactory on one or more critical elements.

Reference Rate. The first reference rate is the sum of the minimum rate of the grade and one-third of the difference between the maximum

and the minimum rate for that grade. In the General Schedule, this reference rate equals the dollar amount of the fourth step of a General Schedule grade, or, in the case of a special rate range established under 5 U.S.C. 5303 and 5 CFR Part 530, the fourth step of such special rate range.

The second reference rate is the sum of the minimum rate of the grade and two-thirds of the difference between the maximum and minimum rate for that grade. In the General Schedule, the second reference rate equals the dollar amount of the seventh step of a General Schedule grade, or in the case of a special rate range established under 5 U.S.C. 5303 and 5 CFR Part 530, the seventh step of such special rate range.

Reviewing Official. The rating official's supervisor (second level supervisor).

Summary Rating. The written record of the review and evaluation of each critical and non-critical job element in an employee's performance plan and the assignment of a summary rating level, i.e., Distinguished, Meritorious, Proficient, Needs Improvement, or Unsatisfactory. For example, a rating prepared for those individuals who meet the minimum appraisal period in their current position and are now being assigned or transferred to another position.

Superior Accomplishment Award. A monetary or nonmonetary award for a contribution resulting in tangible benefits or savings and/or intangible benefits to the Government.