EXECUTIVE SECRETARIAT

ROUTING SLIP

TO:

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1	DCI		X (Ltr Only)		
2	DDCI		X	" "	
3	EXDIR		X	" "	
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5	DDI				
6	DDA	X (W/Report)			
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8	DDS&T				
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10	GC				
11	IG				
12	Compt		X (Ltr Only)		
13	D/OCA				
14	D/PAO				
15	D/PERS		X (Ltr Only)		
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	SUSPENSE		Date		

Remarks To # 6: For review and please have response for DDCI's signature upon his return.

Executive Secretary

20 oct 87

Date

3637 (10-81)

ROUTING AND TRANSMITTAL SLIP

Date 21 OCT 87

TO: (Name, office symbol, room number, building, Agency/Post)	Initials	Date
1. DIRECTOR OF PERSONNEL		
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	As Requested		For Correction		Prepare Reply
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	Coordination		Justify		

REMARKS

#1 - FOR ACTION: PLEASE REVIEW AND PREPARE RESPONSE FOR DDCI'S SIGNATURE.

SUSPENSE: 3 NOVEMBER 1987

DO NOT use this form as a RECORD of approvals, concurrences, disposals, clearances, and similar actions

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ER 87-3439x

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 15 1987

Honorable Robert M. Gates
Deputy Director of Central Intelligence
Central Intelligence Agency
Washington, D. C. 20505

Dear Bob:

This letter provides OMB comments on CIA's preliminary report on a new proposed pay and personnel management system. I want to thank you and your staff for providing OMB with the opportunity to comment on the preliminary report. Your staff has produced a thoughtful report. Needless to say, most of the proposals could have far-reaching implications and I look forward to working with you as you develop final proposals to ensure that the proposals are consistent with the President's policies on pay and personnel. Your final proposals will require careful OMB and Administration consideration before being transmitted to the Congress for approval.

We have identified two critical deficiencies in the report that need to be corrected before recommendations can be formulated. First, the report should provide evidence of ongoing recruiting and retention problems to help justify the proposed new system, and it should explain how proposed changes will solve any recruiting and retention problems.

Second, the report should develop a systematic calculation of the cost of each proposed change to measure the potential impact on payroll costs. At this time, the Administration's personnel policy is to support only those personnel management changes that cost no more than the current General Schedule (GS) system. Naturally, proposed changes that are budget-neutral in the short- and long-term have the best chance to gain support in the Administration. To this end, you may want to consider a pay banding system linked to the GS system similar to OPM's proposal for a government-wide pay banding system which was sent to Congress on January 20, 1987. OPM's proposal is budget-neutral.

In addition, there are specific features of the proposed system which are currently inconsistent with the Administration's policies. Since Administration approval is highly uncertain, you may wish to reconsider them. They are:

- CIA tuition assistance or CIA-guaranteed and subsidized student loans;

DCI EXEC REG

- Reduction of employee taxable income through contributions to flexible spending accounts;
- Early retirement for managers and experts;
- Unreduced annuities for involuntary retirement;
- Retention bonuses; and
- Leave conversion, i.e., home leave use, SIS and non-SIS annual leave conversion to cash, and the conversion of forfeited annual leave to sick leave.

Other proposals, which represent changes from current practice or policy, will have to be carefully considered to ensure equity with other similar personnel systems. These include replacing position ceiling control with funding control; delegating position classification control to managers; and increasing the SIS bonus pool. Some proposals, such as data processing support, don't appear to be in conflict with policy but will have to be evaluated from a budgetary standpoint.

Thank you again for the opportunity to comment on this preliminary report. I look forward to working with you as you develop your final recommendations. Let me know if I or my staff can offer additional guidance.

Sincerely,

L. Wayne Arny, III
Associate Director
for National Security
and International Affairs

JUL 14 REC'D

Central Intelligence Agency

Washington, D.C. 20505

14 JUL 1987

Mr. L. Wayne Arny, III
Associate Director for National Security
and International Affairs
Office of Management and Budget

Dear Mr. Arny:

For several months, a Task Force of senior officers has been conducting an evaluation of the CIA's personnel and compensation system. The focus of this examination has been on the current pay, position classification, career development, and benefits systems that have evolved over the years, with a view toward developing an improved and integrated system that would enable CIA to continue to attract and retain a high-caliber career work force. The Task Force has completed its initial review and has submitted its recommendations in a preliminary report. A copy of that report is enclosed.

The Task Force report describes the design of a proposed new system. The report has been distributed Agency-wide (more than 10,000 copies) to obtain the initial comments of employees and managers. We anticipate that the internal discussion of the report will be completed by early September. Drawing upon the specific comments and recommendations that come from this review, the Task Force then will develop a final proposal and submit it to the CIA's Executive Committee sometime in December.

The proposed new system contains several elements that are new and different from those currently in place. The most notable of these are:

- Occupationally defined pay bands.
- A non-GS pay structure that is based on Agency-conducted market pricing.
- An employee recognition system that better relates pay to performance.
- More opportunities for our people to advance their careers as experts.
- A modified performance appraisal system.
- A modified flexible benefits program.

Mr. L. Wayne Arny, III

A copy of this report also is being provided to the Office of Personnel Management. If you have comments, please don't hesitate to raise them with the Task Force Chairman [redacted] STAT

Respectfully yours,

[redacted] STAT

William F. Donnelly
Deputy Director
for
Administration

Enclosure

Attachment A

Declassified in Part - Sanitized Copy Approved for Release 2011/12/20 : CIA-RDP89G00643R000700040008-8

Category/Features/Elements	Consistent With Administration Policy	Potential Costs Above Current Payroll	OMB Approval Required	Congressional Committee Approval Required	Change in Existing Law Required
PAY AND CLASSIFICATION STRUCTURE					
1. Occupationally Defined Pay Bands					
- Pay bands not tied to General Schedule (GS)	No. OPM proposal sent to Congress on Jan. 20, 1987 requesting authority to implement pay banding government-wide. Pay bands would be tied to the GS and the proposal is budget neutral. Congress is not expected to enact the proposal this year.	Yes	Yes	Yes	CIA position is no. CIA currently follows Title 5 personnel laws though it has some separate personnel authorities. Since the proposed change is far reaching, and CIA wants a complete break from Title 5 we think legislation is needed to clarify CIA personnel authorities if the Administration wants to pursue this proposal.
- CIA market-pricing of occupations	No. Labor currently does market-pricing for GS.	Yes	Yes	Yes	Above comment applies.
- Funding control replacing position ceiling control	No	Yes	Yes	Yes	Above comment applies.
- Delegation of classification control to managers	No	No	Yes	Yes	No
2. Incentive Pay					
- Up to 50 percent of employees to get incentive pay larger than current in-step increases	Unclear	Yes	Yes	Yes	No
- All employees at acceptable level of performance to receive at least equivalent of current in-steps	Unclear	Yes	Yes	Yes	No
- SIS bonus minimums and maximums would be retained (5 to 20 percent), but the bonus pool would be increased from 3 percent of SIS payroll to 4 or 5 percent so more SIS could get an award	No	Yes	Yes	Yes	No
PERFORMANCE EVALUATION SYSTEM					
3. Automated Performance Plan	NA	Yes	Yes	Yes	No
4. Performance Evaluation Tied to Responsibilities	NA	No	No	No	No
CAREER DEVELOPMENT SYSTEM					
5. Occupational Career Handbooks	NA	No	No	No	No
6. Individual Career Development Plan	NA	No	No	No	No
7. Occupation-Specific Training	NA	No	No	No	No
8. Improved Availability of Training	NA	No	No	No	No

Category/Features/Elements	Consistent With Administration Policy	Potential Costs Above Current Payroll	OMB Approval Required	Congressional Committee Approval Required	Change in Existing Law Required
CAREER DEVELOPMENT SYSTEM (CONTINUED)					
9. Dual Track (Management and Expert)					
- Expanded expert track opportunities	NA	No	No	No	No
- Additional annual leave carryover for non-SIS managers and experts (20 hours annually up to 120 hours maximum)	No	Yes	Yes	Yes	Yes
- Higher bonus awards for dual track employees	No	Yes	Yes	Yes	Yes
10. Promotion (Promotions worth at least a 10 percent increase in pay)	Yes	No, unless more frequent promotions raise average salary.	No	No	No
PROPOSED BENEFITS PROGRAM					
11. Flexible Benefits Program					
- Employee annually designates how much salary to set aside in a flexible spending account (FSA) to pay for benefits (life, health); employee set aside is not taxable	No	Could reduce CIA costs, but will shift cost of benefits to Treasury through tax loss.	Yes	Yes	Yes
12. Leave Conversion					
- Cash to employee for annual leave over set limits for SIS and non-SIS	No	Unclear. Paying for SIS leave at lower rates earlier in employment should cost less than paying at retirement. Savings may be offset by paying for non-SIS annual leave.	Yes	Yes	Yes
- Optional conversion of annual leave to sick leave	No	Unclear. Annual leave converted to sick leave could not be used for retirement credit, but would allow employee to save earned sick leave for retirement credit.	Yes	Yes	Yes
- Donation of annual leave that would otherwise be forfeited to a sick leave bank	Yes. OPM in favor of experimental authority to allow sick leave bank for all government employees.	Unknown	Yes	Yes	Yes
- Home leave use (to allow overseas employees to use home leave in the year prior to retirement to make transition arrangements)	No. Employees cannot save home leave to take off last year of employment with pay.	Unclear	Yes	Yes	Yes

NA = Nonapplicable

Category/Features/Elements	Consistent With Administration Policy	Potential Costs Above Current Payroll	OMB Approval Required	Congressional Committee Approval Required	Change in Existing Law Required
PROPOSED BENEFITS PROGRAM (CONTINUED)					
13. Educational Assistance for Dependents					
- CIA-funded tuition assistance of up to $30,000 per eligible dependent in return for six years CIA service	No	Yes	Yes	Yes	Yes
- Annual leave secured loans to allow employees to borrow the cash value of their annual leave balances	No	No	Yes	Yes	Yes
- Thrift savings plan loans under FERS	Yes. Education is one of several expenses employees participating in the thrift plan can borrow money from their thift plan for. Thrift Board still writing terms for such loans.	No	No	No	No
-CIA subsidized and guaranteed student loans (CIA, for example, would subsidize an 11 percent loan by 3 percent reducing the effective rate to the student to 8 percent; in addition CIA would guarantee the loan)	No	Yes	Yes	Yes	Yes
14. Staffing Management Tools					
- Early retirement for SIS managers (CIA would give SIS-level managers the option of retirement at age 50 with 20 years service to provide continuing "throughput" and avoid stagnation at upper levels)	No. Only CIA and Foreign Service officers overseas, law enforcement officers, firefighters, and air traffic controllers have early retirement plans due to stress of jobs and need for young workforce.	Yes	Yes	Yes	Yes
- Early retirement for experts (CIA would give early retirement at age 50 with 20 years service to experts to retain them at CIA longer and deter them from going to the private sector)	Above comment applies.	Yes	Yes	Yes	Yes
- Retention bonuses to employees to retain them at CIA (modeled after military bonus system for reenlistment purposes)	No. Civilians are not given retention bonuses.	Yes	Yes	Yes	Yes
- An unreduced annuity would be provided to employees who take an involuntary retirement as a result of a reduction in force (RIF) or reorganization	No. Employees who are involuntarily retired as a result of a RIF receive a reduced annuity for every year under the voluntary retirement age.	Yes	Yes	Yes	Yes
PROPOSED DATA PROCESSING SUPPORT					
15. System Controls (a new ADP system for personnel)	NA	Yes	Yes	Yes	No
16. Projection Tools (ne[illegible] term personnel proje[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	No

REPORT

Declassified in Part - Sanitized Copy Approved for Release 2011/12/20 : CIA-RDP89G00643R000700040008-8

Central Intelligence Agency
Human Resource Modernization and
Compensation Task Force

Preliminary Report—July 1987

Proposed Pay, Personnel Management, and Compensation System

Executive Summary

Proposed System Summary

System Design

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Human Resource Modernization and
Compensation Task Force

EXECUTIVE SUMMARY

In July 1986, then DCI William J. Casey presented to the Senate Select Committee on Intelligence (SSCI) CIA's strategy for addressing major personnel issues during the next decade. This strategy included replacing the General Schedule (GS) system, rethinking incentives, redesigning the career development structure to allow for expert and management tracks, and revitalizing our training and personnel planning program. With these personnel system improvements, he suggested that the Agency would be better able to attract and retain the high-caliber career force needed to meet increasingly difficult and diverse challenges in the years to come.

As a result of the DCI's initiative, the Human Resource Modernization and Compensation Task Force (HRMCTF) was chartered in November 1986 to develop the design of an improved personnel and compensation system without adding more than 2 to 3 percent to the Agency's personal services budget. In so doing, the Task Force studied some of the most creative and innovative approaches being used and tested in private industry and in other parts of the Federal Government. The purpose of this report is to present a preliminary draft design to the Directorates for their review and comments. Some features of the preliminary design would directly affect levels of compensation. Others focus on additional forms of recognition and incentives to ensure that the CIA remains an attractive place to work. Still others are aimed at reducing bureaucratic hurdles so that managers will have more flexibility in organizing their personnel resources to adapt to changing requirements. Some of these proposals are entirely new to the traditional Agency culture in the pay and benefits area. Other proposals will be familiar, representing only a refinement of what is best about the current system. What is presented here is a fully integrated system, but its many individual features leave much room for discussion of other options that may be incorporated in the final design. Many of the features, particularly those relating to banding and incentive pay, can be implemented within existing DCI authority. Other features, particularly those in the benefits area, would require additional authority. All of the changes would require Congressional and Office of Management and Budget concurrence.

Feedback is a key ingredient in the process of developing an improved personnel and compensation system. As stated from the beginning of the project, it is essential that any new Agency system be developed by and have the broad support of employees. To accomplish this, the Task Force has arranged for copies of the full report to be available at the Office and DO Division level throughout the Agency. Directorates are requested to submit their responses to the Task Force by 1 September 1987. In addition, individual comments and suggestions may be addressed to the Chairman or members of the Task Force. A revised report that incorporates views of individuals and Agency components will be offered for your review once again before submission to Agency management for approval in December 1987. Implementation of any changes would be phased in over a two-year period.

Proposed Pay and Classification Structure

A key feature of the proposed system is a pay and classification structure that better relates compensation to performance, is more competitive with the private sector, and plays a greater role in attracting and retaining high-caliber people:

- ***Occupationally Defined Bands.*** The GS system has long shown signs of strain—witness the numerous "special pay scales" awkwardly superimposed in order to pay higher rates to certain hard-to-hire occupations. To facilitate market pricing, the Task Force proposes the Agency develop occupationally defined pay bands, linked to various levels of expertise—for example, entry level, journeyman, expert, and manager. Representatives of 28 occupations that account for 75 percent of the Agency's work force already have met as occupational panels and have shown the feasibility of such a system, including an initial cut at the standards that would be used to determine pay and promotion (movement from band to band).

- ***Market Pricing.*** Under the current GS system, occupational market surveys are conducted to assess Federal pay vis-a-vis the private sector. These surveys result in governmentwide, across-the-board changes in the GS pay schedule, without regard to how a given occupation stacks up against the private sector or how important it is to an organization. This averaging process often results in pay levels for specific occupations that are lower than the market commands. The Task Force proposes that the Agency maintain up-to-date, occupation-specific pay rates by conducting *its own* periodic market salary surveys of that portion of the private sector that is on a par with CIA and competes for the same types of people. Those Agency occupations with no private-sector counterpart would be adjusted on the basis of an internal Agency comparison with occupations that can be market priced.

- ***Funding Control.*** Senior managers in government are saddled with funding, position ceiling, and promotion headroom constraints that extend well beyond understandable requirements for accountability. They often find themselves unable to make personnel adjustments, even when change will not require additional funds. The Task Force proposes that position classification authority be delegated to operating officials, permitting them to reclassify jobs within defined occupational pay levels and adjust numbers of personnel in their components, so long as they stay within predefined funding limits.

- ***Incentive Pay.*** Under the GS system, employees and managers tend to view promotion as the primary means to reward performance. Periodic step increases are associated largely with longevity, and quality step increases and other cash awards are rare—even for superior performers. The Task Force proposes separating the rewards for above-average performance at the current level from the kinds of rewards offered for substantially increased responsibility. The proposed system of broad occupational bands would introduce a pay-for-performance or incentive pay system that would permit varying combinations of salary increases and bonuses to reward varying levels of performance. Under the proposed system, all employees performing acceptably would receive an incentive award comparable with the current step increases, but higher performing employees—up to 50 percent of the Agency population—could receive a combination of salary adjustments and bonuses greater than this. Promotions (movement from one band to another) would be reserved for those who have clearly demonstrated the capability to take on the significantly greater responsibilities of a more senior level.

Performance Evaluation and Career Development Systems

An essential ingredient in any pay-for-performance system is an active performance evaluation and career development system. The Task Force proposes the following basic elements, allowing necessary Directorate flexibility:

- ***Performance Plan.*** Occupational panels would generate key job responsibilities and performance expectations for each level of the band. These would be computerized and available to managers as a guide when they sit down to customize performance plans for individual employees. The aim here is to ensure that employees know what is expected of them and to free supervisors from much of the performance plan *writing* so they can concentrate on *talking* with their employees.
- ***Performance Evaluation.*** A streamlined PAR system would facilitate evaluation of recent performance to determine incentive pay and readiness for promotion.
- ***Career Development.*** This segment of the preliminary design proposes a dual track system to permit advancement as either a manager or a substantive expert. The design also provides for occupational career handbooks that would spell out the responsibilities for each level in an occupation and identify the assignments, experiences, skills, and training that best prepare an employee for entry into and promotion within the occupation. These handbooks would be used by employees, career service panels, and managers.
- ***Training.*** Employees will have more training available to them. This training will focus on the specific skills needed by each occupational grouping to sharpen existing job skills and enhance the skills needed for career development. In addition, more efficient and creative ways will be used to get the training to employees at their job site.

Benefits

No Federal agency can hope to match the best of the private sector in total pay and benefits, but the Agency can improve its posture by taking a more modern approach. The Task Force offers the following examples:

- ***Flexible Benefits Program.*** This system would give employees greater latitude to direct government money into the particular benefits the employees need and to use their own pretax dollars to buy enhanced levels of qualified benefits. This flexibility is increasingly important as the demographics of the work force change to include more dual career marriages as well as single workers with and without children.
- ***Annual Leave.*** Every year Agency employees forfeit more leave than employees of any other Federal agency. The Task Force believes that the work ethic that often results in large losses of annual leave benefits should be rewarded and has proposed a variety of improvements intended to reduce the amount of leave lost. Recommendations include: a proposal to increase annual leave carryover for midlevel managers and experts who currently account for most of the lost leave; a provision to allow annual leave to be cashed in or used as collateral for dependent educational

tuition loans; and a proposal to establish an Agency *sick leave bank* from annual leave that would have been forfeited to provide additional sick leave for employees faced with *catastrophic* illnesses.

- ***Other Benefits.*** The Task Force proposes various incentives to help the Agency maintain and adjust the characteristics of the work force, for example, to ensure that the best midlevel employees can continue to see opportunities for advancement. Among these proposals are retention bonuses and early retirement options.

Additional details on these proposed features are in the System Summary section. Those desiring even more information on the new system should consult the System Design section. Each provides a greater level of specificity geared to meet the needs of various readers for information about the new system.

CONTENTS

PROPOSED SYSTEM SUMMARY

CIA faces increasingly difficult and diverse challenges in the years to come. Ensuring that we will be able to attract and retain the caliber of personnel we need to meet the challenges of the future is a key objective of our strategy. Competition with the private sector for certain key occupations is a significant problem today, and the demographics of the country as the baby bust generation reaches the marketplace ensure us that this problem will spread to other occupations and that competition will intensify. In view of the security constraints associated with our mission and the complexity of our challenges, we must have a personnel and compensation system that allows us to compete effectively for the employees we need.

The proposed design touches on virtually every aspect of the personnel and compensation system. Obviously, the design includes features that will improve compensation. In some of the most marketable occupations, however, CIA can never match the private sector; and, in fact, employees driven primarily by money do not work for CIA. The target employee of this design is the employee who thrives on the unique challenges only CIA can offer. The proposed system is designed to provide recognition and incentives to this type of employee, to reinforce a sense of accomplishment, and to make CIA a more attractive place to work.

The proposed system is also designed to give managers the tools to compete for the talent they need and give them the flexibility to restructure the work force to meet changing mission requirements.

Table 1 is a summary of the proposed improvements to the current personnel and compensation system, which illustrates the features that will enhance CIA's ability to continue to attract and retain high-caliber employees. It describes the proposed new system from three vantage points—that of the employee, the line manager, and the senior manager.

The pay and classification features would affect only General Schedule (GS), secretarial, and commo-banded employees. Changes recommended in the performance evaluation, career development, and benefits systems would be applicable to all.

Proposed Pay and Classification Structure

Feature 1—Occupationally Defined Bands

- CIA-specific market pricing of occupations.
- Funding control replacing position ceiling and average grade.
- Job classification authority delegated to Directorates.

One of the most visible features of the current personnel and compensation system at CIA is the use of the GS. CIA is not bound by law to follow this governmentwide pay and classification system; but, by virtue of the fact that we have always employed it and because any changes would involve the expenditure of funds, CIA must coordinate closely with the Office of Management and Budget (OMB) and Congress and ultimately receive Congressional concurrence with respect to significant departures from our current system.

The GS is a position classification and pay system. To meet our requirements, we have used our special authorities to modify the administration of the GS system. We also have created special pay scales for engineers and scientists that are different from those in the GS. Despite these adaptations, continued linkage to the GS system and the governmentwide salary survey process constrains our ability to structure and pay our work force in an optimum manner to execute our mission. This constraint is inherent in the GS system and to be removed requires a complete break from the GS.

Market Linkage

The Office of Personnel Management (OPM) maintains the GS salary schedule for the Federal Government, following the premise that the Federal system is a single employer. Market surveys conducted by the Department of Labor report average salary data paid to positions comparable with the generic government positions for all types and sizes of employers. This market survey process provides the basis of the "comparability" increase given to all grades governmentwide. Because these surveys average over a wide spectrum

Table 1 **Proposed Improvement in Personnel and Compensation System**

Vantage Point	Improvements in Ability To Attract and Retain Employees	Relevant System Features: Pay and Classification Structure		Performance		Career Developments						Benefits				Data Processing Planning Tools	
		Occup-etionally Defined Bands	Incentive Pay	Plan	Evaluation	Occupational Handbooks	Individual CD Plans	Occupation Specific Training	Training Accessibility	Dual Track	Promotion	Flexible Benefits	Leave Conversion	Tuition Assistance	Staffing Management Tools	System Controls	Projection Tools
Employee	Better articulated career development guidance					X	X										
	More efficiently identify opportunities within CIA					X											
	Expanded opportunity to advance as an expert									X							
	More relevant and available training					X		X	X								
	Improved performance and career-related communication with supervisor			X	X		X				X						
	Better than average pay for better than average performance		X														
	Improved salary potential	X															
	Benefits better adapted to needs and better utilizing the tax law											X		X	X		
Line Manager	Better recognize performance of employees with pay		X													X	
	Dynamically adjust position structure within budget constraints at component level	X														X	
	Mechanism to retain experts	X	X							X							
	Better assist employees to develop their careers			X		X		X	X		X						
	More effectively locate viable candidates within CIA					X											
Senior Managers	Adjust occupational pay by CIA market pricing (within cap)	X														X	X
	Offer more competitive total compensation package		X									X	X	X	X		
	Set pay by CIA classification standards/priorities	X														X	
	Better project market/talent pool for which CIA competes																X
	Better project/plan for demographic trends within CIA																X
	Tools to deal with changing demographics							X		X		X	X	X	X		

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of jobs, they often yield pay levels that are lower than those required to recruit and retain people for certain key jobs in CIA. Furthermore, these surveys average over all sizes of companies and over all regions of the country, reducing their relevance to CIA.

The practice of giving the so-called comparability increases to all GS grades governmentwide, independent of occupation, does not match market reality. As demonstrated by the market survey conducted by our consultant, Towers, Perrin, Forster and Crosby (TPF&C), required salary adjustments often differ by occupation. Merely providing uniform adjustments for all occupations dilutes the effectiveness of the increases for the very employees whose occupations are most disadvantaged relative to their private-sector counterparts. Furthermore, governmentwide adjustments will never be sensitive to internal CIA demands, e.g., the need to offer competitive salaries to specific occupations in CIA that, for one reason or another, require special attention. The only way to guarantee sensitivity to internal CIA needs and focus market comparison on that portion of the private sector that is actually comparable with CIA occupations is to break the link to GS and develop a pay and classification structure that facilitates occupation-specific adjustments.

The Task Force examined the feasibility of such an occupationally based pay and classification system. We did this by gathering representatives of occupations that constitute about 75 percent of CIA's employee population; operations officers in the DO, project management engineers in the DS&T, budget and finance officers in the DA, and analysts in the DI were included among these occupations. The representatives of each of these occupations were able to define meaningful bands—as few as four and as many as six. These occupational bands had definable distinctions such as entry level, journeyman, and senior manager, which was not the case for the more numerous and arbitrary distinctions required when GS grades were employed. With fewer levels in a structure with occupationally defined bands, some of the occupational representatives cautioned that a mechanism must be developed to replace the identity and recognition that GS grades provide today. Although this issue was not resolved, many felt that other forms of recognition and identity, such as institutional titles, would evolve to take the place of GS grades.

Although considerable effort remains to completely define the band structure for each occupation, its feasibility for CIA occupations was demonstrated by the occupational panels, and thus, a pay and classification system based on such bands has been included as a central feature of the proposed design along with the provision that CIA have control of the market-pricing adjustments to a basic CIA pay structure within the Congressionally mandated pay cap.

Funding Control With Classification Delegated to Directorates

The proposed pay and classification system also contains features that will make it more flexible than our current system in allowing senior managers to structure and adjust the work force to meet changing demands. Personnel resources, unlike other resources, are provided to senior managers with funding and position ceiling constraints. Ceiling constraints are manifested to managers in many forms including the cumbersome process associated with today's position audits that are driven by average grade and promotion headroom constraints.

Even though the issue ultimately is budget, a manager seeking to adapt to changes in his mission does not have the freedom to change the number of employees in his component or the grade level of positions even if the change does not require additional funds. There is, of course, a certain amount of trade-off today between ceiling and available funding but at a level that is out of the reach of the typical line manager. Two key features of the proposed pay and classification system are the delegation of classification authority to the Directorates and the use of personal services funding only (not position ceiling or average grade) to constrain the structure of the work force. It is further proposed that the Directorates be permitted to redelegate these authorities. This means that a manager, using a computerized position description data base, would be able to create or eliminate positions within his/her component as long as appropriate position descriptions exist in the data base. Thus, these managers would have the authority to adjust dynamically position structure and the number of personnel in their components provided they meet predefined budget criteria. The Department of Defense has been granted relief from civilian personnel ceiling constraints through the appropriations process, and we should seek similar relief.

Conversion of our present work force to occupationally defined bands will require minimal costs, assuming we initially make no significant adjustments to current occupational pay levels. As CIA market pricing is exercised in future years, we can anticipate additional outyear costs. These costs, however, are within our control and can be defended using these market-pricing data.

Occupationally defined bands can be implemented within the current GS without CIA conducting its own market pricing. In fact, all government banding experiments to date, with the exception of the recently approved National Bureau of Standards program, have been implemented within the current GS. The advantage of a banded pay and classification system is that artificial grade distinctions are eliminated. Implementation of occupationally defined bands can be accomplished within existing authorities in much the same way as the GS has been modified by CIA to meet special needs. The structural alternatives for the classification and pay system are summarized in table 2. It is important to recognize that all the features of the proposed new personnel and compensation system, with the exception of CIA-controlled market pricing, can be implemented even if GS grades are retained.

Feature 2—Incentive Pay

- Up to 50 percent of employees would receive incentive pay larger than current in-steps.
- All employees at an acceptable level of performance would receive at least the equivalent of the current in-steps.

The private sector generally makes much more effective use of permanent salary increases and bonuses to reward the performance of employees than we do at CIA, even though provisions exist within the GS structure to reward performance of employees in much the same way that the private sector does. Combinations of budget and bureaucracy have made delivery of these rewards within the GS system much less widespread and effective. The government annually expends considerable funds on permanent step increases, yet employees who receive these increases find little reason to relate them to performance. Thus, the money CIA spends for these in-steps has, at best, a neutral impact on the employee's performance. Moreover, the mechanisms for delivering bonuses such as special achievement and exceptional accomplishment awards as well as quality step increases have proved to be substantial deterrents for their routine use. For example, GS-13s through GS-15s in CIA received only one-tenth the cash value of the awards for the same grade levels in government agencies that use Merit Pay, and the Merit Pay system is not generous by private-sector standards. In fact, it is misleading to compare government salaries of CIA employees with those of their private-sector counterparts without factoring in the average bonus. The private sector, particularly for the more senior grades, refers to *bonus* as salary-at-risk, and the portion at risk is typically at least 10 percent and substantially more for more senior employees.

Incentive pay is another key feature of the proposed system and is composed of a combination of permanent salary increase and bonus, both based on performance. The proposed incentive pay adjustments guarantee that employees who perform acceptably will receive an annual incentive pay adjustment equal to what they would have received under the GS system. Moreover, approximately 50 percent of our employees would receive incentive adjustments larger than they would have received under the GS system. These incentive pay adjustments could range up to 10 percent or more of base pay, depending on employee performance. Although these are not large incentive rewards by private-sector standards, they do represent meaningful distinctions between levels of performance.

From the vantage point of supervisors and managers, incentive pay provides a mechanism to reward their employees. Incentive for performance is more effective if the employee's supervisor is more directly included in the decision as to the eligibility for and amount of the reward. The proposed design is to distribute funding for incentive pay and to delegate the decision for the size of the reward to the lowest practical level. Preferably, the decisions would be made through a ranking process by a panel on which the employee's supervisor serves. Some Directorates, notably the DO, with a large overseas contingent, require that panels be convened with a different composition. The proposed incentive pay system would be no more difficult to administer than current promotion panels and could be done concurrently, thus minimizing any increased administrative burden. The panel would rank and recommend an incentive pay award for each employee that would be expressed as a percentage of base pay.

Incentive pay could be implemented using the GS system; however, its implementation in a structure with occupationally defined bands has an advantage. In the current system with GS grades, promotion is frequently employed to reward performance. Ideally, however, promotion should reflect demonstrated ability to assume greater responsibility at a more senior level. The broad occupationally defined bands typically encompass a salary range almost twice that of a GS grade and provide increased ability to continue rewarding performance over a long period of time without

Table 2
Structural Alternatives for Personnel System

Constraints Associated With Structural Alternatives

Constraint	Description	GS	CIA Version of GS	Occupationally Defined Bands: GS Linked	Occupationally Defined Bands: Floating Bands (With Staffing Ceiling)	Occupationally Defined Bands: Floating Bands (With Funding Constraint Only)
Government wide classification system.	Does not contain Agency unique factors or weights.	X				
Fixed grade structure for all occupations.	Grade distinctions not always meaningful in each occupation.	X	X			
Salary adjustments determined by OPM market survey.	Comparability adjustments determined based on a market survey made across a very broad segment of the private sector and are not occupation specific.	X	X	X		
Personnel ceiling.	Ceiling combined with funding are basis that Congress and OMB monitor our work force.	X	X	X	X	
Personal services budget.	If constraints were only on funding, headroom could be traded for number of personnel.	X	X	X	X	X
Salary cap.	Congressionally imposed maximum salary.	X	X	X	X	X
Legislative considerations.		OPM is developing significantly revised structures, including banding. If we wait we may have new structure imposed.	CIA has made modification to GS and adapted it to our needs.	Employed in several Congressionally approved experiments, for example, China Lake, Naval System Center in San Diego.	Congress authorized NBS to perform its own market surveys in its banding experiment.	On experimental basis, DOD civilian pay is constrained only by funding.

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the need to increase the level of responsibility that promotions should signify. For this reason, the Task Force has proposed implementation of incentive pay within an occupationally defined band structure.

Proposed Performance Evaluation System

The employee survey conducted at the direction of the Task Force confirmed that the sense of accomplishment, motivation, and morale of Agency employees depends heavily on the performance evaluation system. It also confirmed that few employees believe that the current performance evaluation process is working as well as it should. The importance of the performance evaluation system would be further accentuated if incentive pay is adopted. The employee survey identified a perceived lack of employee-supervisor communication to be at the heart of most employees' problems with the current system. Just as supervisor-employee communication is vital to system success, so too is the need to keep the administrative workload for supervisors as low as possible and to train managers and employees in the system. Thus, improved communication, without substantially adding to the administrative workload, is emphasized in the proposed performance evaluation system. The proposed changes are not radical. They build on the strengths of the current system and are evolutionary in nature.

Feature 3—Performance Plan

At the beginning of each rating period, the supervisor, working with the employee, would prepare a performance plan. This plan would describe the key responsibilities of the employee and the expectations of the supervisor for the specific rating period. Preparation of the performance plan is facilitated by information available in a data base prepared by members of that occupation. Although the supervisor is free to customize or entirely disregard this information, its ready availability can simplify administrative requirements. With the general description of responsibilities already prepared, the supervisor can concentrate on describing specific expectations for the rating period tailored to the individual employee. The actual written material in such a plan can be a few lines. In the proposed system, the plan would be discussed and updated as necessary at least once during the rating period. These up date sessions would be brief with no written material if the specific expectations have not changed. If they have, the sessions can focus on the changes with only a few lines of written material required.

Feature 4—Performance Evaluation

With an automated performance plan, the evaluation process would be less complicated. The performance evaluation form would be based on the key responsibilities listed in the performance plan. The supervisor, using the expectations in the performance plan, would indicate his or her judgments about the employee's performance on each responsibility. The proposed evaluation form would be set up to foster comments specifically on each job responsibility; and comments should be more relevant than the lengthy remarks on many of today's PARs—too often today the comments on PARs are not tied to the employee's responsibilities. As with the current PARs, the proposed evaluation form would contain a section for reviewer's comments and a section for the employee's comments.

The proposed performance system would entail two costs. First, each employee and supervisor must be trained on how to use the plan and evaluation features of the proposed system. Second, a data base must be built and maintained that provides the automated support for the performance system.

Proposed Career Development System

A vigorous Career Development System is vital to employees and the organization. To the employee, career development means recognition, professional growth and satisfaction, and salary increases. To the organization, career development is the mechanism through which the future is guaranteed.

Feature 5—Occupational Career Handbooks

In the proposed system, representatives of each occupation would develop occupation-specific handbooks that articulate the responsibilities of each level in that occupation and the assignments, experiences, skills, and training that best prepare an employee for each level. Such handbooks exist today in some Directorates; this feature merely builds on that concept. These handbooks are at the heart of the career development improvements in the proposed system. They would be the key reference document for employees who are planning their careers, as well as guides to managers and promotion panels, ready reference for relevant training, and source material for employees who are considering a career change. These handbooks are to be living documents routinely updated by members of each occupation.

Feature 6—Individual Career Development Plan

Each individual is ultimately responsible for his or her own career, but the occupational career handbooks would, for the first time in many occupations, provide a consolidated source of guidance. In the proposed system, each employee would have the option of preparing annually an Individual Career Development Plan. This plan would be a catalyst for employee-supervisor discussion on how the employees could most effectively achieve their career objectives. These plans would include formal and on-the-job training each year as well as discussion of appropriate assignments for the future. In the proposed system, supervisors would have added incentive to hold discussions because they would be evaluated on how well they assist in the career development of their subordinates.

Feature 7—Occupation-Specific Training

Under the proposed system, representatives from each occupation would identify those training courses that would accelerate skills acquisition. Occupational representatives would meet with the Office of Training and Education annually to review courses, recommend improvements and changes, and work with OTE to help design, develop, and deliver training.

Feature 8—Improved Availability of Training

One of the most limiting features of the current training system is matching the availability of courses with the availability of the employee. Under the proposed system, training would be more readily available to employees through a variety of training modules that can be played on home VCRs or computers. In addition, more material will be put into computer-assisted instructional programs, correspondence courses, internally televised courses as well as courses taught by traveling teams.

Feature 9—Dual Track

- Expanded expert track opportunities.
- Additional annual leave carryover for non-SIS managers and experts.
- Increased incentive award potential.

Intelligence disciplines are not learned in school. Although there are academic degrees that prepare individuals to begin intelligence careers, for security reasons the process of intelligence gathering, analysis, production, and related support must be acquired essentially on the job. Individuals who excel in their intelligence occupations today and who have demonstrated exceptional substantive capability are vital to CIA. Yet these are the very individuals who often are forced into management roles or join the private sector to realize their compensation potential. Although there are some opportunities for experts to progress to higher levels, there are many more opportunities for an employee to advance as a manager. In the proposed system, expert tracks will be identified for each occupation as appropriate. In general, the level at which the expert track begins is the same as that for which supervision begins as a responsibility. The expert track retains occupational identity and the salary potential equivalent to that of virtually the highest level of the management track for that occupation. The management track is occupation specific in the beginning but, at the executive level (SIS), has a broader Directorate- or Agency-wide focus.

Under the proposed system, managers would have more flexibility to shape their work force and to reward their employees, but along with increased authority would come increased accountability. Currently, how well managers handle their personnel management responsibilities is implicitly covered in their performance evaluations. In the proposed system, managers would be evaluated, not only on their substantive responsibilities, but also explicitly on how well they manage the performance evaluation process and develop their employees. Experts, on the other hand, would be evaluated on how well they execute their independent programs or projects. Members of both management and expert tracks would be eligible for two additional benefits. First, the maximum performance bonus award would be higher than for other employees, that is, up to 15 percent. Second, non-SIS members would be able to carry over an additional 20 hours of annual leave for each year in the program up to a maximum of 120 hours above existing ceilings of 240 or 360 hours.

Feature 10—Promotion

The distinctions between levels in an occupation would be articulated in the proposed occupation-specific Career Handbooks. Panels for each occupation would use these distinctions in skills, assignments, experiences, and training as guidelines in making promotions. These handbooks will assist the panels in maintaining uniformity and consistency and will assist the employees in preparing themselves for promotion by letting them know what is required for promotion. Under the proposed system, promotions would be worth at least a 10-percent increase in base pay.

Proposed Benefits Program

In competing with the private sector for talent, total compensation, which includes pay and benefits, must be considered. As with pay, CIA cannot match all of the benefits the best of the private sector has to offer. CIA can improve its competitive posture, however, by making more effective use of the funds now spent on employee benefits and by judiciously adding new benefits that involve additional funding in order to provide tools for dealing with specific, well-focused recruitment and retention problems.

Feature 11—Flexible Benefits Program

The first nonpay compensation feature in the proposed system is called a flexible benefits program. Under the government's present system, there are only two sources of money—the government and the employee—with which to pay the cost of benefits. The government's contribution is limited to a fixed percentage of medical and life insurance premium costs. Additional benefits are paid solely through the employee's contribution. Flexible benefits allow the employee to redirect some of this government contribution into benefit plans more tailored to his or her needs. In this type of program, an employee would be given *flexible credits.* These flexible credits are an amount, at the disposal of the employee with which to *buy* the exact benefits package suiting his or her needs at a given point.

The program has three attractive characteristics. First, it allows the employee to use more efficiently whatever money is spent on benefits to meet his or her needs. Second, the program can save the employee money through the more effective use of existing tax laws. A flexible benefits program allows the employee to pay certain health and dependent care expenses and other qualified benefits with pretax dollars. Third, a flexible benefits program allows the employee to exchange some annual leave for additional flexible credits or exchange flexible credits for additional annual leave.

Many of the large private-sector firms with which we compete for employees have very attractive flexible benefits programs. In order to compete effectively, we must design and continually update our benefits program to make effective use of available funding and provide employees the flexibility to obtain the benefits they need. This flexibility will be of increasing importance as the demographics of the work force change to include not just the traditional family but also dual career marriages as well as single workers with and without children. The Task Force assembled 20 groups of employees (focus groups) to discuss benefits and react to the possibility of a flexible benefits program. The focus groups indicated that a flexible benefits program would, in fact, allow employees to tailor benefits more closely to their needs. At the same time the exercise demonstrated the potential tax advantage for the average employee of a flexible benefits program.

The proposed system includes the design over the next year of a flexible benefits program for submission to Congress and possible implementation in the FY 1990 budget. Although the private sector has successfully designed plans that benefit its employees, what we propose would be a pioneering effort in the Federal Government. The final decision to implement a flexible benefits program would be made only if we demonstrate that the plan design would be advantageous to our employees and if we obtain the necessary authorities and approvals.

Feature 12—Leave Conversion

Annual leave is an important element in the overall nonpay compensation of government employees. The primary approach taken by the Task Force in maximizing the effectiveness of annual leave as an employee benefit is to incorporate it into the flexible benefits program. In this approach, the employee could buy or sell annual leave. If implemented in the flexible benefits program, the first two features proposed below may become less significant.

Annual Leave Buy Back

Under the current system, employee dedication to the work ethic often results in forfeited leave. To remain competitive, private-sector firms reinforce and reward such dedication by allowing the employee to cash in such leave. Under this proposed feature, authority would be sought to allow non-SIS employees to cash in some of the annual leave that cannot be taken because of exigencies of official business. To encourage employees to take off at least two weeks in the year, only those hours beyond the first 80 hours earned in a leave year would be considered in this program.

Although SIS officers can accrue leave indefinitely, these leave balances can only be tapped at retirement. Under this proposed feature, SIS officers could elect to cash in their annual leave balances over 500 hours. This feature is better for both the employee and the government. The employee gains access to the funds before retirement, and the government saves money because the cash in is at the current salary rate rather than at the rate in effect at the time the employee retires.

Optional Conversion to Sick Leave

We also propose to seek authority to allow forfeited annual leave to be converted to sick leave. This involves no substantial cost to CIA because no payment is required to the employee, but it does provide the employee additional short-term disability protection. This converted sick leave would not count in calculating a retirement annuity, but the employee would be able to use the converted sick leave before drawing down on normal sick leave.

Sick Leave Bank

The Task Force proposes that we seek authority to enable employees to donate to a sick leave bank annual leave that otherwise would be forfeited. Employees in need could apply to the Director of Personnel for leave in the bank. All applications would require validation from the Office of Medical Services.

Home Leave Use

As with annual leave, many employees are unable to use all their home leave. Under this proposed feature, authority would be sought to allow employees to use their home leave balance in the 12-month period before retirement to obtain retirement counseling, to make necessary personal and financial arrangements, and to transition into retirement.

Feature 13—Educational Assistance for Dependents

- Loans secured with annual leave.
- Thrift loans.
- Loans subsidized by CIA.

One of the most difficult expenses for many employees to bear over the course of their careers is the cost of college for their children. Not only are the costs of education high, but the average salary at CIA is too high to qualify for government-subsidized student loans. The Credit Union provides loans for educational expenses without the income restrictions that apply to the government-subsidized loans and with more realistic loan values—namely, $20,000 per year per dependent versus the $12,500 total per student for the entire undergraduate career with the government program. Unlike the government program, however, the Credit Union charges higher interest rates (currently 10 to 11 percent versus 8 percent for the government loan) and has a shorter repayment term (five to seven years versus 10 years after college is completed). There are three approaches proposed below that would significantly ease the burden on the employee of coping with educational expenses.

Leave Secured Loans

Leave balances can have considerable cash value. A proposed system option is to seek authority to make such leave balances available to secure educational loans through the Credit Union. These loans would be at preferred interest rates.

Thrift Loans

There are provisions in the Federal Employees Retirement System (FERS) Thrift Savings Plan for borrowing money for a number of expenses, including education. The Thrift Plan managers have not yet developed the terms of such loans. Employees, especially younger employees, have the potential of building a sizable balance in their Thrift accounts. Because CIA does not manage Thrift, a specific system feature cannot be proposed. Rather, CIA would work with the Thrift Plan managers to see whether favorable terms for such loans can be incorporated in the Plan. Effective interest rates for educational expenses as low as a few percent have been incorporated into such annuity loan programs elsewhere.

CIA-Subsidized Student Loans

In this proposal, we would seek authority to allow the Agency to guarantee repayment of loans made through the Credit Union to dependent student borrowers. The CIA would subsidize the interest rate by approximately 3 percent. Thus, if the market rate were 11 percent, the actual rate to the student would be 8 percent.

Feature 14—Staffing Management Tools

- Early retirement for experts and senior managers 50 years old with at least 20 years of Federal service, 10 years with CIA, five of which were as experts or SIS-level managers.
- Optional/involuntary retirement for employees 50 years old with 20 years of Federal service or any age with 25 years of service.
- Retention bonus provided to an employee at DCI discretion.

An effective personnel and compensation system must be equipped with the mechanisms necessary to maintain and adjust the characteristics of the work force. Early voluntary and involuntary retirements can be used as retention tools and to control the composition of the work force. Senior officers considering leaving CIA may be induced to stay if there is an attractive early retirement program, and midlevel officers may be induced to stay by the enhanced flowthrough (and increased opportunities) that such programs offer.

Early Retirement for SIS Managers

Authority would be sought to provide for early retirement eligibility (50 years old with 20 years of Federal service) with unreduced benefits to SIS officers with at least 10 years of Agency service, five of which were as an SIS officer. This proposal is intended to provide flowthrough into the senior management ranks as an incentive to retain our top midlevel officers aspiring to senior management.

Early Retirement for Experts

Authority would be sought to provide for early retirement eligibility (50 years old with 20 years of Federal service) with unreduced benefits to selected experts who have at least 10 years of Agency service, five of which were in a designated expert position. This proposal is intended to make it more attractive for these experts, who typically work in a number of organizations during their careers, to give the Agency 10 to 20 years during the prime of their career with the understanding that they will be eligible to take a meaningful retirement annuity with them to a new career.

Involuntary Retirement

Authority would be sought to provide for involuntary retirement eligibility without penalty, during a reduction in force (RIF) or reorganizations, for employees who are 50 years old with 20 years of Federal service or any age with 25 years of service. The annuity computation for such employees would increase the rates for the first 20 years of Federal service for such employees to 1.7 percent under FERS or 2 percent per year under CSRS.

Retention Bonus

The private sector employs what can be characterized as a retention bonus as an inducement for key individuals to remain. The military has long used reenlistment bonuses to encourage personnel to sign up for another tour. The retention bonus can be used as a tool to control the composition of the work force and is proposed for consideration as a feature of the system.

Proposed Data-Processing Support

Data processing is an essential tool to limit the administrative overhead of the personnel and compensation system. Virtually every feature discussed has data-processing implications. Two data-processing tools that will provide support for planning in the proposed system are discussed below.

Feature 15—System Controls

The Task Force proposes that a budget control system be developed to allow senior managers to allocate monies for the personnel and compensation system. This control system would be hierarchical in nature, providing a combination of forecasting and reporting tools tailored to the needs of the individual manager. At the Agency level, the system would provide a combination of historical and future trend analysis tools for use in planning the Agency's future personal services funding requirements. At the Directorate level, the control system would provide a combination of tools to forecast the fiscal impact of major organizational realignments and shifts in work force structure projected into the outyears. It also would provide up-to-date information on the status of personal service funds at the disposal of the Directorate. At the operating level, similar tools would be required to provide the manager with immediate feedback on the current and outyear organizational changes that are within its control. Interactive tools to provide these services are now being developed and would be available to managers as an integral part of a new Human Resource System.

Feature 16—Projection Tools

The private sector routinely employs Human Resource planning tools to identify skills shortages and excesses and project what recruiting, retention, and retirement strategies are needed to properly structure the work force for the future. The proposed system will provide the required projection tools to serve this function. These tools will be made available to each component.

System Illustration

The proposed system involves changes to virtually every aspect of the current personnel and compensation system. The following tables have been prepared to assist employees in understanding how the proposed system might actually work for them. Table 3 contrasts certain features of the current Agency system with the governmentwide GS system and the proposed system. Table 4 shows how conversion to the proposed system might occur and illustrates five of its more prominent features—namely, occupationally defined bands, incentive pay, performance plans, performance evaluations, and promotion. The example, which uses the DO operations officer occupation, is strictly illustrative. The implementation details in this example were employed by the Task Force in evaluating feasibility of the features. These details, as modified by comments from the Directorates in this review cycle, would be the starting point for the detailed design phase. There would be full participation by the Directorates in this detailed design phase.

Table 3

Salary Administration Systems Comparisons

GS System	Current CIA System	Proposed CIA System
General Schedule Established under Title V of the US Code.	CIA Act of 1949 gives Agency broad personnel and pay authorities.	CIA Pay and Compensation System based on CIA authority.*
Job Classification Act of 1949: • Gives OPM classification authority for common Federal Government jobs. • FES Classification System used. • OPM issues GS pay schedules.	CIA Exempt From Classification Act: • Currently follows OPM's FES system with minor modifications. • OP/PMCD has job classification authority and issues pay schedules.	CIA Job Classification System: * • Covers all Agency occupations. • Job classification authority delegated to manager. • OP/PMCD advises.
Senior Executive Service (SES): • Has six levels. • Compressed by pay cap. • 56 percent eligible for bonuses in 1986; 38 percent actually received bonuses in 1986. • Unlimited leave accural.	Senior Intelligence Service (SIS): • Same. • Same. • Same, however, 39 percent actually received bonuses in 1986. • Same.	SIS Under New System: * • Same. • Same. • Increased eligibility for bonuses.* • Option to cash in accrued leave.
General Schedule predominant pay scale for Federal employees: • Fifteen pay grades (30-percent pay range) and SES. • Each grade has 10 steps. • Each pay step increase about 3 percent. • Rank in Position System.	General Schedule: • Same. • Same. • Same. • Rank in Person System.	CIA Pay Schedule: • Twenty-five pay levels (50-percent pay range) and SIS. • No steps; open pay ranges. • Pay increase is percent of base pay. • Rank in Person System.*
OPM Special Pay Schedules: • GSE (engineers). • GSM (physicians).	CIA Special Pay Schedules: • More competitive than OPM's. • Also apply to physical scientists.	CIA Pay Schedule: • Incorporates occupation-specific pay rates.
Pay Adjustments and Awards: • Promotion—2 steps minimum (6 percent). • Longevity step increases. • Quality step increases. • Awards—standard incentive awards and Presidential awards.	Pay Adjustments and Awards: • Same. • Same. • Same. • Awards—standard incentive awards, unit citations, secretarial awards, employees of the year, and honor and merit awards.	Pay Adjustments and Awards: • Promotions—10-percent minimum pay increase. • Incentive pay * (permanent pay increases and bonuses based on performance) at least equal to GS for fully satisfactory; better for superior and outstanding performers. • Awards—honor and merit awards, unit citations, exceptional accomplishment awards, and suggestion awards.
Merit Pay for Managers and Experts: • PMRS System for supervisors and managers, GS-13 to 15 level. • No system for experts.	Merit Pay for Managers and Experts: • Nothing comparable for either managers or experts.	Manager Expert Incentive Program: • Dual career tracks for experts. * • Higher incentive pay. * • Increased leave carryover. * • Option to cash in accrued leave.*
Pay Structure Adjustments: • PATC market survey recommends. • President approves. • Across-the-board comparability increase received by all GS employees.	Pay Structure Adjustments: • Same. • Same. • Same.	Pay Structure Adjustments: • CIA-directed market surveys. • DCI approves comparability increase. • Funds go into Incentive Pay Pool. • Awarded to employees after the annual performance evaluations.

* Could be done under current CIA system.

Table 4
How the System Works

Panel of Experts Defines the Occupation

- Operations Officer Occupation Career Levels:

– Operations Officer	I	
– Operations Officer—Hq/Field	II	
– Operations Officer—Hq/Field	III	
1 – Ops Off—Manager/Senior Officer	IV	
– Ops Off—Senior Manager	V	(SIS)

- Occupational training and development requirements.
- Promotion guidelines.
- Responsibilities, guidelines, and performance expectations common to jobs within the occupation.

Occupation Placed Onto Pay Schedule

Occupational levels are evaluated using an occupational job evaluation (position classification) system and placed on the CIA pay schedule. For example, with a 25-pay level schedule, the Operations Officer occupation might be assigned to the following pay levels:

2	Ops Off Level	Pay Level	Salary Range
	I	12	($24K–$37K)
	II	16	($32K–$48K)
	III	18	($37K–$55K)
	IV	22	($48K–$72K)
	V (SIS)		

People Are Converted by Career Service Panels

Operations Officer Conversion:

	Current GS Grade	New Career Level	New Salary Range
	GS-11	I	($24K–$37K)
3	GS-11/12	II	($32K–$48K)
	GS-13/14	III	($37K–$55K)
	GS-14/15	IV	($48K–$72K)
	SIS	V	

Example A

4 The Career Service Panel converts a GS-12, step 7 Ops Officer, based on the employee's experience and performance, to a Level II Ops Officer. The employee is converted at current GS-12 salary ($39K per annum) to Level II ($39K per annum).

Example B

5 The Career Service Panel converts a GS-14, step 6 Operations Officer to a Level IV Ops Officer–Manager rather than to Level III because of the officer's experience and performance. The employee is converted at current GS-14 salary ($53.4K per annum) to Level IV (new salary is still $53.4K per annum).

GS Step Prorated at Conversion

Time completed toward an employee's next GS step is prorated and paid in a lump sum:

6
- **Example A:** The GS-12, step 7 Ops Officer has completed one of three years toward his step 8. At time of conversion, employee receives $362 as lump sum for this one year.
- **Example B:** The GS-14, step 6 Ops Officer has completed 22 months toward step 7 and receives eleven-twelfths of the step value, or $1,398 as lump sum at time of conversion.

Performance Planning

At the beginning of the evaluation period, supervisors communicate their performance expectations to employees:

7
- An automated data base for performance planning is available to supervisors. It houses the occupation-specific key job responsibilities and general expectations developed by the occupation. This information may be used in conjunction with tasks tailored to the individual's position that are added by the supervisor, or the supervisor may choose to create an entirely customized plan.
- No long narratives or complicated processes like the previous Letter of Instruction (LOI) and the Advanced Work Plan (AWP).

Performance Review

8 An ongoing review of performance and supervisory expectations should take place between the supervisor and the employee throughout evaluation period, but must occur at least once at midperiod.

Performance Evaluation

9 A basic assumption of the proposed system is that all employees performing acceptably would do at least as well under the new system as they did under the GS. Using the information contained in the performance appraisal report, Performance Evaluation Panels annually rank employees and based on that ranking, recommend incentive pay. Incentive pay is divided into a permanent salary increase and a cash bonus. Amounts are determined based on general incentive pay guidelines provided by the Office of Personnel and the Office of the Comptroller. For example, the guideline might advise that employees ranked by the panel "Outstanding" could receive 8- to 12-percent incentive pay; those ranked by the panel "Superior," 4 to 7 percent. Employees ranked "Fully Satisfactory" could receive an incentive award comparable with that under the GS, namely 1- to 3-percent permanent salary increase based on where their salary falls within their pay level; additionally, the supervisor has an option of recommending up to a 2-percent bonus. Head of Subcareer Service approves.

Example

The DO is allocated funds for incentive pay for the Operations Officers. On the basis of the guidelines, the evaluation panels convened at the component level would rank and recommend incentive pay for Level II Operations Officers:

Performance Group	Employee	Ranking	Percent Incentive Pay
Outstanding	K. Jones	1	12
	M. Boyd	2	12
	•	•	•
	•	•	•
	P. Smith	44	10
	M. Edwards	45	10
	T. Long	46	9
	B. Roberts	47	8
	•	•	•
	•	•	•
Superior	G. Hamel	55	7
	Y. Wallus	56	7
	•	•	•
	•	•	•
	P. Brown	125	6
	A. Deshay	126	6
	•	•	•
	•	•	•
Fully Satisfactory	N. Flowers	150	*
	M. Janus	151	*
	•	•	*
	•	•	*
	C. Peters	200	*
	R. Diver	201	*
	•	•	*

10

*Scheduled increase depends on employee's salary:
3 percent if salary is in first quartile** of pay range.
2 percent if in second quartile.
1 percent if in third or fourth quartile.
Plus optional bonus up to 2 percent.

**Each pay level of the Agency's pay schedule is divided into four sections, called quartiles. For example, Level II Ops Officers fall into Pay Level 16 ($32K to $48K). The following shows the quartiles of that pay level:

//	First	/	Second	/	Third	/	Fourth	// Quartile
$32K		$36K		$40K		$44K		$48K

Incentive Pay Processing

Payroll automatically allocates the incentive pay between a bonus and a permanent increase based on the employee's location in the pay level. Payroll determines the amounts from an Incentive Pay Grid:

Incentive Pay Grid

		Quartile Location in Pay Range			
	Performance Ranking	1st	2nd	3rd	4th
	Outstanding	50% B 50% P	60% B 40% P	60% B 40% P	70% B 30% P •
11	Superior	50% B 50% P	67% B 33% P	67% B 33% P	83% B 17% P •
	Fully satisfactory	100% P	100% P	100%	100% P •
		(Scheduled permanent increase of 3, 2, 1 percent) Plus optional bonus up to 2 percent			
	Below fully satisfactory	Permanent increase allowed up to 1 percent below midpoint, at discretion of management			

Note: B = bonus; P = permanent increase.
• If an employee is at the top of a pay range, incentive pay is awarded totally as a bonus; no permanent increase.

Example A

12 C. Peters, who ranked number 200 in the annual panel evaluation (see block 10) and who was placed in the "Fully Satisfactory" performance group, is a Level II Ops Officer earning $33K annually. Because the officer's annual salary ($33K) falls into the first quartile of the employee's pay level, the Ops Officer receives a 3-percent permanent salary increase. The new salary is $33K + $990 = $34K. The employee is also awarded a 2-percent bonus during this exercise (.02 x $33K = $660 cash bonus).

```
   Old           New Salary
   $33K          $34K
// ------.--.-  /  ---------  /  ---------  /  ----------  // Pay Level
   $32K                      40K                $48K

//    First    /   Second   /   Third    /   Fourth   //  Quartile
```

Example B

13 P. Smith, who ranked number 44 in the annual panel evaluation (see block 10) and who was placed in the "Outstanding" performance group, is a Level II Ops Officer earning $39K annually. Because the officer's annual salary ($39K) falls into the second quartile of the employee's pay level, the incentive pay is split 60/40 between bonus and permanent increase. The Ops Officer receives a bonus of $2,340, (.06 x $39K = $2,340) and a permanent salary increase of $1,560, (.04 x $39K = $1,560). The new salary is $39K + $1,560 = $40.6K.

```
                            Old   New Salary
                           $39K   $40.6K
// ---------  /  --------.-  /  -.-------  /  ---------  // Pay Level
   $32K                      40K               $48K

//    First    /   Second   /   Third    /   Fourth   //  Quartile
```

Promotion

14 Career Service evaluates all employees by occupation and level for promotion. Head of the Career Service approves promotion to the next career level. Promotions are equal to a 10-percent permanent increase in salary or the minimum of the new level, whichever is higher.

Example

The Level II Ops Officer is evaluated and ranked by the Career Management Staff/Level II Operations Officer Panel and is recommended for promotion.
The DDO approves. The Level II Ops Officer is promoted to Level III Ops Officer and receives a 10-percent increase in salary (.10 x $40.6K = $44.7K):

15

Ops Officer's Promotion

Before: Level II

Old Salary
$40.6K

// —— / —— / —— / —— //

$32K $40K $48K

// First / Second / Third / Fourth // Quartile

After: Level III

New Salary
$44.7K

// —— / —— / —— / —— //

$37K $46K $55K

// First / Second / Third / Fourth // Quartile

Comparability Increases

General Schedule pay increase money is put into the incentive pay pool and becomes the floor amount for incentive awards. Employees become eligible during the annual performance evaluation and ranking exercise. For example, if a 5-percent comparability increase for Federal employees is approved, management may be advised that the incentive pay guidelines could increase like this:

16

Incentive Pay Guidelines

Performance Group	Old + 5%	= New Incentive Pay
Outstanding	8-12%	13-17%
Superior	4-7%	9-12%
Fully satisfactory	3, 2, 1%	8, 7, 6% + optional up to 2% bonus

SYSTEM DESIGN

In forming the Task Force, the Executive Director charged that "the broad outline of the whole system" be developed before we took the next step. The System Summary is that "broad outline" and it describes the new system at the level of detail at which approval is sought. This part of the report contains the additional detail used by the Task Force to evaluate the feasibility and cost of the system. These details, as modified by comments from the Directorates in the review process, would be the starting point for the detailed design phase that would follow approval by the Executive Committee (EXCOM) with full participation of the Directorates. This part of the report describes the design features of the proposed new system in the same sequence as the System Summary. Each of the individual features has been developed to meet the following baseline objectives set by the Executive Director:

- A pay and classification system that better relates pay to performance.
- A more competitive total compensation package that allows employees more choices that meet their personal needs.
- A career development policy that expands the concept of dual career tracks for substantive experts and managers.
- A comprehensive review of the performance appraisal, automation, and training required to implement and support the proposed new system.

Table 1
Occupational Panels

1. Attorney
2. Budget and Finance Officer
3. Computer Assistant
4. Computer System Analyst-Programer
5. Contract Procurement Officer
6. Cover Officer
7. Electronic Specialist
8. Imagery Analyst
9. Information Resource Assistant
10. Intelligence Assistant
11. Intelligence Officer–Analyst
12. Intelligence Operations Research Assistant
13. Intelligence Operations Research Officer
14. Language Officer
15. Nurse
16. Operations Officer
17. Operations Support Assistant
18. Personnel Officer
19. Project Management Engineer
20. Psychologist
21. Reports and Requirements Officer
22. Secretary
23. Security Assistant
24. Security Officer
25. Security Protective Officer
26. SIGINT Officer
27. Technical Operations Officer
28. Telecommunications Officer

Design Methodology

A key step in the system design proposed by the Task Force was a job analysis of individual Agency occupations. The purpose of the job analysis was to:

- Develop job descriptions that would be used to market price Agency occupations and develop an Agency-unique classification system.
- Explore ways to establish better links between pay and performance.
- Examine improvements to the performance appraisal system that would better support an incentive pay system.
- Develop better articulated occupation-specific, career development guidance and expanded career opportunities for experts.

To conduct job analysis, 28 occupational panels were convened (table 1), each consisting of five to seven experts from within that occupation. The occupations selected for job analysis were chosen to cover a large proportion of the Agency population and to provide a representative sample of our more unique employment categories. The total sample provided by the occupational panels represented approximately 75 percent of the Agency work force. To determine what improvements might be made to our current benefits system, the Task Force evaluated the benefits programs of about 30 private-sector firms. A detailed comparison was made between our benefits and those of these firms. The firms surveyed had employee skills requirements similar to the CIA and business interests that put them in direct competition with us for people. A number of these firms have flexible benefits programs and, in order to determine the reaction of Agency employees to the concept of flexible benefits, 20 employee "focus groups" were organized. Employees were selected at random on the basis of three demographic characteristics: years of Agency service, marital status, and whether or not they have dependents at home. The focus groups used their own particular financial circumstances and benefit needs to assist the Task Force in assessing the potential of flexible benefits programs to provide CIA employees a better compensation package. A summary of the focus groups findings is included in the Proposed Benefits Program section. A complete report will be available later this summer.

Proposed Pay and Classification Structure

Feature 1—Occupationally Defined Bands

An important feature of the system proposed by the Task Force is a shift from the current GS grades to occupation-specific pay bands. Each occupational panel came to the conclusion that its occupation did not line up neatly with existing GS grades, but each was able to divide its occupation into a number of work levels that made sense. For example, the project management engineering occupation, which currently exists in grades GS-08 through SIS-03, identified six work levels, ranging from entry level employee through SIS-03 group chief. In effect, the panel has taken work that is now spread across 11 GS grades and identified six levels that reflect the real levels of work in that occupation. Other panels also identified four to six levels of work for their occupation.

With a more realistic definition of occupational work levels, CIA is able to address two problems. First, the classification of individual jobs is greatly simplified. Once the levels within the occupation have been established, classification authority can be delegated to the Directorates. Senior managers would be given the flexibility to classify jobs within the prescribed levels of the occupations in their organization.

A manager would not have to spend a great deal of time writing position descriptions in elaborate detail so that the Position Management and Compensation Division (PMCD) of the Office of Personnel can evaluate and approve a position upgrade. The manager would not have to wait for weeks or months until an audit of the position could be conducted by PMCD to confirm the level of the position. No longer would artificial average grade constraints make it impossible to implement a new position grade after it had been approved by PMCD. Instead, within budget constraints, the manager could establish positions as they are required. As long as there is component funding available, the new positions can be established immediately.

Second, the proposed salary structure is more flexible because the occupationally defined levels are broader than the existing GS grades. The wider pay spread offers greater salary potential for employees. Not only is there more room for salary growth before topping out, it is no longer necessary to promote an individual to a higher level of responsibility merely to reward good performance at the current level of responsibility.

Linkage to GS

Occupational pay banding could be implemented while still maintaining a linkage to the GS. Two or three GS grades are combined within a single pay band, and all of the above advantages can be achieved. In fact, the OPM-approved experimental banding that has been put into place at the Naval Weapons Center in China Lake, California, and at other Federal organizations is tied directly to the GS, as is the CIA banding experiment involving the telecommunications and electronic specialists. We could band all of our occupations in similar fashion.

Job Evaluation and Market Linkage

There is, however, another option. We can establish a new CIA-unique system that is not linked to the GS, but that relies on our own market-pricing surveys and, therefore permits us to update our own pay structure. The process of constructing occupationally meaningful bands helps to define our jobs in terms more comparable with the private sector, so that market pricing is more relevant and greatly simplified. An important byproduct of the work of the occupational panels was the development of an Agency-unique job evaluation system to support a new pay structure.

Although a variety of job evaluation systems exist, we are proposing to use a factor-based system because it provides the consistency required for large organizations, is defensible, and can be maintained with minimal resources. The occupational information developed by the occupational panels provides the basis for defining factors specific to the CIA. Members of the Task Force and representatives of the occupations are developing relative weights for the factors that would allow us to balance the job alignments that would be indicated by salaries paid in the private sector with the value senior Agency management places on our occupations. In this way, the CIA could implement a job evaluation system that documents the ranking of our occupations and jobs and that provides an equitable basis for future placement of new occupations or changes in alignment.

There are two major differences in the way the proposed job evaluation system would operate in comparison with the current governmentwide Factor Evaluation System (FES) that in modified form is used by the Agency. First, both the individual factors and factor weights are selected to more closely reflect the Agency's particular circumstances and its position hierarchy without regard to how an occupation may be graded elsewhere in the Federal Government. We would continue to maintain an overall parity with other Federal agencies through the market process and Congressional oversight, but may not in all cases maintain parity with the GS on an individual occupation. Second, we would no longer classify individual jobs as we do. Rather, we would establish the initial job evaluations on an occupational basis. At the component level, managers would be given the flexibility to classify jobs within the prescribed pay bands of the occupations in their organization. At the Agency level, movement of an occupation from one pay band to another would be made by the EXCOM, thereby ensuring that internal equity is maintained in the system.

The market-pricing process we propose is similar to that used by many private-sector organizations. As part of the design, we used the position descriptions developed by the occupational panels to make salary survey comparisons against similar jobs in the private sector. The occupational panels also provided the information necessary to develop the internal job evaluation system. Using this data, individual occupations are assigned to a place on a pay schedule based on the internal evaluation of the occupation and the market survey. It needs to be stressed that a pure market system in which individual occupations are priced and paid based on private-sector rates is not possible for CIA because we have a large number of jobs for which no direct market comparison can be made. For those occupations that cannot be market priced, the job evaluation system establishes a pay relationship to occupations for which market data are available. Thus, our proposed system combines an internal job evaluation (position classification) system that establishes the internal relationship of occupations with the market-pricing process to ensure that our pay bands are competitive with other organizations competing for the same type of people.

Although the exact number of pay levels has yet to be established, we believe that the CIA pay schedule should have significantly more pay levels (grades) than the GS to provide us with the flexibility to adjust the pay level of individual occupations as the market or internal concerns dictate. Unlike the GS, however, individual occupations will be placed only at those pay levels dictated by the market and the evaluated work levels of the jobs. For example, if Operations Officers have identified four non-SIS work levels, they might be placed at pay levels 12, 16, 18, 22, and SIS on a 25 pay level schedule. (Table 2 shows an illustrative 25 pay level schedule; figure 1 shows how selected occupations could be placed on the proposed pay schedule.) Employees would progress through only those pay levels appropriate to their jobs, rather than through each pay grade on the GS. With this type of structure, if there is a need to increase the entry salary for trainee Operations Officers to attract the kind of employees we need, the EXCOM could change the entry pay level for Level I Operations Officers from pay level 12 to 13 or 14 without affecting other occupations.

To ensure that the pay structure and employee salaries remain current with the market, the EXCOM would empower the Director of Personnel to conduct periodic market surveys with the participation of the four Directorates and the DCI area. An analysis of the market information could be provided to the EXCOM for consideration as to whether the entire pay schedule should be adjusted and whether selected occupations should be further adjusted because they have significantly outpaced the market relative to other occupations. Adjustments to the pay structure would be influenced by budgetary considerations and they would be approved by the DCI.

Table 2
Illustrative Pay Schedule

Thousand $

SIS		64.7 - 77.5 [a]
Pay Band	25	58.8 - 72.5 [b]
Pay Band	24	54.9 - 72.5 [b]
Pay Band	23	51.3 - 72.5 [b]
Pay Band	22	48.0 - 72.0
Pay Band	21	44.8 - 67.3
Pay Band	20	41.9 - 62.9
Pay Band	19	39.2 - 58.8
Pay Band	18	36.6 - 54.9
Pay Band	17	34.2 - 51.3
Pay Band	16	32.0 - 48.0
Pay Band	15	29.9 - 44.8
Pay Band	14	27.9 - 41.9
Pay Band	13	26.1 - 39.1
Pay Band	12	24.4 - 36.6
Pay Band	11	22.8 - 34.2
Pay Band	10	21.3 - 31.9
Pay Band	9	19.9 - 29.8
Pay Band	8	18.6 - 27.9
Pay Band	7	17.4 - 26.1
Pay Band	6	16.2 - 24.4
Pay Band	5	15.2 - 22.1
Pay Band	4	14.2 - 21.3
Pay Band	3	13.2 - 19.9
Pay Band	2	12.4 - 18.6
Pay Band	1	11.6 - 17.4

[a] SES pay cap.
[b] Legislative pay cap.

Funding Only Control

There are three key systemwide personnel controls. The first is the average grade constraint that impacts on promotion headroom. This constraint means that no matter how many positions you have vacant, if you need additional senior grade people—but you are at your allotted personnel average grade—you cannot hire or promote into the senior levels. Similarly, if you require additional senior level positions, but are at your position average grade, you cannot add new senior grades to your position structure. Although the average grade constraints are somewhat reduced under a banded system to the extent that GS grades are combined in an occupational band, the manager is still constrained by his inability to readjust his personnel or position levels.

The second systemwide personnel constraint is ceiling. This constraint reduces managerial flexibility and, indeed, reduces the incentive to manage personnel resources efficiently. For example, if a manager were willing to relinquish some lower-ranking slots in order to hire some additional higher level employees, in the absence of average grade constraints he or she could do so and still stay within ceiling. The Agency's failure, however, to fill all of its slots could lead to a Congressional determination that fewer people are needed and that our budget could be cut. Even more difficult is a managerial determination that additional lower-ranking employees are required. The manager cannot trade 10 GS-15s for 15 GS-07s because that would put the unit over ceiling. It should be noted that, as a result of recent appropriations legislation, the Department of Defense has been freed from ceiling constraints with respect to its civilian employees on an experimental basis. We recommend seeking similar legislation.

The third systemwide constraint, and the one that would remain, is availability of funding.

Feature 2—Incentive Pay

The GS pay system is structured to slow the growth of the employee's salary as he or she moves further into the pay range. Thus, the employee receives a step a year until reaching step 4, then a step every two years until reaching step 7, and then a step every three years until reaching step 10 when no further advance is possible. The steps are perceived as incentives for longevity rather than for performance.

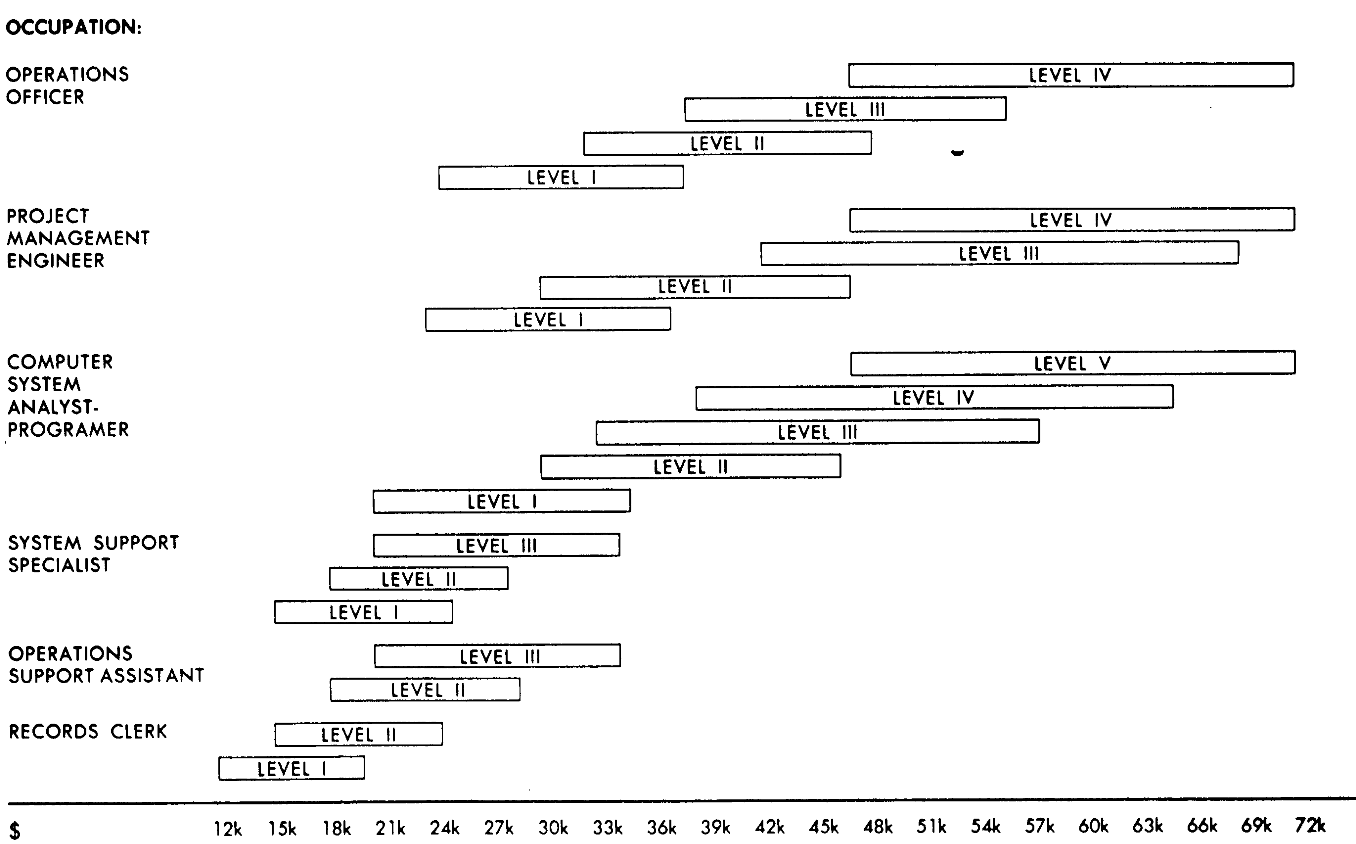
In an occupationally banded system and particularly with our own pay scale, we would have several options. We could keep the GS construct of 10 steps worth an average of 3-percent each and give them out at one-, two-, and three-year intervals. We also could change each of these elements. Instead of 10 steps, we could have 14 like the Foreign Service, or 20 steps like the Intelligence Secretarial System, or, for that matter, any number of steps. If we had steps, the value of the steps could vary. They could average 3 percent as in the GS, 2 percent as in the secretarial system, or the value of the steps could vary along the pay range. Finally, the pay adjustment cycle for employees also could vary. We could give a step a year up to step 10 and then a step every two years as in the Foreign Service or modify the periodicity anyway we desired.

For the greatest flexibility, the Task Force recommends an open pay range instead of steps, and an annual salary adjustment consisting of both permanent salary increases and bonuses. Under

FIGURE 1

ILLUSTRATIVE PAY SCHEDULE

EXAMPLES OF OCCUPATIONAL PLACEMENT



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this option, employees would do at least as well as they do under the GS, but, instead of less than 10 percent of our employees annually receiving some performance recognition (special achievement awards and quality step increases), we could give performance recognition to approximately 50 percent of our employees.

With an open pay range, the annual salary adjustment—the permanent increase and the performance bonus—would be expressed as a percentage of base pay instead of the fixed 3-percent step under GS. Permanent increases to salary would be included in the base pay, and performance bonuses would be paid in a lump sum. The amount of permanent increase and performance bonus that an employee receives would be based on comparative evaluations conducted by panels.

Salary Grids

The mechanism typically used in the private sector and by quasi-public organizations such as the Tennessee Valley Authority to determine the amount of the salary distribution given the employee in permanent pay increase and bonus is the salary grid. The salary grid is adjusted annually based on available budget and projected pay increases. To develop the salary grid contained in this report, we used a computer model to simulate the movement of our entire population through the proposed pay schedule. A variety of simulations were run using varying percents of bonuses, permanent pay increases, attrition and accession rates, and population distributions by performance and level. A separate set of simulations was run on the Operations Officer population to simulate the effect on a specific occupation. Distribution options were developed on the basis of assumed performance rankings and an allocation of money between bonuses and permanent increases. For the simulations, we used the rule that employees performing at satisfactory or higher level would earn at least as much as under the GS.

In the simulations we have completed, we were able to design an incentive pay planning grid that recognizes top performers better than the GS system. In the grid distributions shown in table 3, outstanding performers (for budget purposes assumed to be 20 percent of the population) could receive annually a range of salary adjustments of between 8 and 12 percent divided into permanent increases and performance bonuses. The superior performers (assumed to be 30 percent of the population) could receive a range of salary adjustments of between 4 and 7 percent divided into permanent increases and performance bonuses. The average performer could expect to continue to receive combined permanent increases and bonuses that at least equal those under the GS. Additional grids are being modeled to assess the effects of attrition, accession, population distributions by performance and place in pay level, and promotion rates on the personal services budget. These simulations would permit us to refine the initial design and better project the personal services monies needed for the incentive pay program.

The actual process of developing the annual incentive plan begins with the Comptroller's identifying the amount of money available for the incentive program. This would include money that now goes to permanent step increases, to quality step increases, to special achievement awards, the normal projected personnel salary growth, and any additional money allocated to the incentive program. Then, using this budgeted amount, the Office of Personnel (OP) would develop an incentive pay planning grid based on data showing current employee salaries and placement within the pay range, and on the following assumptions:

- A performance distribution, for example, of 20 percent outstanding, 30 percent superior, and approximately 50 percent fully satisfactory.
- A division of the salary adjustment into permanent increase and bonus that would vary as the employee moves along the pay range.

In the example, we took a dollar amount within cost guidelines postulated by the Executive Director and developed an incentive pay planning grid shown in table 3.

We determined that the budget for that year allowed outstanding employees to get an average 10-percent adjustment, superior employees to get an average 6-percent adjustment, and fully satisfactory employees to receive at least what they would under GS. The analysis was refined further to divide the money into performance bonus and permanent pay increase. Thus, at the fully satisfactory level, the employee in the first part of the salary range, the first quartile, would get a 3-percent permanent increase equivalent to the regular GS step and could get a 1-percent performance bonus. The fully satisfactory employee in the top of the salary range, the fourth quartile, who would now get only a GS step every three years would get

Table 3
Incentive Pay Planning Grid

Percent

Performance	Population Distribution Assumed for Budgeting	Quartile Position in Pay Range			
		1st	2nd	3rd	4th
Outstanding	20	5 B 5 P	6 B 4 P	6 B 4 P	7 B 3 P
Superior	30	3 B 3 P	4 B 2 P	4 B 2 P	5 B 1 P
Fully satisfactory [a]	50[a]	1 B 3 P	1 B 2 P	1 B 1 P	1 B 1 P
Below fully satisfactory		1 P [b]	1 P [b]		

Note: B = bonus. P = permanent increase
[a] For budget purposes we have assumed 50 percent at the fully satisfactory level.
[b] Management decides whether increase is awarded.

a 1-percent permanent pay increase each year and could be eligible for a 1-percent performance bonus.

The employee ranked superior would do even better than under the GS. In the first quartile, the employee would get a 3-percent performance bonus and a 3-percent permanent pay increase equivalent to the GS step; in the fourth quartile, he or she would get a 5-percent performance bonus and a 1-percent permanent pay increase. The employee ranked outstanding would do better still. In the first quartile, he or she could get a 5-percent performance bonus and a 5-percent permanent pay increase; in the fourth quartile, the employee would receive a 7-percent performance bonus and a 3-percent permanent pay increase.

Table 4
Salary Distribution Guidelines for Panels, FY-1990

Total FY 1990 Personal Services $ for Your Organization $....

Performance	Incentive Share of Total Salaries
Outstanding	8 to 12 percent
Superior	4 to 7 percent
Fully satisfactory	0- to 2-percent bonus; scheduled permanent increase based on position in pay range.
Below fully satisfactory	Up to 1-percent permanent increase if below the midpoint of the pay range and management wants to offer some incentive to improve.

Once the incentive pay planning grid has been developed, reviewed, and approved by the EXCOM, incentive pay money would be allocated to each Directorate based on its population. Salary distribution guidance would be prepared for the Directorates for use by the Directorate-level, component-level, or subcomponent-level panels in awarding pay adjustments.

Panels in the Directorates would then rank the employees for individual incentive pay awards, using current year performance as the basis for ranking. The panels could give outstanding performers 10 percent and superior performers 6 percent as assumed for budgeting purposes in table 3, but would also have the flexibility to distribute the available pool of incentive pay using the distribution shown in table 4. If a panel elects to use the flexibility available to it, it would be required to provide all employees judged to be performing satisfactorily with the incentive award specified in the incentive pay planning grid; to award no more than is provided in the pool; and to limit the maximum award value to that specified in the salary distribution guidelines for panels.

Once the size of the salary adjustment for an employee is determined, the actual division between permanent increase and bonus is predetermined by a table in the payroll system. For example, if the outstanding employee is awarded a 12-percent adjustment and is in the first quartile, then he or she would get 50 percent of the adjustment in permanent pay increase and 50 percent of the adjustment in performance bonus. This would mean the employee gets a performance bonus equal to 6 percent of base pay and a 6-percent increase to base pay. If this same employee were in the third quartile, he or she would get 60 percent in performance bonus and 40 percent in permanent increase. This would mean the employee would get a performance bonus equal to 8 percent of base pay and a 4-percent increase to base pay. Finally, if this employee were at the maximum in the pay range, then the entire 12 percent would be given out as a performance bonus. Additional detail is provided in table 5.

Salary Structure Adjustments

As previously mentioned, if our pay structure is delinked from the GS, periodic market surveys would be conducted to ensure that the Agency salary structure remains current with the market. For example, if a particular salary range went from a minimum of $39,000 to a maximum of $59,000 and an EXCOM decision were made to adjust the overall pay structure 5 percent, this particular salary range would be adjusted so that it went from a minimum of $40,950 to a maximum of $61,950. Adjustment of the structure will not automatically adjust individual employee salaries by the amount of the structure adjustment. However, employees below the new minimum would be automatically adjusted to the new minimum, and employees at the maximum of the range would now have more permanent salary growth potential. Those employees between the minimum and the maximum of the pay range might move to a lower quartile in the adjusted pay band that could entitle them to a larger permanent pay increase at the time of the annual incentive pay adjustment (see table 6).

Comparability Increases

When a GS comparability increase for Federal employees is authorized, the amount of that comparability increase would be included in the annual pay adjustment exercise for all employees who are performing at a fully satisfactory level or above. Thus, if a 3-percent Federal comparability increase is granted, Agency employees who meet the performance criteria would, at a minimum, receive a 3-percent permanent pay increase in that year as part of their annual incentive pay adjustment. The salary distribution guideline percentages would be increased accordingly.

Manager-Expert Incentives

As will be explained further in the career development section, a Manager-Expert Incentive Program (MEIP) is recommended as a separate recognition program for non-SIS managers and experts.

Table 5
Salary Distribution

Percent

Performance	Quartile Position in Pay Range			
	1st	2nd	3rd	4th
Outstanding	50 B 50 P	60 B 40 P	60 B 40 P	70 B 30 P
Superior	50 B 50 P	67 B 33 P	67 B 33 P	83 B 17 P
Fully satisfactory	Scheduled permanent increase plus optional bonus up to 2 percent awarded by management.			
Below fully satisfactory	Permanent up to 1 percent below midpoint, at direction of management.			

Note: B = bonus, P = permanent increase

Table 6
Effect of Structure Adjustment

Thousands

Before Structure Adjustment

Employee A at Minimum	Employee B Quartile 2			Employee C at Maximum
39	44.6			59
A	B			C
Qtr 1	2	3	4	
39	44	49	54	59

After Structure Adjustment

Employee A Moved to New Minimum	Employee B Quartile 1			Employee C Potential Growth
40.9	44.6			59
A	B			C
Qtr 1	2	3	4	
40.9	46.2	51.5	56.7	61.9

In addition to being considered for an annual permanent increase to base pay and performance bonus like other employees, selection into either of the two tracks would automatically qualify an individual to participate in the MEIP.

Under the MEIP, a separate pool of money would be budgeted and distributed to the Directorates by the Comptroller. Senior management panels would evaluate MEIP participants and recommend to the respective Deputy Directors awards for key managers and experts who, through the breadth and quality of their performance, had substantial and sustained impact on the attainment of the organization's goals. These managers and experts would be eligible for an additional bonus that, when combined with the normal merit bonus, could be as much as 15 percent of base pay.

Within the cost constraints suggested by the Executive Director for the MEIP awards, we believe that up to 50 percent of the managers and experts could be eligible for total bonus awards averaging 8 to 10 percent.

SIS Bonus

Under the proposed system, the SIS bonus minimums and maximums would be retained (5 to 20 percent), but it is recommended that the bonus pool be increased from 3 percent of the SIS payroll to 4 or 5 percent in order that an increased number of SIS officers who are performing at the superior and outstanding levels would be able to receive an award.

Promotion Salary Adjustments

Promotion describes movement from one occupational level to another, not movement to the next pay grade as in the GS. For example, if a Level II Operations Officer falls in pay level 16 and a Level III Operations Officer falls in pay level 18, promotion is from Operations Officer II (pay level 16) to Operations Officer III (pay level 18), not from pay level 16 to pay level 17.

An individual selected for promotion to any occupational level not in the SIS would receive a minimum 10-percent permanent pay increase as a result of the promotion. For example, a Level II Operations Officer who earns $35,000 per year would be promoted into the next level at a salary of at least $38,500 ($35,000 + $3,500). In all cases, the promotion would be to at least the minimum of the next occupational level. So, in the example, if the minimum pay rate for a Level III Operations Officer were $39,000, the officer would be placed at that level, not $38,500.

Promotion into the SIS would continue to follow current policy under the Task Force's proposal.

It is the belief of the Task Force that promotion is intended to represent the organization's determination that an individual is ready to take on the responsibilities of the next level. This judgment involves an assessment of more than just current year performance and is not intended to prevent an employee's being recognized for current year performance through the incentive pay program. Therefore, an individual selected for promotion would remain eligible for an incentive pay award during the annual evaluation process.

Proposed Performance Evaluation System

In the proposed system, a clear relationship between the pay decision and performance during the rating period is important. For this reason, we reexamined our current performance appraisal system. The occupational panels analyzed the pros and cons of retaining the current system, modifying it, or developing a new one. They agreed that any change to the employee reward system would focus heightened attention on the performance evaluation system, and they concluded that modifications to our existing performance appraisal system were necessary. Additionally, the recent employee job satisfaction survey highlighted the importance of fair assessment of performance, recognition for good performance, and employee-supervisor communication.

The goal of the modified performance appraisal system is to improve employee-supervisor communications. Such communications include not only the evaluation of performance at the end of the rating period but, perhaps more important, a discussion between supervisor and employee about what is expected during the rating period. To work, the system must not tie up supervisors or employees with unnecessary paperwork. In developing the design, the Task Force sought to eliminate paperwork that did not directly enhance communications.

Feature 3—Performance Plan

Using data provided by the occupational panels, a data base would be created for each occupation that includes key job responsibilities and functions, representative tasks, and occupation-specific performance expectations. The data base would serve as a reference aid for supervisors to develop performance plans for employees. We think that the data base would greatly assist supervisors in the planning work for employees. Using the data base, for example, a supervisor may select, modify, and tailor a performance plan to suit the individual job and employee.

At the beginning of each rating period, a performance plan would be developed for each employee. The plan would be developed by a supervisor in consultation with the employee and would identify job responsibilities and tasks that the employee would be expected to perform. Additionally, the plan would define the supervisor's expectations for accomplishing the work and developmental activities that would improve the employee's effectiveness and foster career growth.

This plan should be viewed as a flexible management tool, and it should be reviewed and updated during the rating period as the need arises. The plan also would be reviewed by the second-level supervisor.

Feature 4—Performance Evaluation

To achieve an acceptable degree of precision, performance appraisal rating scales must have an adequate number of intervals. When there are few intervals, there is a good chance that the scale omits valid measures of performance. When the scale contains too many intervals, the descriptors are repetitious and make it very difficult for a rater to distinguish between interval points. Instead of the current Performance Appraisal Report (PAR) form and the existing seven-point rating scale, a modified performance evaluation form and a five-point rating scale is recommended. Thus, instead of three rating numbers above and below full performance, there only would be two descriptors above (superior and outstanding) and two below (marginal and unsatisfactory). Use of more than five intervals would not appreciably increase reliability of ratings. Use of fewer than five would, at best, be no better than use of five and, at worst, would reduce the discriminability of the instrument.

As discussed previously, employees would be evaluated against job responsibilities and the tasks defined in the performance plan. A brief explanation will be required for each rating given, and supervisors would have the opportunity to provide written comments on overall employee performance in a general narrative section of the evaluation form. The second-level supervisor would review each performance evaluation report for equity and consistency in employee performance expectations and ratings as well as for timeliness. Sections of the evaluation form would be reserved for the reviewing official and employee comments.

A tailored performance appraisal form would be developed to evaluate supervisors and managers. In addition to the substantive tasks in their positions, these employees would be evaluated against job responsibilities central and common to supervision and management. This would include, for example, developing subordinates, planning and assigning work, managing production and resources, and quality control.

To encourage employee-supervisor communication, at least one interim discussion would be required annually. Any changes in duties and tasks resulting from the supervisor-employee feedback discussions would be reflected in the performance plan.

An appeal mechanism would be established to address employee problems related to performance evaluations. Currently, the appeals process exists within the grievance system to handle such problems; however, we propose that performance-related issues be handled separately for at least the first two to three years to facilitate their expeditious resolution and to encourage resolution at the lowest possible level.

Incentive Pay Panels

Incentive pay is designed to reward better-than-average performance with better-than-average pay. Of necessity, this is a comparative process among employees. The proposed system builds on the ranking approach used extensively today to compare employees. The performance evaluation serves two purposes. It communicates to the employee how the supervisor judges his or her performance, and it provides the supervisor (or panel member) with the necessary data to compare the employee with all others in the population being ranked. The more direct knowledge the panels have of the employee's performance, the better position they are in to compare employees to determine those who are above average. Ideally, pay decisions, under the proposed system, would be made through a ranking process by a panel on which the employee's supervisor serves and that is chaired by a manager who is one level above the employee's supervisor. This is offered as a guideline because we recognize that organizations with large overseas contingents require that panels be composed differently. The proposed design allows each Directorate the flexibility to define the composition of performance panels to meet its own unique needs.

In the case of employees on rotation, the host component would have the responsibility for the incentive pay decision, and the home component would have the responsibility for promotion.

Training

No matter how well designed a performance evaluation system may be if those who use the system do not understand it and do not use it as intended, the system will not work. For this reason, it is important that employees and managers understand all the parts of the performance evaluation system and how the parts fit together in the overall process. To clarify and explain the proposed modifications to the current performance appraisal process, training courses, work shops, and briefings would be required for all personnel.

Proposed Career Development System

As an organization, CIA always has needed to attract the most talented employees for a full career. These employees are expected to possess either a broad range of skills or substantial expertise in a specialty area and to maintain a high level of competence throughout a career. Historically, our employees have served in a wide variety of Agency jobs, with increasing levels of responsibility during their careers and often have crossed both occupational and Directorate lines in the process. We believe that this has been and will continue to be an important element in the success of the CIA. Indeed, in an era of increasing technical and political complexity, our need for experts at the peak of their specialty and others who are versatile enough to handle a wide variety of professionally demanding jobs will continue to grow. To meet the demand, we would require a career development program that is focused toward helping our employees achieve their fullest potential. By so doing, we could serve the needs of the CIA and the needs of the individual employee.

Recommendations by the occupational panels and the results of the recent employee satisfaction survey confirm that employees also perceive a need to put emphasis on career development in the new system. Along with an interest in some changes, however, the panels urged retention of some key features of the current system such as competitive evaluation for promotion. Accordingly, our proposals for career development introduce some new concepts and expand and improve on the strengths of the current system. For example, new tools would be introduced to the career development process to assist individual employees to achieve their career objectives. Greater availability of Agency projections, which forecast those occupations on the ascendancy and in decline, along with improved occupation-specific career handbooks would make it easier for employees to plan their careers and make supervisor-employee career development planning more productive.

Feature 5—Occupational Career Handbooks

An important element of any successful career development program is communication with employees on the expectations and needs of the organization, what career development opportunities are available, and how the employee can advance within the organization. The better informed the employee is, the more likely the employee would set achievable career goals that are consonant with the needs of the organization. One improvement would be to expand the current use of career handbooks. We propose that occupation-specific career handbooks, developed by the occupational panels, be given to each employee. The handbooks would explain how the new system works in a specific occupation and how the occupation fits into the career service. The handbooks would be like a road map and would contain examples of typical duties and responsibilities at each level within an occupation. Included would be career profiles, information on recommended or required training, typical and developmental assignments at each level, planning guidance and discussions of incentive pay, occupation-specific promotion precepts, and pay and promotion procedures. Although the handbooks may be useful as recruitment guides and helpful to new employees, their principal value would be as a source document for all employees.

Feature 6—Individual Career Development Plan

The Individual Career Development Plan (ICDP) is proposed as an optional tool that employees can use to take a proactive role in managing their own careers. Most of the information needed to write a career development plan would be found in the occupational handbooks. Using that information, the employee could conduct a self-evaluation against the guidelines for advancement and establish some concrete goals that would help to move them in the direction they wish to go. The goals might include preparatory steps for a career change, requesting training that would be helpful in qualifying for higher levels of responsibility, or putting new duties into the current job that would be useful in qualifying for another assignment. Using the handbooks, the career development plan could be tailored to the needs of the individual employee.

In addition to the handbooks, however, some auxiliary planning tools would be available. Aggregate analysis of supply and demand for specific skills would be part of the Agency human resource planning and budgeting process explained in feature 16. This information would be available to supervisors as well so that they can realistically counsel employees and provide support as needed.

Supervisors could help employees examine how their career goals conform to future Agency skills needs and what concrete steps should be taken to achieve these goals. From the manager's perspective, the career development plan and discussions provide insight into the employee's career ambitions and provide an opportunity to develop mutually satisfying ways to achieve them.

Assignments

The career development plan could also serve to help the employee and manager plan and prepare for a next assignment. One type of assignment, for example, would be career advancing. In this case, superior performers would be assigned to work at the next level of responsibility, usually indicative of pending promotion. Individuals given these types of assignments already would have demonstrated the potential to function at a higher level of responsibility. Another type of assignment could provide opportunities for new experiences and challenges at the same level of responsibility. These would also be career enhancing or enlarging because they would allow employees to acquire and demonstrate skills important for career advancement. A third type of assignment would be one that permits the employee to explore the possibility of changing his or her career field to move to a new job that requires different occupational skills.

Although the design of the new system places emphasis on occupation levels of responsibility, career mobility would continue to be encouraged. For this reason, an individual could probably expect to serve in all three types of assignments described above during the course of a career. In light of Agency work force demographics, however—a younger work force hired during a concentrated period of growth—most assignments would probably be career broadening. In the long run, providing new opportunities and internal mobility to employees is important in retaining a career work force, and both the Agency and the employee benefit.

Today an employee planning for a change in assignment often must rely on word of mouth or our current paper-intensive vacancy notice system. Building on the effort to automate the position descriptions developed by the occupational panels, a fully automated subsystem, with appropriate security features, can be developed that would help match jobs and people. Using these automated tools, the supervisors would be able to quickly advertise vacancies. With a well-defined system that advertises available jobs, employees would be able to request a list of positions, identify those of interest, and then request that his or her automated biographic profile be compared against the vacancies for a suitable match.

Feature 7—Occupation-Specific Training

Each of the occupational panels identified specific internal training courses to match the job skills and responsibilities defined for their occupational levels. As a consequence, existing courses would be tailored to meet particular occupational requirements and new courses would be developed. Representatives from the occupations would work with the Office of Training and Education to design, implement, and evaluate occupation-specific training programs. The panels also noted that efforts should be made to develop a variety of unclassified, portable self-study training packages that either supplement or replace classroom instruction.

Because the purpose of the training would be skills enhancement, many panels expressed interest in having some measurements of effectiveness built into the system. Some of the new initiatives would lend themselves to this type of feedback, but, in the main, managers would have to take responsibility for determining and documenting whether the skills needed for employee advancement exist.

Feature 8—Improved Availability of Training

Training must be made available when it is needed and at the convenience of the employee. Too often, employees forgo training because it cannot be arranged around their pressing work demands. Training will be brought to the employee.

New training features are being developed that include:

- Extended and expanded mandatory entry-level training, particularly the type of training that would support faster cultural integration with the organization.
- Expanded use of self-instructional or correspondence courses that allow students to take unclassified training at home, in a learning resource center, or on the road.
- Development of TV broadcast programs on Agency specific topics to move the instructors to the students instead of vice versa.

- Contracted TV broadcasts for technical training via satellite and microwave transmission.
- Increased use of interactive video instruction to provide Agency-specific training in subject matter areas that are best learned by requiring students to solve problems and get immediate information back on the consequences of their decisions.
- Computer-based instruction to offer training that requires practice and feedback in order to master the skills.
- Audio cassettes, videotapes, and workbooks in a range of unclassified subject areas such as languages, area familiarization, and management for individual study.

Another alternative to conventional classroom courses will be the use of special topic institutes. Such institutes would offer a series of one-day seminars or workshops on current high-interest topics in such areas as computer applications, science and technology, management, as well as substantive intelligence subjects. These institutes could be expected to draw on both external and internal experts as instructors.

Feature 9—Dual Track

An important construct in the proposed system is that more choice will be available to individuals to opt to either develop as experts in their occupation or to develop as managers. Although the concept of dual tracks is not new to the Agency, the number of positions that offer opportunities for experts who do not want to be managers are limited. Both the DI and the DS&T have programs that offer opportunities to analytic, scientific, and engineering experts to advance their careers as experts. In a less formal way, similar opportunities for experts exist in other parts of the Agency. The DO has permitted some of its operations experts to attain SIS status as nonmanagers. Similarly, OTS established its TOPS Program to accommodate senior Technical Operations Officers who function beyond full-performance level in more than one technical and operational discipline.

Each of these programs has come about as a compromise between management, which has requested more senior level jobs into which they can promote their people, and PMCD, which has had to grapple with a restrictive position classification system that has made evaluation of positions influenced largely by individual qualifications difficult. To date, the most important element that has been missing is a clear statement by senior management that we are willing to pay those able to fill the need for experts the same way we reward those who meet our needs for managers. Also missing to date has been the involvement of those affected by the dual track program—our experts, in defining the requirements for entry into the program; and our managers, in defining the organizational requirements that the program will satisfy.

We believe that it is important to fill in these missing elements and develop a meaningful expert program in the CIA. The need in CIA for highly skilled experts in many occupations is on the increase, and can be satisfied only if we aggressively seek to develop and retain the type of people we need in these areas. In many cases, moving an expert into a management position deprives the CIA of critically needed expertise and the very special skills that could support our organization more effectively in an expert role. Also to be considered is the fact that demographics indicate that many of our brightest employees will be faced with "plateauing" if they are forced into a narrow management track blocked by members of their own "baby boom" generation. Establishment of an alternative in the form of expert tracks may influence these people to remain with the CIA rather than seek employment elsewhere.

Levels of Experts

Experts are individuals who, by virtue of their personal qualifications and accomplishments and well-established reputations in their field, function with a high degree of freedom. As a general rule, the first level of an expert track should represent more demanding and complex work than that of the full-performance level. On the basis of this convention, not all occupations will have an expert track, and, for many others, the expert track will extend only one pay level above full performance. In some occupations, experts would be coequals to managers and at the same pay level, and some will reach SIS status. The Operations Officer, Computer Systems Analyst-Programer, Contracts Officer, and Intelligence Analyst occupations, for example, have identified expert levels that are coequal to managers in the same pay band. Although the exact hierarchy of experts and managers would vary according to organizational needs, all experts would eventually report to some level of management. Criteria for selection as an expert would certainly be no less stringent than the criteria for selection as a manager, and attainment of expert rank in an occupation would certainly carry significant prestige on a par with managers.

Selection Process

Some occupations with an expert track are component specific and others are Directorate-wide or Agency-wide. Selection criteria for occupations that cross component lines would be developed that reflect the commonalities within the occupation, but that preserve Directorate prerogatives with regard to the management of people and jobs within their organization. In the occupations that identified an expert track, senior managers would validate qualification and performance requirements for experts in their occupation and develop selection criteria. After these occupation-specific criteria have been developed, employees would be given the opportunity to petition for entry. Selection into the expert track would not mean an automatic promotion to the next higher level, and individuals selected could be promoted at the discretion of the Directorate when all requirements have been satisfied. Reinforcing the fact that the expert track is based on the precept of recognizing and matching the unique talents and skills of individuals with the needs of an organization, it would not be necessary for the Directorates to identify a predetermined number of expert positions. Within budgetary constraints, senior managers would have the flexibility to designate and assign individuals who qualify as experts as they are needed.

The Manager Track

Traditionally first-line supervisors are considered more as experts or work leaders than managers. Although they guide and evaluate the work of subordinates, first-line supervisors, for the most part, are only peripherally involved in resource planning and employee administration. The first-line supervisor is a viable candidate for either the expert or the manager track. For those individuals more inclined toward management, we would recommend that they be given the opportunity to more actively participate in planning and administration.

In the private sector, there are generic managers, people without substantive expertise in a field other than management. This is not and will not become part of the CIA culture where managers are selected in the first instance for their expertise. However, in the proposed system, the role of managers would change significantly. Along with the increased managerial flexibility that would come with the proposed improvements—such as delegation of classification authority, incentive pay for employees, and new planning tools—also will come increased accountability and responsibility for developing subordinates. The need for substantive achievement would not diminish in importance, but, as in the private sector, managers would be judged to a greater extent on how well they manage and develop their human resources.

Like the expert track, selection to the management track would be competitive, and movement into the track would not mean an automatic promotion into the next pay level. Individuals selected for the management track could be promoted at the discretion of the Directorate when all requirements have been satisfied. This would allow both the employee and the organization an on-the-job evaluation of aptitude and willingness to pursue the management track. Individuals entering the management track would be given special direction and encouragement to succeed and to acquire necessary substantive and managerial skills.

Manager-Expert Incentives

As discussed previously, a Manager-Expert Incentive Program (MEIP) would be established in the new system as a separate recognition program for non-SIS managers and experts. Selection into either of the two tracks automatically would provide an employee with the opportunity to compete for an additional MEIP bonus. MEIP bonuses would be awarded to those managers and experts who, through the scope or quality of their performance, have substantial and sustained impact on the work and products of the organization. Senior management panels would evaluate MEIP participants and would recommend award distributions to their respective DDs.

Managers and experts also would have the opportunity for an increased leave carryover. Internal studies have shown that, with SIS officers' being able to accrue unlimited annual leave balances, over 90 percent of all forfeited annual leave comes from our GS-13 through 15 employees, that is, our midlevel managers and substantive experts. These are the very levels that we will continue to demand more of as we refine our management and expert track development programs. To reduce the annual leave forfeiture problem among this group, we propose to increase the annual leave carryover ceilings by 20 hours for every year a non-SIS employee is in the manager or expert track up to a new carryover ceiling of 360 hours (480 hours for our overseas cadre who currently are in 360 carryover status). If an employee is no longer in the

MEIP, the maximum leave carryover would be reduced if and when accrued annual leave dropped below the previously approved carryover limit of 360 hours. Because employees are entitled to payment for all annual leave credited to their accounts, including the carryover balance, the CIA will incur a slight additional cost when an employee resigns or retires. An example of this proposal is provided below:

Years of Service in Management or Expert Track

	1	2	3	4	5	6	7/up
Increased carry-over limit	0	+20	+40	+60	+80	+100	+120

Feature 10—Promotion

In determining the appropriate occupationally defined levels of responsibility, the panels recognized that current performance above expectations would be financially rewarded but would not necessarily result in promotion to a new salary level. Nevertheless, promotion or movement to a higher level of responsibility would continue to be an important part of the reward system.

Today employees at each grade level are comparatively evaluated against a set of Agency-wide precepts. Although uniform, these precepts are open to wide interpretation in their use. Definitions and weighting of precepts, such as initiative and mobility, change markedly between occupations. Often the precepts have required considerable occupational fine-tuning to make them relevant. In the new system, each panel identified a set of occupation- and level-specific precepts to be considered in lieu of those now used Agency-wide. These occupation-specific precepts, found in the handbooks, would provide the employee with a better picture of what characteristics lead to strong performance in a level and what factors indicate potential to be successful at the next higher one. Supervisors will have the precepts available in a computerized data base to assist in employee counseling and to provide the panels with information needed to rank employees comparatively.

Panels

Promotion evaluation will continue to be conducted annually by occupation and by level, and career service panels would be central to decisions on promotions between levels. As is the case today, all employees with satisfactory or above performance evaluations would be considered for promotion once they have met certain other criteria established by the career services such as time or experience in a salary level or have served a designated period in the field.

Proposed Benefits Program

Current Programs

Employee benefits are made available to employees to provide financial protection in case of health-related problems and for income replacement at some future date or event. The benefits provided by an organization have come to represent an important employer commitment to the welfare of the employee and his or her dependents, as well as an important part of the employee's total compensation. Of employees responding to a recent national survey, 50 percent said that their benefit package was at least as important to them as their pay. One-third said that benefits were more important than cash. At the present time, employee benefits average over 35 percent of the payroll costs in most private-sector organizations. In a study conducted for the House Committee on Post Office and Civil Service in 1984, the consulting firm of Hay/Huggins concluded that, although Federal benefits, in the aggregate, were about 3 percent ahead of the private sector as a percent of payroll, most of the difference was found to be in the retirement system and annual leave policies. Other benefits that are considered important by employees, particularly health, death, and disability benefits, were behind the private sector.

The requirement to attract and retain quality workers means greater attention must be given to all parts of our benefits program to ensure that the Agency's compensation package is competitive and that our programs meet the needs of the diversified work force of the 1990s. In spite of the additional efforts CIA has put into developing a program that is advantageous to its employees, our existing benefits program, when retirement and annual leave are factored out, is not competitive with those offered by many private-sector firms. For example, a recent General Accounting Office (GAO) report comparing health insurance coverage of Federal and private-sector employees shows Federal enrollees pay more of their health costs in premiums, deductibles, and coinsurance than do their counterparts in the private sector. In fact, in 1985, approximately 60 percent of full-time private-sector employees paid none of their individual health insurance premiums, and 40 percent paid none of their family coverage costs. In addition, many private-sector firms offer noncontributory life insurance.

As currently structured, existing programs have not adapted to demographic changes that have occurred and are continuing to occur in the Agency work force. Today's younger work force, with large numbers of two-income and single-parent families, has more diverse needs than did previous employee populations. Even though the current programs offer several medical and life insurance options, choices are restricted to defined coverages within each program. Furthermore, for certain employees, there may be no choice in medical coverage other than to take it or leave it.

With the introduction of FERS, which now gives employees a portable retirement system, the major retention tool in the Federal benefits system is seriously weakened, putting even greater pressure on us to develop more creative ways to deliver benefits that serve the individual needs of our employees. One of the more effective means of using benefits as an attraction and retention tool is to offer employees greater choice in the way their benefits dollars are spent through the introduction of a flexible benefits program.

Feature 11—Flexible Benefits Program

Preliminary findings indicate that a flexible benefits plan, along with some new benefit offerings, would more effectively meet employee needs and yield a better return on the benefit dollars that both the Agency and the employee spend. A flexible plan also could save the employee money by enabling him or her to pay certain health and dependent care expenses with tax-free dollars.

In a flexible plan, employees will be given *flexible credits.* These credits are an amount at the disposal of the employee, with which to *buy* benefits. These flexible credits can be thought of as dollars. Each benefit option available has a *price tag* associated with it. Employees will be able to take flexible credits and use them to purchase the benefits they want. If employees spend all of their flexible credits and still want to buy more benefits, they will be able to do so. The Agency would deduct enough out of their paycheck to cover the extra benefits selected. In rare cases where credits are left over, employees would be able to convert the credits to cash.

Although there are many types of flexible benefits programs in use today, the most common plans and those considered most viable for the Agency are core plus options, mix or match, and modular. All typically utilize a mechanism known as the Flexible Spending Account to increase employee latitude in meeting specific needs. The rest of this section will summarize the features of each of these types of plans and very briefly outline one possible flexible benefits design the Agency might adopt.

Core Plus Options

One of the flexible benefit options available is the core plus plan. Under this plan, coverage levels begin with a core of benefits provided to all employees at little or no cost, but this core coverage may not include all previously covered items. Because the core represents reduced insurance coverage, the cost to the employee would be less than that for present levels of coverage. The difference in employer cost between the old coverage and the new typically is prorated among employees in the form of credits. These credits could be applied toward the purchase of optional medical or dental benefits, life insurance, child care, or even converted to cash (see comments on Flexible Spending Accounts).

Under the core plus plan, the Agency, with participation of the employees, would design a program with the options best fitting the needs of our employee population. Employees would then make their choices among the options in order to tailor the program to their own needs. This makes the employee an active participant; that is, he or she is required to make decisions for every elected benefit. The employee allocates his credits among the options and may elect to make additional contributions to select added options and increased coverage. Table 7 illustrates the core-plus-options approach.

A core plus options is one of the easier plans to administer because benefit pricing is simplified. A variation of the core-plus-options approach is a true "flex plan." True flex is similar to core plus options except the core plan is replaced with a pool of flexible credits. The employee then uses his other credits to purchase the benefits he wants. Where the core is a minimum level of benefits, the employee is in a buy-only situation. Figure 2 illustrates the true flex approach.

Mix or Match

A second flexible benefits program using a core level of coverage is a mix-or-match plan. This plan

FIGURE 2

ILLUSTRATION OF TRUE FLEX APPROACH

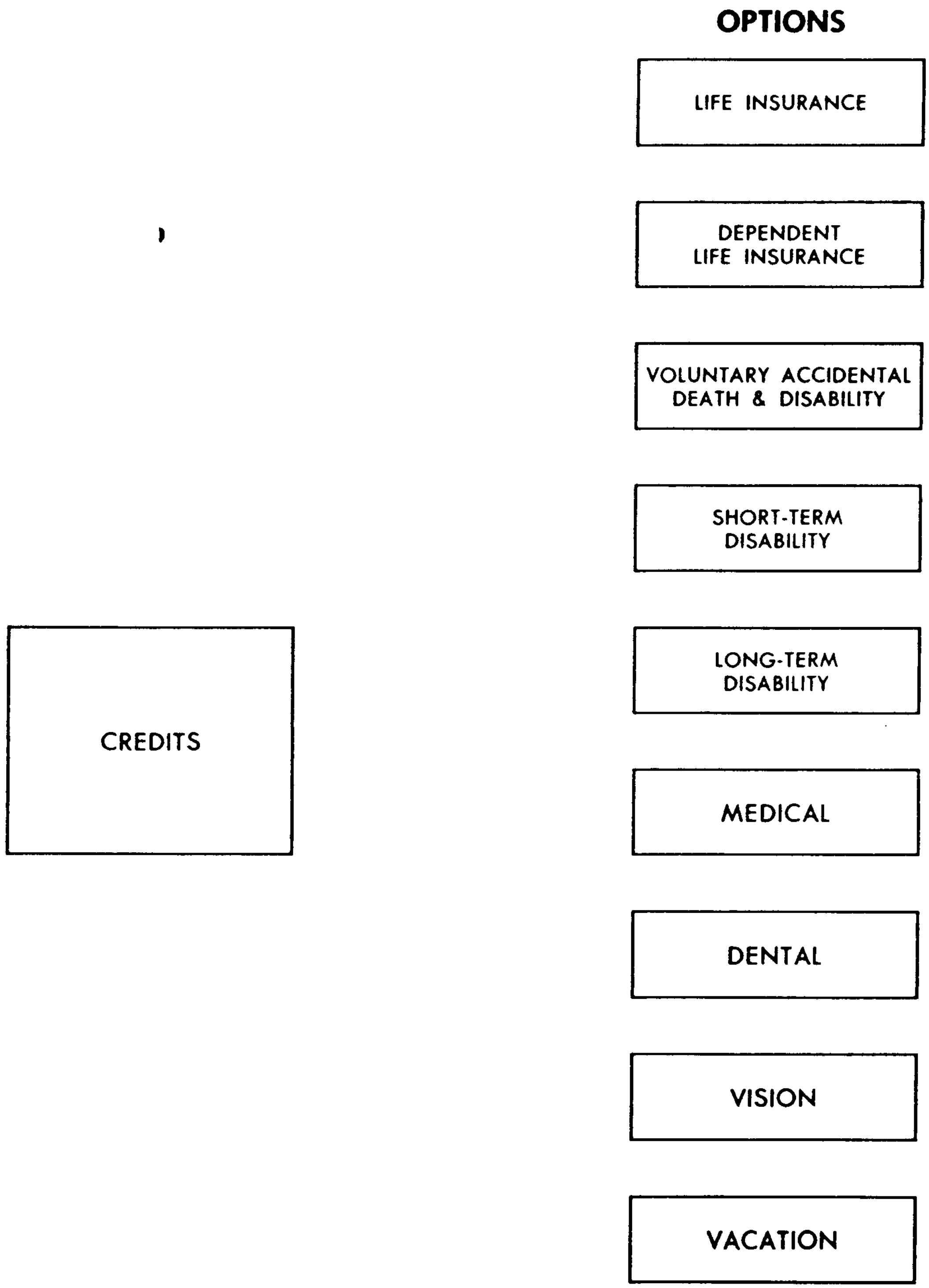


Table 7
Core-Plus-Options Approach

Core	Options
Life insurance of 1x salary	Life Insurance (2x, 3x, 4x) dependent life insurance voluntary, accidental death, and disability
Vacation (annual leave)	Additional vacation (annual leave)
Sick leave Long-term disability insurance	Additional long-term disability
Medical insurance	Additional medical insurance (lower deductible—higher coverage) Dental care Vision care Prescriptions
Retirement	Cash

uses the previous level of coverage as a core, and places it in the middle of a multiple-level structure. This core is usually offered at no additional cost to the employee, and optional selections of greater or lesser coverage result in additional charges or credits. Under this plan, the employee has the same flexibility of coverage as the core plus plan, but, because it does not reduce benefits to a core, it does not create the misperception of cutbacks in benefits. However, because the employee can buy up and buy down, administering and also communicating a mix-or-match plan can be more complex than a core-plus-options approach. Complications also arise in determining what, if any, benefit credits to provide workers who decline to take certain offerings such as health or life insurance. In some situations, it is possible to offer a hybrid of the core-plus-options and the mix-or-match plans. For example, in cases where the Agency considers a benefit so important it cannot be reduced to some core level, it could be excluded from the core and offered as a separate program.

Modular Plans

Another type of plan that appears feasible is the modular plan. Under this option, medical and other benefits are combined in a series of packaged modules. Each module is designed to meet the needs of a category of employees, for example, single, married with or without dependents, and so forth, and no substitutions between modules are permitted. Each module is priced to reflect the coverage its components provide and the narrower requirements of the type of individual expected to choose that module. Once constructed, the modular plan is simple to administer, easy to explain, and offers the flexibility to reconfigure the benefits offered as employee needs change. For ease of administration, no more than seven modules are recommended. The process of constructing a small number of modules, each aimed at a different group of workers, results in some compromises being made in the coverage offered. Nevertheless, a modular plan remains more responsive to varying employee needs than the present program. Table 8 and figure 3 are examples of a modular plan concept.

Flexible Spending Accounts

The flexible spending account (FSA) is a simple and versatile approach to providing benefits that also carries a tax advantage to the employee. FSAs are individual employee accounts that may be funded through a contribution by the employer (seeding), by employee pretax contributions, and through the credits generated in core-plus-options, mix-or-match, or modular plans. The employee annually designates how much of his or her salary will be set aside to help fund the FSA account. Taxable salary is reduced by that amount (table 9). As expenses occur during the year, the employee presents the receipts for qualified benefits and can withdraw the funds from the account. Spending accounts may be set up to pay employment-related dependent care expenses for both the young and elderly at home, and health care expenses not covered by the employee's medical plan.

The amounts of income set aside in an FSA have limits imposed by the IRS, and it should be noted that regulations mandate a use-it-or-lose-it feature for all contributions to the account. FSA dollars are not transferable between the different components of the account. There are, however, many predictable medical and dependent care expenses that the employee can accurately estimate in advance that lessen the impact of these rules. In addition, the typical plan allows the employee to change his or her election where there have been changes in personal circumstances.

It is recommended that an FSA be a major element of any flexible benefit program adopted by CIA. The FSA concept is inexpensive to install, especially if totally based on employee contributions and is a very popular feature of flexible programs in the private sector. Eighty-eight percent of the firms with flexible benefits had FSAs in 1985. Participants in the employee focus group

Table 8
Example of Modular Plan
(With Theoretical Values)

Benefits	Modules*						
	A	B	C	D	E	F	G
Life insurance	2x	1x	4x	2x	2x	2x	1x
Medical insurance (0, low, medium, high)	Medium	Low	High	Medium	High	0	0
Dental insurance (basic, high)	High	Basic	High	Basic	High	High	Basic
Prescriptions	Yes	No	Yes	No	Yes	Yes	No
Accidental, death, and disability	Yes	No	Yes	Yes	No	Yes	No
Disability	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* The above modules might be associated with the following employee groups:
A—Single or married with working spouse with dependents.
B—Single or married with working spouse without dependents.
C—Single or married with nonworking spouse with dependents.
D—Single or married with nonworking spouse without dependents.
E—Older marrieds.
F—Married with working spouse with dependents, no medical.
G—Single or married with working spouse without dependents, no medical.
HMOs with similar coverage may be substituted.

Table 9
Example of Flexible Spending Account Tax Benefit

	Contribution After Taxes		Contribution Before Taxes
Annual salary	$35,000		$35,000
FSA	0		-1,000
Taxable income	35,000		34,000
Income tax	-9,800		-9,520
FICA/RET	-2,450		-2,380
	22,750		22,100
Less covered expense	-1,000		0
Net pay	$21,750		$22,100
Difference		$350	

sessions conducted in early June completed a simple FSA exercise. Out of a sample of 134 employees, the average estimated annual savings was $782.

Preliminary Design

In order to illustrate how a flexible benefits plan might work in the Agency, an example preliminary design is shown in figure 4 and table 10. This design has retained the FEGLI life insurance program and replaced the FEHB medical plans with four options to the present Association Benefit Plan. New benefits include a vision-care plan, an improved dental plan, a prescription drug plan, the ability to buy and sell annual leave, and Health Care and Dependent Care Flexible Spending Accounts.

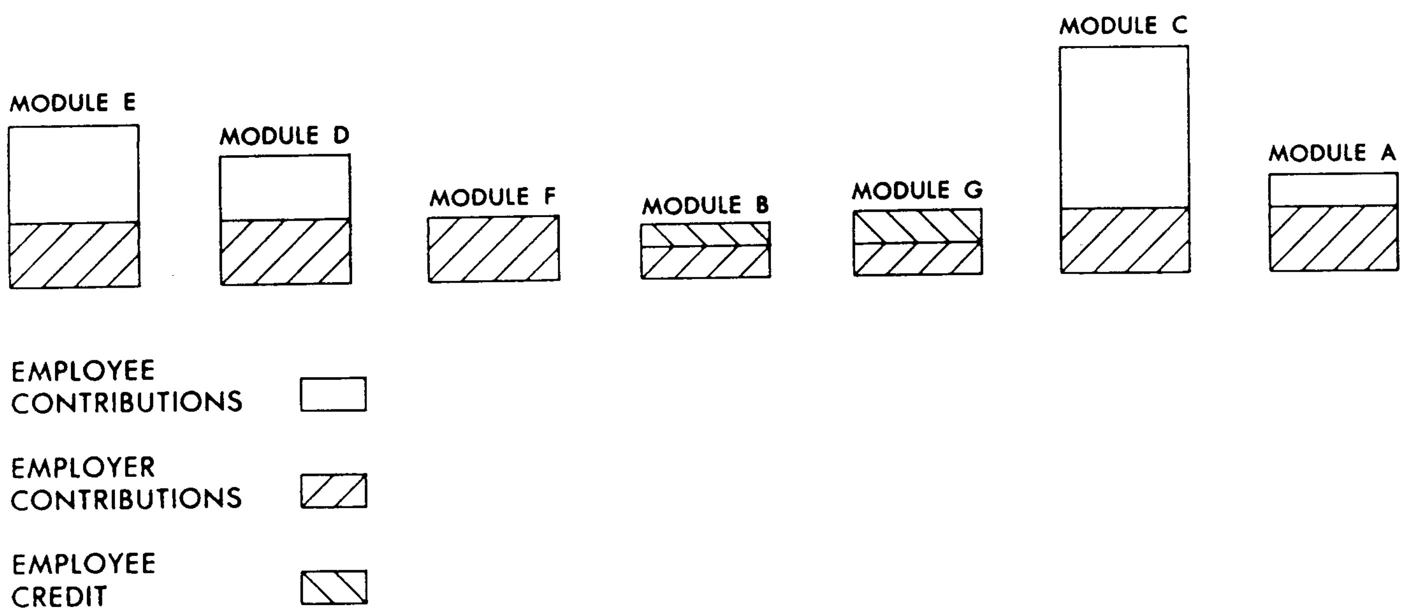
Employees would be given flexible credits with which to buy various benefits. Based on several assumptions, the amount of these credits were generated through actuarial methods that took into account the cost of each benefit and the most likely choices employees will make. For this preliminary design, two major assumptions were considered. First, there should be no additional cost to the employee to keep the level of health and life insurance coverage he or she had before flexible benefits were offered. Second, except for startup costs, there should be no significant additional costs to the Agency for benefits.

To test employee reactions to the current Agency benefits program and to the proposed introduction of a flexible benefits approach, the Task Force conducted a series of employee focus groups. A total of 134 employees representing a variety of demographic segments of the Agency participated in the groups.

In general, participants responded that they felt the current benefits program, although providing comprehensive and relatively generous coverage, did not offer sufficient opportunity to tailor the benefits package to individual needs, required a

FIGURE 3

ILLUSTRATION OF MODULAR APPROACH



higher employee contribution than is perceived to be the case in the private sector, and offered only high-cost, limited option coverage for covert employees. The overall response of the employee groups to a flexible benefit program was favorable, with the primary advantages perceived to be increased choice, the ability to tailor coverage, and tax benefits to the employees. The groups also expressed concern that there would need to be a minimum benefit threshold, that special procedures would have to be developed to enable certain employees to enjoy the flexibility offered by a flexible program, and that the Agency would have to undertake an extensive education and communications program to prepare employees to make the best choices for themselves.

Implementation Considerations

During the development of the proposed flexible benefits program, several important tasks would get under way. First, an employee benefits survey would be designed and administered to all employees. This survey would be of vital importance in determining what choices the employees would be making in a flexible benefits plan. These results are also necessary in order to determine accurately the underwriting costs of the program. Second, detailed program design, communications, and administration strategies would be developed. Tax and legislative implications would be addressed with the Internal Revenue Service, Office of Management and Budget, Office of Personnel Management, and the Congressional oversight committees. Finally, after the results of the benefits survey are analyzed, the preliminary design could be fine-tuned, priced, and test marketed with employees.

In view of the assumptions previously discussed, there would be no significant additional cost to the Agency for a flexible benefits program compared with the present program. In fact, it is characteristic of flexible benefits programs that they can be customized to respond to specific budgetary needs. However, in 1986 about one-fifth of our employees did not take medical insurance. Because they are covered under their spouse's insurance, the Agency had no medical benefits costs for these people. When the employee benefits survey and mock enrollment is completed, we will have a better idea as to whether these employees would choose to participate in the medical portion of our flexible plan; and, depending on their choice, the Agency may incur additional cost.

In addition, there are fixed and recurring costs for developing and implementing a flexible benefits program. The fixed costs are estimated to be about $1 million, primarily for modifications to payroll, claims, personnel data-processing systems, and for employee communications. Recurring costs are estimated to be roughly $100,000 to $200,000 per year for software maintenance. Two to five additional staff employees may be needed to support the program.

After final approval, implementation could begin. There are three main segments to this phase; all occur simultaneously. The design segment fleshes out all the details of the proposed program such as underwriting rules, open season, conditions for enrollment, and so forth. The communications segment, which is extremely important to the success of the program, prepares for the enrollment process. This includes producing videos, enrollment notebooks, the election form, posters, and summary and reinforcement pieces. In addition, enrollment leaders are trained, enrollment meetings held, and employee election support provided. The administrative segment is responsible for the various system interfaces between payroll, claims, and other personnel systems that are developed, tested, and put into place to support the flexible benefits program.

Feature 12—Leave Conversion

On an annual basis, Agency employees forfeit more annual leave than any other group of Federal employees. In 1986, our employees forfeited almost 117,000 hours. This total does not begin to capture the amount of uncompensated work provided by our employees, who willingly adopt a work ethic not expected nor found in most organizations. Unlike uncompensated overtime, however, which generally involves an individual decision that additional work is necessary to get the job done and often shows up in employee performance that is rewarded by the organization, forfeited annual leave provides just the opposite message. When the same employee opts in favor of the job over annual leave, the organization gives a clear message: use it or lose it.

Annual Leave Buy Back

Even with the increased carryover limits we have proposed for those in the MEIP, we expect that many employees will continue to be faced with annual forfeiture of leave. If we wish to

Table 10

FOR ILLUSTRATION PURPOSES ONLY
Employee Election Worksheet
Example Based on Employee With $25,000 Salary

Circle the Costs of All Choices

Agency Provided Benefit Credits 365 (1)

Employee Life Insurance (FEGLI) *(Choose one or more)*

	Amount	Benefit Credits Required
Total FEGLI Basic*	$ 54,000	$ 194
Standard Option*	10,000	10
Additional Option 1x pay	25,000	26
Additional Option 2x pay	50,000	52
Additional Option 3x pay	75,000	78
Additional Option 4x pay	100,000	104
Additional Option 5x pay	125,000	131
No Coverage	0	0

Family Life Insurance (FEGLI) *(Choose only one)*

$5,000 Spouse, $2,500 Ea. Child	$ 8
No Coverage	0

Business Travel Accident Insurance *(Choose only one)*

$300,000	$ 100
No Coverage	0

Income Replacement Plan *(Choose only one)*

$ 100/month	$ 9
200/month	18
300/month	26
400/month	35
500/month	44
600/month	53
800/month	70
1,000/month	88
No Coverage	0

* Includes AD&D

Medical Care *(Choose only one)*

	Benefit Credits Required Employee	Family
Plan 200/ 700	$ 698	$ 1,226
Plan 200/1,000	593	991
Plan 500/2,500	493	931
Plan 1,500/4,500	443	861
No Coverage	0	0

Dental Care *(Choose only one)*

	Employee	Family
Preventive Plan	$ 35	$ 60
Comprehensive Plan	80	200
No Coverage	0	0

Vision Care *(Choose only one)*

	Employee	Family
Vision Care Plan	$ 50	$ 150
No Coverage	0	0

Prescription Drug Plan *(Choose only one)*

	Employee	Family
Rx Drug 5 Plan	$ 86	$ 225
No Coverage	0	0

Specified Dread Disease *(Choose only one)*

	Employee	Family
Plan	$ 4	$ 10
No Coverage	0	0

Total Benefit Credits Required
(Sum of all credits circled) ______ (2)

* * * * * * * * * * *

Annual Leave Buy/Sell

To Sell Annual Leave

— Record Current Vacation Entitlement (Days) (Do not include any carryover amounts)		
— Subtract 10 days	− 10	
— Days Available for Sale		
— Value of Each Day Sold	$ 100	(A)
— Enter Number of Days You Wish to Sell	x	(B)
— Multiply (A) times (B) for Value of Sale	$	(Leave Credits Gained)

To Buy Annual Leave

— Enter Number of Days (Up to 10) You Wish to Purchase		(C)
— Cost of Each Day Purchased	x 100	(D)
— Multiply (C) times (D) for Cost of Purchase (Circle if Selected)	$	

Table 10 (Continued)

FOR ILLUSTRATION PURPOSES ONLY
Employee Election Worksheet

Calculating the Cost

Total Benefit Credits Required from (2) on page 1	$________	(2)
If buying leave, credits required	$________	(3)
Total Credits Required (2) + (3)	$________	(4)

* * * * *

Agency Provided Benefit Credits from (1) on page 1	$________	(1)
If selling leave, credits gained	$________	(5)
Total Credits Available (1) + (5)	$________	(6)

* * * * *

Total Credits Required	$________	(4)
Total Credits Available	$________	(6)
Difference (4 – 6)	$________	(7)

Please complete A or B below, depending upon the result in line (7).

A. If line (7) is a *positive* number, this is your level of required employee contributions per year. To compute the difference between this and your current level of contributions per pay period:

(1) Divide line (7) by 26 ________ (8)
(2) Enter you current biweekly contributions to FEHBP and FEGLI from your payroll slip ________ (9)
(3) Difference (8-9); if result is a positive number, you will owe this much more per pay period. If it is negative, you will save this much.

NOTE: This extra cost or savings does not reflect any tax savings that will result from pre-tax contributions.

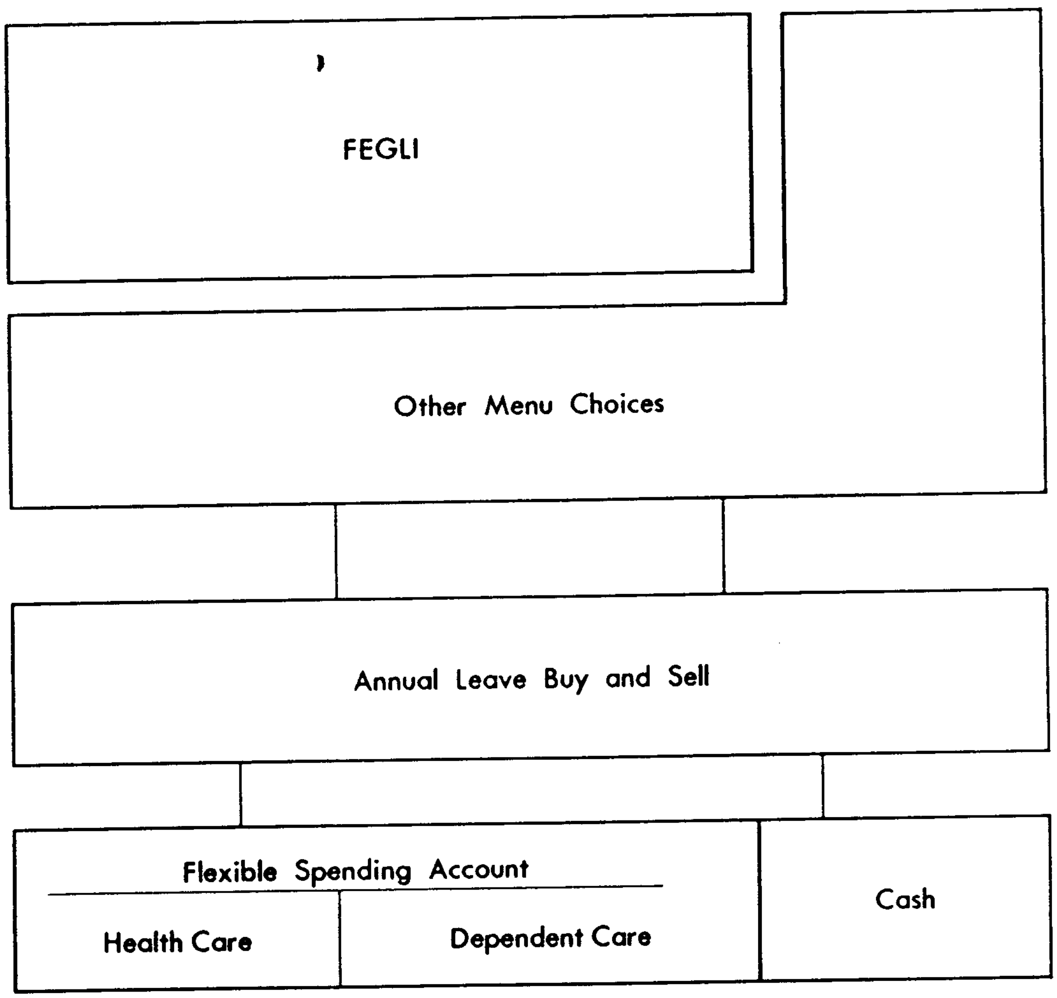
B. If line (7) is a *negative* number, you may allocate these remaining credits to your pre-tax health or dependent care accounts, or receive cash. Please indicate how you would use any remaining credits:

	Allocation of Remaining Credits
Flexible Account	
Health Care	____________
Dependent Care	____________
Cash	____________

C. Whether you have remaining credits or required contributions, you may elect to deposit additional pre-tax dollars into either the health care or dependent care spending accounts or both. The maximum amount which can be contributed into each account is $5,000 including any remaining credits. Please indicate any additional amounts you wish to allocate to these accounts.

Health Care	____________
Dependent Care	____________

FIGURE 4
GRAPHIC OUTLINE OF FLEXIBLE BENEFITS PROGRAM



reward and encourage further the very strong work ethic demonstrated by CIA employees, we could provide for conversion of such annual leave to cash. At the end of the leave year, any remaining leave, over the employee's individual carryover limit, that would be forfeited because of the needs of the service would be assigned a cash value, based on the employee's current salary, and paid in a lump sum. To encourage all employees to take at least two weeks off in the year, only those hours beyond the first 80 earned in a leave year would be considered under this program.

Although SIS officers are not subject to leave forfeiture, we believe that there are advantages to extending this option to these officers also. Under this proposal, SIS officers might be allowed to convert annual leave over 500 hours to cash at any time during the year. Adoption of this proposal is attractive from the perspective of both the CIA and the employee. For the CIA, a future unfunded liability is eliminated by paying out the money at the current salary, rather than the end-of-career salary that is invariably higher. From the employee's perspective, annual leave becomes another form of savings program that may provide needed cash for putting children through college or investing for postretirement income. An example of this win-win situation is shown in table 11.

Table 11
Conversion of Annual Leave to Cash

Year	1	2	3	4	5
A/L balance if allowed to accrue	607	735	863	991	1,119
A/L balance if cashed out each year	500	500	500	500	500
A/L cashed out	107	128	128	128	628
Salary *(thousand dollars)*	63.8	70.5	75.6	77.9	79.4
Value of A/L cashed in annually *(dollars)*	3,280	4,340	4,650	4,790	23,970
Five-year net					
Annual cash in total	$41,030				
Accrued lump sum	$42,716				

To illustrate this option, assume that an SIS officer who will retire in five years entered the program in 1986 at a salary of $63.8K, with an annual leave balance of 607 hours and will take 80 hours of leave each year. During the five-year period, the officer receives regular pay increases as shown in the illustration until he reaches his final salary of $79.4K, in 1990, the year in which he will retire.

Under current SIS leave policy, this officer would collect $42,716 in a lump sum at retirement. If this officer cashed in any annual leave in excess of 500 hours each year, the government would have paid out $41,030. Thus, the government would save $1,686, and the employee has been able to have the use of about $17,000 over the previous four years. If the employee had invested the cash received at a conservative rate of 6 percent (tax-free municipal fund), the cash value at the end of five years would be $43,582.

Optional Conversion to Sick Leave

We propose that authority be sought to enable employees to convert forfeited annual leave to sick leave. From the employee's point of view, this appears to be a desirable option because it trades forfeited annual leave for additional short-term disability protection. At the end of each leave year, all the forfeited annual leave of a non-SIS employee could be converted into sick leave on an hour-for-hour basis. This sick leave would be retained in a separate account. For CSRS, CIARDS, and FERS transferees, where accrued sick leave counts toward the calculation of retirement annuity, sick leave in this separate account would not be used to obtain additional time credit toward retirement. The employee may use this sick leave before any earned sick leave until the separate account is exhausted.

Sick Leave Bank

The Task Force also proposes that we seek authority to enable employees to donate annual leave that might otherwise be forfeited to a sick leave bank. The purpose of the bank would be to provide protection for employees who experience major medical problems. Because our proposal provides an alternative use of leave that otherwise would be forfeited, it differs slightly from the pilot leave bank programs implemented by the Office of Personnel Management (OPM) and the Internal Revenue Service (IRS). The IRS program in Florida was created by special legislation in order to allow fellow IRS employees to donate annual and sick leave on behalf of a husband and wife who both work for the IRS. The OPM pilot program, also created by legislation, allows similar donations for three individual test cases throughout the entire government.

If this proposal is adopted, any employee with more than one year of service might be eligible to apply for a withdrawal of hours from the bank. Any sick leave not used would be returned to the sick leave bank; however, the employee would not be required to repay any withdrawals from the bank. It probably would be necessary to require that the employee use all accrued sick leave and all except 80 hours of accrued annual leave before having a withdrawal from the sick leave bank credited to the employee's sick leave account. Limits on the use of the bank would have to be established, with six months probably a reasonable limit for a single illness, and 18 months lifetime use.

Home Leave Use

Although most of this section has focused on annual and sick leave, we also believe that we should look at the loss of home leave that our employees have worked hard to earn. Despite liberalization in the use of our home leave, a considerable number of employees have accrued substantial amounts of home leave that they have been unable to take because of the demands of their jobs. We recommend that authority be sought to allow employees who have been unable to use these accrued balances to use their remaining home leave balance in the year before their retirement date.

Feature 13—Educational Assistance for Dependents

There is an increasing concern that certain of the experienced employees who voluntarily leave the Agency do so for the larger salaries offered by the private sector in order to support their children's college education. We are concerned that, as educational expenses increase, this will become an even more serious problem in the future. We believe that there are at least four options available to address this growing problem.

Agency-Funded Tuition Assistance

The first option is a direct Agency-funded dependent tuition-assistance plan. This option, which has already been studied by the Office of Personnel, would allow a direct payment of up to $30,000 per eligible dependent (two students per family maximum) in return for six years of Agency service. It breaks new ground and, like the retention bonus, could be an effective retention tool for employees with college-age or near-college-age children. However, unless implemented on an extremely restrictive basis, this proposal could be prohibitively expensive, and, because it focuses on one segment of the population, those with college-age children, it also poses serious equity problems.

Leave Secured Loans

A second alternative is to seek approval for the use of annual leave balances as a source of educational loan collateral. This option would allow employees to borrow the cash value of their annual leave balance. If adopted, we would propose that these loans be administered through the Credit Union. The loan could be administered the same as collateral-secured loans that the Credit Union presently offers, with the employee eligible to borrow the cash value of accrued annual leave, calculated at the time of the loan, at a preferred interest rate. The employee would be prohibited from using any of the annual leave securing the loan, and, in case of default, that amount of leave will be removed from the employee's account. The CIA would then reimburse the Credit Union for the defaulted principal. The Credit Union's loan experience is that the default rate would be extremely low, less than 1 percent. This should reduce the CIA's risk to almost $100,000 annually. If our other proposals concerning annual leave are approved, however, this proposal would be less attractive. For example, if the CIA adopts a flexible benefits program that allows the purchase and sale of annual leave, this option would not be attractive to employees.

Thrift Loans

There are provisions in the Thrift Savings Plan for borrowing money for a number of expenses, including education. The Thrift Plan managers have not yet developed the terms of such loans. Employees, especially younger employees, have the potential of building a sizable balance in their Thrift accounts. As CIA does not manage Thrift, a specific system feature cannot be proposed. Rather, CIA would work with the Thrift Plan managers to see whether favorable terms for such loans can be incorporated in the plan. Effective interest rates for educational expenses as low as a few percent have been incorporated into such annuity loan programs elsewhere.

CIA-Subsidized Student Loans

Another option, and the one supported by most Task Force members, is an Agency-sponsored Guaranteed Student Loan Program. In this program, the Agency would act as the guarantor for student borrower loans made through the Credit Union. Such a proposal would fill the gap between the current Federal Guaranteed Student Loan Program, which has an income test, and the Credit Union's education loan program that is available at market rates to the employee-parent, not the student. To make this proposal attractive and competitive, the CIA would guarantee the loans and pay interest subsidies to make up the difference between the loan rate and market rate and might also pay the interest that accrues while the student is in school.

In a typical Guaranteed Student Loan Program, the government would "buy down" the interest rate from the prevailing market rate to a value nominally 3 percent lower. Currently, the Credit Union is making loans at about 11 percent, so that, if the Agency were subsidizing the loan by 3 percent, the rate to the student would be 8 percent. The Agency would pay the difference between the 8-percent and the 11-percent rates. The Credit Union estimates that the cost of the subsidy program would be approximately $495 per loan per year over the 14.5-year life of a loan for a student who borrowed $3,000 per year for four years, the size of a typical Credit Union student loan now. For a student borrowing $10,000 per year for four years, the cost to the Agency would be about $1,650 per year over the 14.5-year life of the loan.

Currently, the Credit Union cannot make loans to the dependents of its members. Thus, there are a number of legislative and administrative hurdles that would have to be overcome to implement this option. As currently envisioned, we would expect the program to be as follows:

- Educational loans would be made to the student, not the employee-parent.
- No-needs test would be required.
- The interest rate of the Guaranteed Student Loan Program would apply.
- The maximum amount that could be borrowed per year would be $10,000, which should be sufficient to cover tuition, room, and board at most colleges and universities.
- The maximum amount that could be borrowed by a student would be $50,000.
- Repayment would begin six months after borrower leaves school.
- The repayment period would be 10 years.
- Origination fees are paid by the student.
- The Agency pays loan insurance premiums.

Feature 14—Staffing Management Tools

The objective of the Task Force has been to provide a systematic approach to building and maintaining an attractive and motivating environment that will encourage our employees to want to spend a career with the CIA. There are certain issues that are unique functions of demographics or market forces, however, that are better addressed through special approaches focused on solving specific problems that contribute to organizational turnover and dissatisfaction. Among these are:

- The varying market demands for selected occupations that fluctuate with demands of the private and public sectors for scarce skills.
- The Agency's need to attract and retain experts in these technical fields through their prime productive periods when these people typically expect to change jobs and organizations several times during a career.
- The movement of the baby boom generation into the middle and senior level of organizations at the same time that management opportunities at the more senior levels are dwindling, creating a generation of employees who are faced with potentially plateauing careers.

This section of the report offers four specific proposals for addressing these growing problems, but are not intended to be all inclusive. Three of these proposals are retirement initiatives intended to ensure flowthrough in management ranks, or make Agency employment more attractive to certain mobile employees not generally expecting to spend a career with a single organization. The fourth is a proposal to use retention bonuses to encourage certain key individuals to remain with the Agency. These are examples of the types of approaches that will be required to address the future, and we will continue to examine other approaches that may facilitate future retention and development of our employees.

Early Retirement for SIS Managers

Although other elements of the proposed Human Resource System are designed to minimize the effect of career plateauing, we believe that it is also critical to provide a continuing throughput in senior management ranks to avoid stagnation. Under current law, employees under CSRS or FERS can retire without unreduced benefits only if they are 55 or over, and those under CIARDS and Special Category FERS can retire at 50. Although there are sound reasons for the current differences, we believe it is important that there be a steady influx of new talent into the management ranks. We also believe it is important that our top employees at the peak of their careers continue to perceive that there is potential to get to the top through planned turnover in the management ranks. This objective will be even more difficult to achieve as the "baby bust" generation, which will be covered by the portable FERS system, begins to fill midlevel management jobs and see the path up blocked by relatively young managers who must remain until they are 55 or older. For many of them, movement to another organization may seem more attractive than spending their careers plateaued at their current levels.

To provide the CIA with the needed flexibility in this area, we propose that the DCI be granted authority to designate certain key SIS officers as eligible for early retirement, with unreduced benefits. The requirements for eligibility would be 50 years old with at least 20 years Federal service, 10 years of Agency service, and at least 60 months in the SIS. This provision would be available for limited use at the discretion of the DCI as a means to maintain a dynamic management corps and to encourage those aspiring to senior management positions to remain with the Agency.

Early Retirement for Experts

At the same time the CIA is faced with the need to maintain a flowthrough in management ranks, we are also faced with the need to recruit and retain key experts in occupations critical to the Agency and to be able to retain them through the prime years of their career. These same people typically expect to change careers a number of times during their life, seeking new challenges rather than advancement within the organization. The CIA can offer the challenges they seek, but needs other tools. One of these may be the retention bonus. We also believe that, if we would offer an abbreviated career, with eligibility for a meaningful retirement income at 50 after only 20 years of Federal service with at least 10 years of Agency service, we could retain more of these people. Therefore, we suggest that the same early retirement option proposed for managers be available for key experts at the discretion of the DCI.

Involuntary Retirement

The third proposal would provide an unreduced annuity for employees who take an involuntary retirement as a result of a reduction in force (RIF) or reorganization.

Employees under CSRS take a 2-percent reduction in annuity for every year they are under 55, and both those under CSRS and FERS receive annuities less than they would have received had they been allowed to work until their planned 55 years old retirement age. These employees are further disadvantaged relative to other Federal employees because they have no placement rights in other agencies. The proposal would allow involuntary retirement, without penalty, for employees affected by RIF or reorganization who are 50 years old and have 20 years Federal service, or any age with 25 years Federal service. The annuity computation rate for such employees would be 1.7 percent under FERS and 2 percent under CSRS. These changes would place our CSRS and FERS employees who qualify on par with our CIARDS and Special Category FERS employees.

Retention Bonus

Bonuses have been used by the military for many years as a tool to retain key personnel. These bonuses have been used across the board and are particularly generous in the combat arms to encourage experienced noncommissioned officers to remain on active duty. They also have been used to retain officers in key occupations like naval aviator, nuclear engineer or physicist, and medical doctor. Authority to pay these bonuses is included in the military legislation and regulations and is administered at the departmental level.

Because of the success with which these programs have been used, we believe a similar mechanism should be established as a tool available for the CIA to use to induce key individuals in critical high-turnover occupations to remain. Specific trigger guidelines would have to be worked out, but we believe that there are certain occupations that from time to time will be critical to the accomplishment of the CIA mission and will be staffed with individuals who possess highly marketable skills that are in great demand outside the Agency.

We believe the individuals in the best position to identify those occupations in which turnover is having a harmful effect on the ability of the Agency to accomplish its mission are the operating officials. These officials would submit their recommendations through their Deputy Directors to the Director of Personnel, where an assessment of the Agency-wide needs and problems could be conducted. On the basis of the recommendation of the Director of Personnel, the Executive Committee and the DCI could rule on the case and designate an occupation, individual, or group key to the Agency to establish a retention bonus that would be tied to their experience with the Agency and their commitment to remain. Once the occupation is determined to be critical to Agency needs, individual Deputy Directors could be granted authority to designate eligible individuals and certify awards.

Proposed Data-Processing Support

Feature 15—System Controls

Concurrent with the implementation of the new system will be the introduction of a budget control system that would allow senior managers to systematically plan, allocate, and track monies for the personnel and compensation system. The Agency program review and budget process will continue to be the primary control and monitoring mechanism for the new system, but the focus could shift from position ceiling and average grade constraints to personal services dollars only.

The control process would begin with the Comptroller in the annual program call as it does now, with guidance being provided to senior management on the projected growth in Agency personal services funds. At the operating and Directorate levels, this control system would be translated into personnel requirements to support new programs by occupation, levels, and projected salaries. In addition, managers would be expected to project their overtime, other premium pay, and allowances requirements on the basis of anticipated workloads for current and projected programs. In turn, the Comptroller would process Directorate requests through the budget cycle until the current year operating budget is approved and provided to the Directorates.

To support this process, a variety of new automated planning tools will be required throughout the management chain. At the Agency or Comptroller level, a statistically based budget model would be required that provides a combination of trends analysis tools to support planning for future personal services funding requirements. This model would compare demographic data concerning future work force trends with projected Agency attrition and accession. This system would require up-to-date projections on separation and hiring by salary level, as well as information on projected promotion rates derived from the difference between current position requirements and current employee salaries and levels. The Comptroller would develop the budget using statistical projections over a five-year period. As an interactive tool, the budget model would simplify the process of projecting future personal services needs.

The Comptroller would include projected costs of incentive pay into the budget to account for any changes in total Agency personal services costs. From this analysis, an incentive pay planning grid would be derived for the Agency by the Comptroller and the Office of Personnel and would be reviewed and approved by the EXCOM and DCI. After the approval, guidelines would be provided to the Directorates along with their allocation of money for the incentive program as discussed earlier in the report. Within the guidelines and limits set by the Agency, Directorates or their subordinate operating organizations could adjust percentage amounts as they provide internal guidance to their panels and disseminate the guidelines to their Directorates.

At the Directorate level, a similar model would be used to assist management in assessing personal services requirements over the three-year program cycle. To support planning for organizational changes, a more focused trend analysis would be needed on separation and EOD projections by occupation as well as promotion projections to determine the recruiting requirements, personal services funds requirements, and occupational mix problems that may be facing the Directorate.

At the operating level, managers would need access to an up-to-date staffing system that accurately reflects salary and other data that may be helpful in planning the current and next year personnel requirements. At this level, the support systems should offer two separate services. The first should allow the manager to input projected changes to his organizational staffing, assign people into the new organizational structure, and assess projected personal services costs associated with the reorganization. If the manager controls the promotion process at this level, the support system should allow projections of the impact of these promotions on personal services costs and should allow future promotion rates to be projected against guidelines provided by the Comptroller for growth in Agency average salaries and personal services funds for the planning period.

The second support system required at the operating level is a mechanism that would allow managers to simulate incentive payments to assigned personnel to ensure that projected payouts are consistent with guidelines provided. The primary requirement for this system would be a current listing of employees and their salaries so that computations of total cost could be fed back to the manager, and any necessary adjustments made before announcement of the final award amounts.

Feature 16—Projection Tools

At the operating levels, senior managers would be responsible for both short- and long-term Human Resource planning. The Task Force proposes that they be provided with new automated tools to assist in this planning process. Managers would require current demographic information on their work force to project retirements and separation trends. They will require support systems that help plan for changes in occupational mixes by indexing projected skills needs throughout the Agency to facilitate placement of skills no longer needed by one part of the organization, and identifying retraining opportunities for obsolete skills. Information would be required at the operating level on the currency of education, particularly in technical occupations where knowledge is perishable, to plan for additional refresher training in the specialty areas. Data would be required on recruiting projections to help identify those areas where special recruiting attention would be required to meet our demands for scarce skills.

These and other types of HR planning tools are being examined by the Task Force to determine which could be satisfied by upgrades of current data base systems and which would require additional development. Tools that will meet the managers information and planning needs will be made available at the component level.

Proposed Implementation Strategy

The proposed system has been designed in a modular fashion so that some of its individual parts, such as the revised performance appraisal system or the various benefits options, could be implemented concurrently or incrementally. The pay and classification features would affect only GS, secretarial, and commo-banded employees; the changes in the performance evaluation, career development, and benefits systems would be applicable to all employees.

If banding and incentive pay are approved, this would be phased in, occupation by occupation to ease the administrative impact and to provide an opportunity to make such system adjustments as may be required. It has been proposed that the first two occupations to be placed into the new system would be Operations Officers and Computer Systems Analyst-Programers, to be followed by the remaining occupations in the Agency over a two-year period. During this two-year period, all Agency occupations on the GS—plus secretaries and Office of Communications employees who are in alternative pay systems—would be brought into the new system.

Before placement of an occupation into the new system, occupational panels would be reconvened to complete work on performance expectations and career development guidelines and to produce occupational career handbooks so employees clearly understand the new system as it applies to their occupation. Next, each occupation would convene a panel to assess individual employees against placement guidelines to determine the initial occupational level in which the employee will be placed, with the understanding that all employees will be converted into the new system at their current salary level. At the same time, the organizations that have these occupations would convert positions to the new system on the basis of the requirements of the organization and in accordance with occupational-level definitions.

One issue that we may wish to address on an Agency basis during this two-year phasein period is the differences between the career opportunities that exist among our various occupations. Many occupations have clear career paths to management levels, and many others have considerable lateral and upward opportunities based on employee skills and desires and the needs of the Agency. However, we also continue to have many occupations that have only limited career advancement opportunities and that offer little opportunity to develop new skills or take on more challenging responsibilities. An examination of such narrowly defined occupations could be undertaken as part of the implementation process to define and develop additional career opportunities, to look at new ways to structure Agency occupations to expand the challenges and opportunities for these employees, and thus, to provide more flexibility to managers to make optimum use of their personnel.

Proposed System Synopsis

Following is an end-to-end synopsis of the main features of the proposed system.

Feature 1—Occupationally Defined Bands

A. There could be a varying number of banded pay levels—from four to six—for each Agency occupation.

B. There would be a broader spread between the minimum and maximum of a banded pay level than exists for GS grades. Instead of discrete steps, the internal range of an individual banded pay level would be open, and permanent salary increases would represent a percentage of base pay.

C. The relationship between our occupations would be maintained by an Agency-specific job evaluation system. This system would replace all OPM-related classification tools being used by the Agency.

D. An Agency-unique pay schedule would be developed using the banded job levels identified by the panels. The new pay schedule would have 25 pay levels based in part on salary data that compares Agency jobs against equivalent ones in the marketplace. Each band within an occupation would be placed on the new pay structure at the appropriate level. The top of the pay structure would be constrained by the legislative pay cap.

E. To keep the pay schedule current, contractor support would be used to compile and assess salary survey data for periodic review by the Office of Personnel with direct participation by the Directorates. Salary schedule adjustments periodically would be authorized by the DCI.

Feature 2—Incentive Pay

A. The Agency would budget directly for its incentive pay and promotion funds. Legislative pay increases would increase the amount of personal services monies available for distribution to employees as part of the incentive pay system.

B. Using budget amounts specified by the Comptroller, an Agency-wide incentive pay planning grid would be developed annually and approved by the EXCOM. The grid would specify the ratio of amounts available for permanent salary increases and performance bonuses.

C. Above satisfactory performance would be rewarded more substantially than under the GS, and satisfactory employees would receive pay increases comparable with those now possible.

D. Pay would be in two parts, a permanent increase and a performance bonus; both will be a percentage of base salary. Permanent increases to salary would be paid biweekly, and performance bonuses paid in a single lump sum.

E. Pay adjustments would be on the basis of competitive evaluations conducted by panels. Office directors, DO division chiefs and heads of independent offices would approve all pay adjustments below the SIS level.

F. Individuals who serve outside of their home office would be evaluated for and paid a permanent increase and a performance bonus by the component in which they are working. Promotion for these individuals would be the responsibility of the parent career service.

G. Salary schedule adjustments would not automatically result in an increase to each employee's personal salary. Rather, an employee's salary increase would be determined during the annual pay-for-performance evaluation.

H. A Manager-Expert Incentive Program would be established as a recognition program for non-SIS managers and experts. There would be an increased annual leave carryover limit for managers and experts and a bonus program that would allow an additional bonus, which, when combined with the normal merit bonus, could be as much as 15 percent of base pay.

I. The minimum and maximum for SIS bonuses would remain as they are today, but the bonus pool would be increased somewhat to allow a larger percentage of the SIS population to receive an award.

Feature 3—Performance Plan

A. A modified performance appraisal system would be developed that includes: performance plan formulated by the supervisor and employee at the beginning of the rating period and required interim feedback discussions between supervisor and employee.

B. An automated data base of key tasks for each job identified by the occupational panels would be developed and made available to supervisors and employees to aid performance planning.

C. Supervisors would have the flexibility to modify a performance plan on the basis of interim feedback discussions with the employee.

Feature 4—Performance Evaluation

A. The current PAR format could be changed and a five-point scale adopted in place of the current seven-point scale. Additionally, a performance appraisal form tailored for the evaluation of managers would be developed.

B. Employees would be evaluated against job tasks identified by the occupational panels or against specific job tasks developed with the supervisor.

C. The performance appraisal by the first- and second-line supervisors would be used by panels to evaluate and rank employees for pay adjustments.

Feature 5—Occupational Career Handbooks

Career handbooks would be written for each Agency occupation. The handbooks would outline the career management process for each occupation including career maps, training and assignment opportunities, and pay administration procedures.

Feature 6—Individual Career Development Plans

Employees would have the option, tools, and incentives to prepare detailed and realistic career development plans. Information regarding projected Agency needs would be available to assist employees in their individual planning.

Feature 7—Occupation-Specific Training

Occupation-specific training would be developed that is keyed to the particular skill requirements of the various levels within individual occupations. Representatives of the occupations would work with OTE to tailor courses to meet specific occupational requirements.

Feature 8—Improved Availability of Training

Training would be made available when it is needed and at the convenience of the employee. Several new training features such as self-instructional correspondence courses, computer-based instruction, and workbooks on a range of unclassified subject areas would be developed.

Feature 9—Dual Track

With more positions established for experts at the higher levels, employees in a number of occupational fields would have an alternative to the management track that offers appropriate reward and status.

Feature 10—Promotion

A. Career management would continue to be the responsibility of the parent organization/career service, and panels would evaluate employees annually for promotion to the next higher level.

B. All employees who have a satisfactory performance appraisal rating would be considered for promotion.

C. Promotions would result in a permanent increase to base pay of at least 10 percent.

Feature 11—Flexible Benefits

A flexible benefits program would be developed with three attractive characteristics. First, it would allow the employee more choice in selecting benefit options. Second, it would allow the employee to pay certain health and dependent care expenses and other qualified benefits with pretax dollars. Third, it would allow the employee to exchange some annual leave for additional flexible credits or exchange flexible credits for additional leave.

Feature 12—Leave Conversion

Several annual leave modifications are being proposed as alternatives to those offered under flexible benefits. These include: increasing the annual leave carryover limits for non-SIS managers and experts; cash payment for SIS leave balances in excess of 500 hours; conversion of annual leave to sick leave or deposit into a sick leave bank; and use of home leave balances as paid time off in the year before retirement.

Feature 13—Educational Assistance for Dependents

A CIA-guaranteed and -subsidized student loan program administered through the Credit Union is proposed. In addition, leave secured loans and Thrift loans are considered.

Feature 14—Staffing Management Tools

A. Establishment of a retention bonus program is proposed to provide managers with extra flexibility to reduce turnover of key individuals or groups of employees.

B. An early retirement provision is proposed that would allow certain SIS officers retirement with unreduced benefits to maintain a flowthrough into the management ranks.

C. An early retirement provision is proposed that will allow certain key experts to retire with unreduced benefits as a means of encouraging them to spend a full career with CIA.

D. An involuntary retirement option is being proposed to allow certain individuals effected by reorganization or reduction in force to retire early with unreduced benefits.

Feature 15—System Controls

Computer-based models of the personnel structure at CIA would be developed to formulate salary planning grids for the Agency incentive pay program, to allocate incentive and promotion monies to the Directorates, and to assist components in adjusting occupational levels and numbers of personnel.

Feature 16—Projection Tools

Automated support would be available at the component level to assist managers with projections on future human resource requirements.

OCA 87-5008
24 September 1987

DDA/REG LOGGED

MEMORANDUM FOR: Acting Deputy Director for Administration

Director of Personnel

Director of Congressional Affairs

FROM: [redacted], Congressional Affairs STAT

SUBJECT: Status on Pay Personnel Proposal

1. With the help of the OCA staff, I think we have the best answer on exactly where we stand with our oversight committees on our proposed Pay, Personnel Management, and Compensation initiative.

2. Staffers from both SSCI and HPSI have worked out their differences on the initiative. They have not and will not put their agreement to writing until the Members of both Committees meet in Conference. If the agreement is maintained, the House--by tradition--will write the Conference Report.

3. Per the staffs' agreement, NAPA will do the study of the personnel systems of the Intelligence Community agencies. January 1989 is the due date for NAPA's final report. Language will be included in the report saying that it is not the intention of Congress to slow down personnel initiatives that agencies deem necessary, but it is expected that NAPA will provide interim reports to accompany those aspects of the personnel initiative the agencies want to move on. A senior Intelligence Committee staffer advised that we consider this requirement when negotiating the contract with NAPA; the contract should call for specific interim reports in accordance with our timetable.

Who is contracting with NAPA?

3. If this agreement is sustained, I read it to mean that we can proceed at our own pace, contracting with NAPA to provide interim reports according to our schedule. There are some big "IF's here. We won't know <u>if</u> the agreement will be sustained until after the Conference. We should be able to see in draft the HPSCI report. Cohen and I will be sure to press this with Battaglia at our meeting next week. I will try to get the house side to let us see their version before it goes to SSCI, but I am not optimistic. The other "IFs" pertain to NAPA. We will have to get the contract written according to our schedule, <u>if</u> they agree. We also have to worry <u>if</u> the interim reports should not endorse our position on what we have identied as needing done.

4. The DDA has indicated he does not want to arrange meetings with Members nor press the staff any further. Barring this option, I would appreciate your thoughts about how to proceed.

STAT

cc: DD/PA&E/OP