

DEPARTMENT OF THE NAVY

OFFICE OF CIVILIAN PERSONNEL MANAGEMENT

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ARLINGTON, VA 22203-1088

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IN REPLY REFER TO

OCPMINST 12430.1

OCPM 12

1 Feb 1988

OCPM INSTRUCTION 12430.1

From: Director, Office of Civilian Personnel Management

Subj: DEPARTMENT OF THE NAVY PERFORMANCE APPRAISAL REVIEW SYSTEM (PARS)

Ref: (a) DON Alternative Performance Appraisal System Program Manual (NOTAL)

Encl: (1) CPI 430

1. Purpose. To establish Department of the Navy (DON) performance management regulations for employees covered by the Performance Appraisal Review System (PARS). PARS regulations are based upon a performance management plan approved by the Office of Personnel Management (OPM), and replace the Basic Performance Appraisal Plan.

2. Coverage. The PARS Performance Appraisal Regulations cover employees in grades GS-1 through GS-12 and prevailing rate employees. The PARS Performance Award Regulations cover GS-1 through GS-18 or equivalent employees and prevailing rate employees. The Alternative Performance Appraisal System (APAS) may be used in lieu of PARS, where applicable. APAS covers General Schedule (GS) supervisors and management officials, grades GS-5 through GS-12, as defined by the Supervisory Grade Evaluation Guide (SGEG) and Federal Wage System supervisors and management officials as defined by 5 U.S.C. 7103. Employees rated under APAS are excluded from the PARS Performance Appraisal Regulations. APAS regulations are contained in Appendix A to this instruction and reference (a), available through the Office of Civilian Personnel Management Regional Offices and DON offices listed in Appendix B. This instruction does not apply to the following: employees specifically excluded by administrative exclusion defined by OPM for excepted service employees; employees appraised under the Performance Management and Recognition System (GS/GM-13 through 15); Senior Executive Service employees; nonappropriated fund employees; employees in temporary appointments not to exceed 120 days or less; an individual appointed by the President; an employee outside the United States who is paid under local national prevailing wage rates for the area in which employed; or an administrative law judge appointed under 5 U.S.C. 3105.

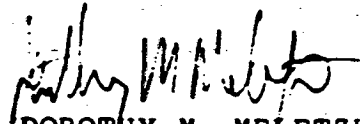
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3. Action. File enclosure (1) where OPM would file a Federal Personnel Manual Chapter 430.

4. Forms

a. NAVSO 12430/10, Department of the Navy Performance Appraisal Review System, SN 0104-LF-924-3050, may be obtained from the Naval Publications and Forms Center. A sample APAS form is included in CPI 540; it may be reproduced locally. Activities may develop APAS and PARS forms. However, all information on the sample forms must be included in a local form.



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(See page 3)

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DEPARTMENT OF THE NAVY
PERFORMANCE APPRAISAL REVIEW SYSTEM

1. Purpose. This instruction establishes Department of the Navy (DON) regulations for employees covered by the Performance Appraisal Review System (PARS), and implements the DON performance management plan approved by the Office of Personnel Management (OPM).
2. Policy and Program Objectives. The DON will use PARS as a management process to integrate performance, pay and awards with basic management functions, to improve individual and organizational effectiveness, and to accomplish agency mission and goals by providing a means to:
 - a. Plan, direct, evaluate and improve employee work.
 - b. Identify individual accountability.
 - c. Permit employee participation in developing goals and work requirements.
 - d. Communicate goals and work requirements.
 - e. Effect probationary actions.
 - f. Grant or deny general schedule (GS) within-grade increases (WGI's) and Federal Wage System (FWS) increases.
 - g. Grant awards to recognize and reward high-level performance.
 - h. Grant quality step increases (QSI's) to GS employees for "Outstanding" performance.
 - i. Use performance awards to motivate employees toward increased productivity and creativity, support and enhance agency and national goals, meet employee recognition needs and obtain maximum benefits for the Government.
 - j. Promote, develop, or retain employees in reduction-in-force.
 - k. Effect removal, reassignment, and demotion based upon performance.

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1. Integrate performance management into other civilian personnel programs including position classification, staffing, employee and labor relations, employee development and equal employment opportunity.

3. Coverage. PARS covers employees grades GS-1 through GS-12 and prevailing rate employees not covered by the Alternate Performance Appraisal System (APAS). APAS, where adopted, covers GS supervisors and management officials, grades 5 through 12, as defined by the Supervisory Grade Evaluation Guide and Federal Wage System supervisors and management officials as defined by 5 U.S.C. 7103. Employees rated under APAS are excluded from the PARS Performance Appraisal Regulations in paragraph 6, below.

4. Definitions

a. "Activity" means a field installation, headquarters command or office.

b. "Activity Head Designee" means the military officer or civilian official who approves PARS ratings of record and performance awards. This will typically be at a level no lower than the official responsible for managing to payroll.

c. "Appraisal" means the act or process of reviewing and evaluating the performance of an employee against the described performance standard(s).

d. "Appraisal Period" means the period of time for which an employee's performance will be reviewed. The DON minimum appraisal period is 90 days; each activity will establish a fixed, annual appraisal beginning/ending date (large activities may establish two fixed dates).

e. "Appraisal System" means the performance appraisal system established by DON under 5 U.S.C. Chapter 43, Subchapter 1, and 5 CFR Part 430, which provides for identification of performance elements, establishment of performance standards, communication of elements and standards to employees, establishment of methods and procedures to appraise performance against established standards and appropriate use of appraisal information in making personnel decisions.

f. "Close-out Rating" means a written "summary rating," as defined in 5 CFR 430.203, conducted when an employee or supervisor

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leaves a position after the employee has been under established performance standards for 90 days. Close-out ratings are interim appraisals and do not serve as the annual rating of record.

g. "Critical Element" means a component of a position consisting of one or more duties and responsibilities which contributes toward accomplishing organizational goals and objectives and which is of such importance that unacceptable performance of the element would result in unacceptable performance in the position.

h. "Element Rating" means the rating assigned to each critical element.

i. "Interim Appraisal" means any progress review, training appraisal or close-out rating conducted throughout the annual performance appraisal period.

j. "Major Command" means headquarters organizations listed in Appendix B.

k. "Non-critical Element" means a component of an employee's position which does not meet the definition of a critical element, but is of sufficient importance to warrant appraisal. Non-critical elements will not be used in DON.

l. "Performance" means an employee's accomplishment of assigned work as specified in the critical elements and standards of the employee's position.

m. "Performance Award" means a one-time cash payment to an employee based on the employee's annual rating of record.

n. "Performance Award Budget" means the 1.5 percent ceiling of aggregate base salaries allocated by major commands for possible distribution as performance awards.

o. "Performance Management Plan" means the description of DON's methods which integrate performance, pay, and awards systems with its basic management functions for the purpose of improving individual and organizational effectiveness in the accomplishment of Department mission and goals. The Performance Management Plan, which describes the individual performance plans, has been approved by OPM.

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p. "Performance Plan" means the aggregate of all written critical elements and performance standards.

q. "Performance Standard" means a statement of the expectations or requirements established by management for a critical element at a particular rating level. A performance standard may include, but is not limited to, factors such as quality, quantity, timeliness, and manner of performance.

r. "Progress Review" means a review of the employee's progress toward achieving the performance standard(s) and is not in itself a rating.

s. "Quality Step Increase" means a faster than normal step increase for an "Outstanding" performance rating of record.

t. "Rating of Record" means the annual Summary Rating required at the time specified by the activity unless a special rating is conducted to support a within-grade increase determination as required by 5 CFR 531.404, in which case the special within-grade increase (WGI) rating becomes the rating of record. The rating of record is the official rating for pay, performance award and retention purposes.

u. "Summary Rating" means the overall rating assigned when conducting a close-out rating or a rating of record. The five summary rating levels are: Level 5, Outstanding; Level 4, Exceeds Fully Successful; Level 3, Fully Successful; Level 2, Minimally Successful; and Level 1, Unacceptable.

v. "Supervisor" means an employee in a position having authority to perform one or more of the following functions with respect to at least one subordinate employee, or to effectively recommend such actions as: hiring, directing, recalling, suspending, disciplining, removing, adjusting grievances, assigning, promoting, rewarding, training, transferring and furloughing.

w. "Training Appraisal" means an appraisal or summary rating conducted as part of a formal training program, lasting more than 90 days, conducted under CPI 410. Training appraisals are interim appraisals and are not used as the annual rating of record.

5. Responsibilities

a. The Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN (M&RA)) will develop PARS policy.

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b. The Director, Office of Civilian Personnel Management (OCPM), will issue policy and evaluate its implementation.

c. The Chief of Naval Operations (CNO); the Commandant of the Marine Corps (CMC); the Chief of Naval Research (CNR); and the Assistant for Administration, Deputy Under Secretary of the Navy (Policy) (AA/DUSN (P)) are responsible for program implementation and execution of delegated PARS responsibilities in their organizations.

d. Commands listed in Appendix B will:

(1) Issue guidance and organizational requirements to their activities as needed.

(2) Approve and notify OCPM of use of APAS.

(3) Decide PARS performance award expenditure targets for their activities.

e. Activity heads will:

(1) Manage the activity PARS and APAS program, which includes ongoing evaluation.

(2) Request approval from the major commands or offices in Appendix B to use APAS, if desired.

(3) Establish the annual, fixed beginning and ending dates of the appraisal period.

(4) Determine if, in addition to the "Fully Successful" performance standard, the "Exceeds Fully Successful" and "Minimally Successful" standards will be required in writing.

(5) Make final PARS or APAS coverage determinations.

(6) Establish activity organizational requirements.

(7) Provide training and/or orientation to PARS and APAS employees, supervisors, and other staff officials as appropriate.

(8) Determine location(s) for maintenance of PARS records and forms.

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f. Activity head designees will:

(1) Ensure that funding is available to pay PARS performance awards in consonance with expenditure levels established by higher commands.

(2) Provide final approval of PARS ratings of record, performance awards, and quality step increases.

g. Second level supervisors will:

(1) Review, approve or disapprove and/or modify covered employees' performance plans and plan changes.

(2) Review and recommend final approval of ratings of record, performance awards, and quality step increases.

h. First level supervisors will:

(1) Develop a performance plan for each covered employee including at least one written critical element and the "Fully Successful" performance standard for each element.

(2) Encourage employee participation and ensure that covered employees are involved in the development of performance plans (see paragraph 6b(3) for recommended options).

(3) Provide employees with a copy of their written performance plan within 30 days of the beginning of each appraisal period and for each detail or temporary promotion expected to last 120 days or longer.

(4) Prepare a close-out rating when the supervisor leaves the position after the employee is under performance standards for a minimum of 90 days; when an employee completes a detail or temporary promotion of 120 days or longer under established performance standards; when an employee changes positions after being under established standards a minimum of 90 days; or when an employee moves to a new agency or organization after being under established standards a minimum of 90 days. The close-out rating will be forwarded to the employee's supervisor of record.

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(5) Conduct progress reviews as appropriate (but not less than one at mid-cycle).

(6) Propose final ratings of record.

(7) Recommend performance awards as appropriate.

(8) Provide a copy of the final approved rating of record to each covered employee as soon as possible, but no later than 90 days after the end of the appraisal cycle.

(9) Prepare a special rating of record when a within-grade increase determination is not supported by the most recent rating of record.

(10) Provide assistance to employees who receive a rating of record below the "Fully Successful" level.

(11) Initiate corrective action when an employee fails to meet a critical element, including a training plan as appropriate, and following procedures in CPI 432 as appropriate.

(12) Review and certify position descriptions as accurate and current.

i. Covered employees will:

(1) Participate in the development of their performance plan as required.

(2) Participate in a progress review(s).

j. Servicing Civilian Personnel Offices will:

(1) Advise supervisors and covered employees on PARS requirements and related performance management issues.

(2) Maintain PARS records and forms. At the request of activity heads, those records may be retained centrally outside of the Civilian Personnel Office (CPO) and in one or more locations in the activity. They will be made accessible to CPOs for pay, award, RIF and other personnel actions.

(3) File and forward close-out ratings, ratings of record and performance plans as appropriate.

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(4) Ensure that, within legal constraints, performance awards and quality step increases are accurately and timely paid.

(5) Ensure that supervisory certifications of position description accuracy are reviewed and appropriate actions taken.

6. Performance Appraisal

a. Appraisal Period

(1) A fixed annual appraisal period is required for rating of record purposes. Activities will designate the fixed beginning and ending dates of the appraisal period. Not more than two fixed rating periods will be established within an activity.

(2) To receive a rating of record, an employee must have served for a minimum appraisal period of 90 days under an approved performance plan at the same grade level. If necessary, the employee's rating period will be extended beyond the activity fixed ending date to insure the minimum 90-day period.

b. The Performance Plan

(1) Individual employee performance plans shall be in writing. Performance elements and standards will be prepared based on the requirements of the employee's position. Generic elements and standards may be used.

(2) Accomplishment of organizational objectives should, when appropriate, be included in performance plans by incorporating goals, program plans, or other similar means that account for program results.

(3) Employee participation is encouraged in establishing performance plans. This may be accomplished by means including, but not limited to, those cited below.

(a) Employee and supervisor discuss and develop the performance plan together.

(b) Employee provides a draft performance plan to supervisor.

(c) Employee comments on draft performance plan prepared by supervisor.

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(d) Performance plan is prepared by a group of employees occupying similar positions.

Final authority for establishing such plans rests with the supervising officials.

(4) A minimum of one critical element will be established for each position. However, it is strongly recommended that employees receive at least three critical elements, and wherever possible, an odd number of critical elements to facilitate the final rating process. A minimum of three critical elements is recommended. Non-critical elements will not be used.

(5) Performance standards are based upon a five-level summary rating system. The five levels are:

Level 5	Outstanding (O)
Level 4	Exceeds Fully Successful (EFS)
Level 3	Fully Successful (FS)
Level 2	Minimally Successful (MS)
Level 1	Unacceptable (U)

(6) The "FS" standard for each critical element must be in writing. Activities may require the "EFS" and "MS" standard in writing in addition to the "FS" standard. The "O" and "U" standards will not be written. An exception to this rule would exist for special critical elements where a "U" standard would be established in a pass-fail situation; e.g., for nurses giving controlled drugs or employees handling highly toxic wastes, etc. The "MS" standard must be provided in writing at any time that performance falls below the "FS" level and in a notice of opportunity to improve issued prior to performance-based reassignment, removal or reduction in grade.

(7) Performance plans shall be reviewed and approved at the beginning of the appraisal period by a person at a higher level in the organization than that of the appraising official unless the appraiser is the commanding officer, head of activity, flag officer or Senior Executive Service member.

(8) Employees will be provided copies of their approved written performance plans within 30 days after the beginning of each appraisal period, and of each detail or temporary promotion expected to last 120 days or longer. Upon receipt, employees will sign and date the plan. (Note: Employee's signature does not

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necessarily constitute agreement with the plan; it merely signifies that the employee has received it.)

(9) When substantive changes are made to elements and standards, the revisions will be reviewed and approved by a higher official than the appraising official except as provided in paragraph (7), above. Changes become effective when the employee receives a copy of the revised approved plan.

(10) At the time performance standards are set, supervisors must certify on the performance appraisal form, the currency and accuracy of the employee's position description.

c. Interim Appraisals. Interim appraisals include progress reviews, training appraisals and close-out ratings and shall be conducted throughout the annual performance appraisal period as required below. Interim appraisals shall be considered in determining the annual rating of record. However, they shall not be used as the annual rating of record.

(1) Progress Review: Progress reviews do not require a written summary rating. Progress reviews shall be conducted as follows:

(a) A review of the employee's performance shall be conducted at least once midway through the appraisal period. At a minimum, employees shall be informed of their level of performance by comparison with the performance elements and standards established for their position. The immediate supervisors and the employee will sign and date the performance appraisal form to indicate that the review was conducted.

(b) Any time during the appraisal period that an employee's performance falls below the "Fully Successful" level, the "Minimally Successful" standard will be provided to the employee in writing (unless already described in the performance plan). This standard will be provided to an employee as part of the "notice of opportunity" period for "Unacceptable" performance under the provisions of 5 U.S.C. 4303 and CPI 432.

(2) Close-out Ratings. A written close-out rating will be conducted as required below. A close-out rating may be used to appraise performance of collateral duties. The supervisor and the employee will sign and date the performance appraisal form. (Note: Employee's signature does not necessarily constitute agreement with the rating; it merely signifies that the employee

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has seen it.) The appraisal form shall be forwarded to the appropriate supervisor who will consider the close-out rating when preparing the rating of record.

(a) An employee completes a detail or temporary promotion of 120 days or longer under established performance standards. This requirement also applies to employees on "loan" from another activity/agency for 120 days.

(b) An employee changes positions after being under established standards a minimum of 90 days.

(c) An employee moves to a new agency/activity or organization after being under established standards a minimum of 90 days.

(d) The first level supervisor leaves the position after the employee is under established standards a minimum of 90 days. (In this situation, the employee would continue under the same performance plan under the new supervisor.)

(3) Training Appraisals. When training appraisals conducted under CPI 410, Appendix G, cover "Individual Development Plans" of at least 90 days, they will be considered in the annual performance rating process. Training appraisals shall not serve as a close-out rating or as a rating of record. In these instances accomplishments must be evaluated on the prescribed activity annual performance appraisal form by use of the procedures described in this instruction.

d. Summary Rating

(1) A summary rating is completed for close-out ratings, special within-grade increase ratings, and the annual rating of record.

(2) Ratings will be based on a comparison of performance against written standards.

(3) Each element is initially rated at one of the element rating levels described in subparagraph 6d(4)(a), below. Element ratings are then converted to one of five summary rating levels using the criteria in subparagraph 6d(4)(b), below. An employee rated below "Fully Successful" on a critical element may not receive a summary rating above level 2.

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(4) Element rating levels

(a) Definitions of the element levels are provided below. Definitions serve as a guide to determine the element rating. They are not used as performance standards.

1. Element ratings are defined as follows when performance standards are written at the "Fully Successful" level only:

Ratings

Definitions

ABOVE FULLY SUCCESSFUL
(AFS)

Work accomplishments exceed the "Fully Successful" criteria, depicting unusually good or excellent quality or high quantity of work provided ahead of schedule and with less than normal supervision.

FULLY SUCCESSFUL (FS)

Work accomplishments are of good quality. The individual produces the expected quantity of work. Results are in consonance with policy and schedules on work completion are met.

BELOW FULLY SUCCESSFUL (BFS)

Work accomplishments fail to meet the "Fully Successful" standard and the individual needs improvement to reach that level. A detrimental effect on the organization's success in accomplishing work assignments is recognized. There is a need for closer supervision, correction of work results and remedial training.

2. Element ratings are defined as follows when performance standards are written at three levels ("Fully Successful", "Exceeds Fully Successful", and "Minimally Successful"):

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RatingsDefinitions

OUTSTANDING (O)

Work accomplishments exceed the "EFS" criteria, depicting excellent quality and high quantity of work.

EXCEEDS FULLY SUCCESSFUL (EFS)

Work accomplishments meet the "EFS" criteria.

FULLY SUCCESSFUL (FS)

Work accomplishments meet the "FS" criteria.

MINIMALLY SUCCESSFUL (MS)

Work accomplishments meet the "MS" criteria.

UNACCEPTABLE (U)

Work accomplishments fail to meet the "MS" criteria.

(Note: When standards are written at three levels, the rating form should be modified at the local level.)

(b) Definitions of the five summary rating levels are provided below. Definitions are used to convert element ratings to a final summary rating.

1. ~~The following definitions are used when performance standards are written at the "Fully Successful" level only.~~

RatingDefinitionOUTSTANDING
(Level 5)

Rated "Above Fully Successful" on all critical elements and made significant contributions to the organization's mission.

EXCEEDS FULLY SUCCESSFUL
(Level 4)

Rated "Above Fully Successful" on the majority of critical elements.

FULLY SUCCESSFUL
(Level 3)

Rated at least "Fully Successful" on all critical elements.

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MINIMALLY SUCCESSFUL
(Level 2)

Rated "Below Fully Successful" on one or more critical elements but did not fall below the "Minimally Successful" standard on any element.

UNACCEPTABLE
(Level 1)

Failed to meet the "Minimally Successful" standard on one or more critical elements.

2. The following definitions are used when performance standards are written at three levels ("Fully Successful", "Exceeds Fully Successful", and "Minimally Successful"):

Rating

Definition

OUTSTANDING
(Level 5)

Rated "Outstanding" on the majority of critical elements and all elements rated at least Exceeds Fully Successful; employee made a significant contribution to the organization's mission.

EXCEEDS FULLY SUCCESSFUL
(Level 4)

A majority of critical elements rated "Exceeds Fully Successful" or better; the remainder rated at least "Fully Successful".

FULLY SUCCESSFUL
(Level 3)

Rated at least "Fully Successful" on all critical elements.

MINIMALLY SUCCESSFUL
(Level 2)

At least one critical element rated "Minimally Successful".

UNACCEPTABLE
(Level 1)

At least one critical element rated "Unacceptable".

(5) In those cases where the "FS" standard is the sole written standard, an employee may receive a final summary rating two levels above the "FS" level or two levels below the "FS" level; i.e., an "O" rating or a "U" rating, by use of the extrapolation system described above.

(6) A written rating of record shall be completed within 30 days following the completion of the annual performance cycle unless the employee has not completed 90 days

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under approved performance standards. When the activity cannot prepare a rating of record at the end of the appraisal period, **the period shall be extended to allow 90 days under approved standards at which time a rating will be conducted.**

(7) When appraisal information is available, the **rating of record will be based upon the entire year's performance.** **Interim appraisals must be taken into consideration.** A reasonable effort will be made to obtain interim appraisals including summary ratings from other agencies/activities. Factors such as length of time in the position and relationship to current line and level of work and the significance of work accomplishments will determine the degree of impact of the interim appraisal on the final rating of record.

(8) **Ratings of record shall be reviewed and approved by a person(s) at a higher level** in the organization than that of the appraising official unless the appraiser is the Commanding Officer, activity head, flag officer or a member of the Senior Executive Service. **Ratings must also be reviewed by an individual within the organization with responsibility for the performance award funds.** Major commands and activities may delegate this responsibility; however, it may not be delegated below the level of the activity head designee.

(9) **Ratings of record may not be communicated to employees prior to approval by the final reviewer.** Discussion of a performance appraisal prior to conducting the rating is encouraged. The employee should be provided an opportunity to discuss work accomplishments. However, the supervisor shall not communicate specific ratings on elements and the summary rating prior to approval. **Rating forms provided to the employee shall not reflect changes made by the reviewing official.**

(10) The performance **rating form shall be signed and dated by the employee after the immediate supervisor and the reviewer(s) have reviewed and approved the rating.** (Note: Employee's signature does not necessarily constitute agreement with the rating; it merely signifies that the employee has received it.)

(11) **Employees shall be provided a copy of their rating of record within 90 days of the end of the annual appraisal cycle.**

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(12) ~~When the appraisal period cannot be extended so that an employee can perform for a minimum 90-day appraisal period under approved performance standards, e.g., while on extended leave without pay or training, the employee will not receive a rating.~~

(13) A prescribed distribution of ratings is prohibited.

(14) The performance appraisal and resulting rating may not be lowered because a disabled veteran has been absent from work to seek medical treatment as provided in Executive Order 5396, dated July 17, 1930.

(15) Employees who receive a rating of record below the "FS" level must receive assistance in the form of formal training, on-the-job training, counseling, close supervision or other appropriate measures to enable them to perform at the "FS" level.

(16) A special written rating will be completed when a WGI determination is not supported by the most recent rating of record. That rating becomes the official rating of record.

(17) ~~A written summary rating will not be conducted immediately prior to a career-ladder promotion or prior to a performance-based reassignment, demotion or removal.~~

7. Grievances and Appeals. Covered employees who are not members of a bargaining unit may grieve through the administrative grievance procedure. Covered employees who are bargaining-unit members may grieve through the negotiated grievance procedure. Appealable issues may be appealed to the Merit Systems Protection Board. The Special Counsel of the Merit Systems Protection Board shall review any allegation of a prohibited personnel practice. Guidance on grievable/appealable matters is as follows:

a. Contents of the individual performance plan are neither grievable nor appealable.

b. Failure to inform employees of critical elements and standards within the required time frame is grievable.

c. Ratings on individual elements and summary ratings are grievable.

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d. Performance-based ~~demotions and removals~~ may be grieved through the appropriate negotiated grievance procedure or appealed to the Merit Systems Protection Board, but not both.

e. Performance ~~Awards~~ are not grievable under administrative grievance procedures.

8. Performance Recognition

a. General. DON will use PARS and APAS performance appraisals and ratings of record as the basis for employees advancing in the pay range, including within-grade increases and quality step increases. They also serve as the justification for performance awards. The performance award replaces the Sustained Superior Performance Award. Special Act Awards are considered incentive awards and not performance awards.

b. Responsibilities

(1) CMC, CNO, CNR, AA/DUSN (P), and DON commands will ensure that proper and equitable performance ratings and resulting payouts and awards are granted to covered employees. CMC, CNO, CNR, AA/DUSN (P) and DON commands, will also ensure that no more than 1.5 percent of the employees' aggregate base pay is spent on performance awards. That responsibility may be delegated to activity heads or activity head designees.

(2) Activity heads or activity head designees will approve individual employee quality step increases and one-time performance awards following the parameters shown on the conversion table in paragraph 8f. These officials are encouraged to base payouts on group efforts, particularly for APAS, where performance standards are similar.

c. Within-Grade Increases

(1) Federal Wage System (FWS). Employees will receive within-grade increases when eligible and if their performance is satisfactory. Satisfactory performance equates to a "FS" or better rating of record.

(2) General Schedule (GS). Employees covered by this instruction will receive within-grade increases, when eligible, if their performance is at an acceptable level of competence. Acceptable level of competence equates to a "FS" or better rating of record.

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(3) FWS and GS. When a ~~within-grade increase~~ decision is not consistent with the employee's most recent rating of record, a more current rating of record must be prepared. The rating of record used as the basis for an acceptable level of competence determination for a within-grade increase must have been assigned no earlier than the most recently completed appraisal period. The notice of negative determination must contain the "Minimally Successful" standard for any element evaluated below the "Fully Successful" level.

d. Quality Step Increases (QSI) for GS Employees

(1) General Schedule employees with current "Outstanding" ratings of record are eligible to be awarded a QSI. The QSI is an adjustment to base pay and is in addition to any one-time performance award the employee may receive; therefore, careful consideration should be given before recommending a QSI.

(2) The recommendation for a QSI must be forwarded at the same time as the employee's proposed "Outstanding" rating is being submitted for approval. The QSI must be approved by the same supervisors who approve the employee's rating of record and the activity head designee.

(3) Where possible, the QSI will be paid effective no later than 90 days after the end of the appraisal period. Notwithstanding management's ability to recognize "Outstanding" performance with the QSI and/or a performance award, 5 U.S.C. 5336 requires that there be a 52-week period between QSI's.

(4) QSI's are not charged against the 1.5 percent performance awards budget, but are included in the Object Class 11 budget.

e. Performance Awards

(1) Policy. Performance awards will be used to motivate employees by recognizing and rewarding those who attain high levels of performance both for individual performance and in support of group efforts. Awards shall be based on the employee's rating of record for the current appraisal period for which performance awards are being paid. These awards replace the Sustained Superior Performance Award. The Special Act Award is not considered to be a performance award. See OCPMINST 12451.1.

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(2) Eligibility. GS employees in grades GS 1-18, or equivalent, and prevailing rate employees are covered. An employee is eligible to receive a performance award when in a GS or equivalent position or prevailing rate position covered by an approved performance plan on the last day of the current performance appraisal period, including any extension needed to provide the needed 90 days in which to rate employees. Employees on long-term training are eligible for a performance award if training directly benefits the employing activity. An employee will not be eligible when the employee is on leave without pay for a period of time such that he or she is not in a pay status during the appraisal cycle for at least the minimum appraisal period; or is newly appointed to the Government within 90 days of the end of the activity's appraisal period.

(3) Recommendation and Approval. Performance awards shall be reviewed and approved by activity head designees, who are normally at a higher level in the organization than that of the reviewing official who concurs in the official rating of record. Performance awards should be considered together where the employees have the same or similar performance standards and are working together in support of the same organizational requirements.

(4) Funding Levels. Commands listed in Appendix B shall establish 1.5 percent of aggregate base salaries of covered employees as the maximum funding level for performance awards. No minimum funding level is provided. The aggregate base salary will be calculated based on the number of covered employees as of the last day of the appraisal cycle. Commands are responsible for deciding the PARS performance award expenditure targets for their activities. Activity targets may be set at different levels so long as the command's total PARS performance award expenditure does not exceed the 1.5 percent. (QSIs are not charged to the 1.5 percent limit).

(5) Payment of Awards

(a) Employees may be considered for performance awards using the percentage amounts shown in paragraph 8f, below.

(b) For employees in the same grade within each organizational element having responsibility for managing a performance award budget, performance awards for "Outstanding" must be greater than those for "EFS", and performance awards for "EFS" must be greater than those for "FS" performance. An exception to the rule is permitted in those cases where an employee has been promoted during the performance appraisal period.

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In such cases the full payment of a performance award may be restricted to a lesser amount, but no less than 2 percent of base pay for an employee rated "Outstanding".

(c) All performance award nominations shall be submitted to the appropriate approval authority within 30 days of the end of the employee's appraisal cycle. Performance awards must be documented on Standard Form 50 and paid within 90 days of the end of the employee's appraisal cycle.

(d) The receipt of, failure to receive, or amount of, a performance award is excluded from administrative grievance procedures. In addition, matters related to performance awards or other awards are not appealable to the Merit Systems Protection Board, except that the Special Counsel shall review any allegation of a prohibited personnel practice.

f. Rating/Payout Conversions

Payout Conversion Table

<u>Ratings</u>	<u>Within-grade Increase</u>	<u>Quality Step Increase (QSI)</u>	<u>Performance Award (PA) % of Salary</u>
O	FULL	ELIGIBLE ^{1/}	2-20% ^{2/}
EFS	FULL	NO	0-10%
FS	FULL	NO	0-10%
M	ZERO	NO	ZERO
U	ZERO	NO	ZERO

^{1/}The payment of QSI's and/or PA's is optional.

^{2/}Awards of more than 10 percent and up to 20 percent may be given for unusually outstanding performance. They must be approved by the command headquarters.

9. Records

a. Retention

(1) Employee's performance ratings of record and performance plans may be maintained in the Civilian Personnel Office, or at the activity head's discretion may be maintained centrally in one or more activity locations. Activities shall ensure that records are made accessible to CPOs for pay, award, RIF and other personnel actions, and that employees' performance rating data are input to the Naval Civilian Personnel Data System (NCPDS).

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(2) Performance ratings of record and individual performance plans shall be retained for three calendar years. Supporting documents shall be retained at least one calendar year. Documents may be retained in the Official Personnel Folder (OPF) or the Employee Performance File (EPF). When filed in the OPF, they shall be placed on the left (temporary) side of the folder. The personnel data system may be used to retain and print out performance ratings. The CPD or designee will sign the printout to validate their accuracy.

b. Disposition. When the employee's OPF is sent to another servicing office in the employing agency, another agency, or the National Personnel Records Center, the "losing" servicing office shall include in the OPF all ratings of record completed in the previous three-year period, as well as the performance plan on which the most recent rating was based and the summary rating prepared when the employee or supervisor changes positions. The losing office will purge the OPF of all ratings of record more than three years old, performance plans more than one year old and other performance-related records according to agency policy established under 5 CFR 293.404(a) and FPM Supplement 293-31.

10. Evaluation of the Performance Appraisal Program. The effectiveness of the program will be measured through on-site evaluations conducted by the DON Office of Civilian Personnel Management (OCPM) and by analysis of statistical data requested by OCPM. Local activities should continuously monitor PARS operation and correct deficiencies as necessary.

11. Relationship to other Performance-Based Personnel Actions

a. Promotions

(1) Career-Ladder Promotions. Performance appraisals shall be used as a basis for determining eligibility for career-ladder promotions. To be promoted, an employee must be performing at the "FS" level or better on all critical elements. A written rating of record will not be conducted as part of the career-ladder promotion appraisal process.

(2) Merit Promotion Actions. The rating of record will be used in merit promotion evaluations and by selecting officials to the extent it is relevant to the position to be filled.

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b. Probationary Period. Performance shall be a factor in the decision to retain or remove an employee during the probationary period. General criteria for retention are described below. ~~A formal written rating will not be completed when removing an employee during the probationary period.~~

(1) Initial Probationary Period. Evaluation of the employee's performance, as well as other considerations will serve as a basis for the decision to retain or remove the employee from the Federal Service.

(2) Supervisory and Managerial Probationary Period. Evaluation of the employee's performance of supervisory or managerial elements of the position will serve as a basis for the decision to retain or remove the employee from the supervisory or managerial position.

c. Removal, Demotion and Reassignment

(1) Employees whose performance is "Unacceptable" must be removed, reassigned or reduced in grade, but only after the employee has had an opportunity to demonstrate acceptable performance as required by 5 USC 4302(b)(6) and CPI 432. The written notice of opportunity period must inform the employee in writing of the "Minimally Successful" performance standard that must be reached to be retained.

(2) If, at the conclusion of the "opportunity" period, the employee's performance continues to be "Unacceptable", the activity must initiate reassignment, reduction in grade, or removal, subject to the provisions of 5 USC 4303, and CPI 432.

d. Reduction-in-Force (RIF)

(1) The rating of record for RIF purposes will be the annual rating conducted at the time specified by the activity and special ratings conducted to support WGI determinations. Interim appraisals will not count as the official ratings of record for RIF purposes.

(2) No rating will be assigned for the purpose of affecting an employee's RIF retention standing.

(3) The three most recent ratings of record are considered for RIF purposes. To determine retention standing, an employee receives additional years of service for each "0" rating, "EFS" rating and "FS" rating.

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e. Training and Development

(1) Identification of training requirements to improve performance is a significant element in the appraisal process. The performance appraisal process shall clearly identify areas where training and development may be appropriate. Whenever it is determined that an ~~employee's performance is less than "FS"~~ supervisors are responsible for assisting the employee in bringing his or her performance to the "FS" level. ~~This will be accomplished through counseling, closer supervision, on-the-job training, and/or formalized training, as appropriate.~~

(2) Performance appraisals conducted as part of the employee's individual training plan or other specialized training plan ~~will be considered in the annual performance rating process.~~ Such appraisals are ~~categorized as interim appraisals and shall not serve as the rating of record.~~