
INTELLIGENCE COMMUNITY DIRECTIVE NUMBER 654



PERFORMANCE-BASED PAY FOR THE INTELLIGENCE COMMUNITY CIVILIAN WORKFORCE (EFFECTIVE: 28 APRIL 2008)

A. AUTHORITY. The National Security Act of 1947, as amended; the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA); and other applicable provisions of law.

B. IMPLEMENTATION AND ADMINISTRATION. The Director of National Intelligence (DNI) and the heads of the executive departments and independent agencies with Intelligence Community (IC) employees have agreed upon and approved this IC Directive (ICD or "Directive"). The DNI and the executive departments and independent agencies heads with the requisite statutory authority will exercise their respective authorities to implement and administer this ICD consistent with its provisions and the provisions of ICD 650, "National Intelligence Civilian Compensation Program: Guiding Principles and Framework." This ICD does not waive the respective statutory authorities of the DNI or the heads of the executive departments and independent agencies with IC employees to carry out their respective missions and functions.¹

C. PURPOSE. The IRTPA authorizes the DNI to prescribe, in consultation with the heads of IC agencies and elements, and the heads of their respective departments, personnel policies and programs that, among other things, enable the IC to recruit, motivate, and retain highly qualified individuals for the effective conduct of intelligence activities, and facilitate the rotation of IC employees between IC components and to the DNI and the national intelligence centers. In accordance with the provisions of ICD 650, this Directive establishes common, core policies and processes for administering performance-based pay that are to be incorporated into the compensation systems established and administered by those executive departments and independent agencies that have the statutory authority to do so.

¹ A legal determination as to whether the language in this paragraph is necessary under the IRTPA, in order for the DNI to execute this ICD, has not been made. However, in order to advance the policies established and agreed upon herein, and in accordance with the spirit and intent of the IRTPA, this language has been included in this ICD.

D. APPLICABILITY. This Directive applies to the executive departments and independent agencies as defined by the National Security Act of 1947, as amended, that have IC employees and the requisite statutory authority to implement its provisions; and to civilian employees of other departments or agencies with such authority that may be designated by the President, or designated jointly by the DNI and the head of the executive department or agency concerned, as an IC component, regardless of funding source. This Directive also applies to employees appointed on a time-limited basis, or certain other civilian employees of an executive department, as designated by the head of that department, to the extent permitted by law. This Directive does not apply to senior executives or equivalent senior-level positions or personnel (that is, positions classified above the General Schedule grade of 15, or employees of equivalent personal rank), members of the Foreign Service, Federal Wage System employees, military personnel, or contract personnel.

E. DEFINITIONS.

1. Base Pay. The rate of pay before any deductions and exclusive of additional pay of any kind. This is the regular and recurring payment authorized for the work performed, excluding supplemental or irregular payments and allowances, typically expressed as an hourly or annual amount.

2. Evaluation of Record. The final, official performance evaluation of an employee that is prepared at the end of the performance evaluation period.

3. Executive Departments and Independent Agencies with IC Employees. For purposes of this Directive, this includes the Departments of State, the Treasury, Defense, Justice, Energy, Homeland Security, the Office of the Director of National Intelligence, the Central Intelligence Agency, and any other agency or element designated by executive order or law as part of the Intelligence Community.

4. IC Components. For purposes of this Directive, the intelligence agencies and elements that belong to the executive departments or that constitute independent agencies.

a. Employing IC Component. The IC component *from* which an employee is detailed while on a joint IC duty rotational assignment.

b. Gaining IC Component. The IC component *to* which an employee is detailed while on a joint IC duty rotational assignment.

5. IC Human Capital Board (IC HCB or Board). As specified in ICD 650, an executive-level collaborative body, designated or separately established by the DNI with responsibility for making recommendations to the DNI and the heads of the executive departments and independent agencies that have the requisite statutory pay-setting authority, on the implementation and administration of the National Intelligence Civilian Compensation Program (NICCP). The board may also perform such other functions as may be specified in the NICCP's various enabling directives, and may address and make recommendations on other IC-wide human capital and related matters as it sees fit.

6. National Intelligence Civilian Compensation Program. The core policies and processes collectively established by this ICD, ICD 650, ICD 652, "Occupational Structure for the Intelligence Community Civilian Workforce," and ICD 653, "Pay-Setting and

Administration Policies for the Intelligence Community Civilian Workforce.” The NICCP will be implemented and administered in conjunction with civilian performance management system policies separately established by ICD 651, “Performance Management System Requirements for the Intelligence Community Civilian Workforce”.

7. Pay Band. The rate range that defines minimum and maximum base pay rates for work assigned within a particular work category and work level.

8. Pay Pool. A grouping of employees formed from a work unit; a combination of work units; an occupational category; and/or other criteria, grouped together administratively for the purpose of determining performance-based payouts.

9. Pay Pool Manager/Pay Pool Panel. The management official or officials responsible for managing and administering the pay pool process and making performance-based payout decisions in conformance with IC component guidance.

10. Performance-based Bonus. The lump-sum payment that an employee receives based on annual performance and work accomplishments. It is not part of base pay for any purpose.

11. Performance-based Pay Increase. The upward adjustment to an employee’s base pay resulting from annual pay pool decisions.

12. Performance-based Payout. The total of an employee’s annual base pay increase and/or bonus decided by the pay pool manager or panel.

13. Performance Evaluation. The formal review of an employee’s performance against performance objectives and performance elements, that results in an evaluation of record.

14. Performance Evaluation Period. The period of time established under a performance management system for reviewing and rating employee performance.

15. Rate Range Adjustment. An approved change to the minimum and/or maximum base pay rates associated with one or more pay bands and/or work categories.

16. Rater. The management official who evaluates the performance of an employee and prepares the evaluation of record.

17. Reviewer. The management official who reviews and approves evaluations of record to ensure consistency between and among Raters.

F. POLICY. This Directive links performance-based pay increases and bonuses to individual accomplishments, demonstrated competencies, and contributions to organizational results, pursuant to ICD 651, “Performance Management System Requirements for the Intelligence Community Civilian Workforce.” Performance in this context includes both individual and organization performance. Annual pay increase decisions will take into account all aspects of performance, in combination with employees’ salary levels in the pay band and the available budget. This Directive provides the basis for the executive departments and independent agencies with IC employees to allocate their funds to execute these policies and will be administered in conformance with the following:

1. In the aggregate, funding for performance-based pay will be at least equal to the amount that would have been expended had the IC remained under the General Schedule.

2. All performance-based payout decisions will be merit-based, fully documented, and reviewed at the component-level to ensure that they adhere to established policy and process guidelines.

3. Higher performance and greater contribution to mission should result in proportionally higher rewards for similarly-situated employees.

4. Performance-based payout decisions will consider an employee's relative salary position in the band consistent with applicable federal regulations.

5. Processes for allocating, managing, and making performance-based payouts will be transparent; that is, all such decisions will be clearly communicated and justified. Employees will receive their individual results, as well as aggregate results for their organization.

6. Any reduction in base pay will be effected through applicable adverse action procedures.

G. RESPONSIBILITIES.

1. Director of National Intelligence. The DNI, in collaboration and coordination with the heads of the executive departments and independent agencies with IC employees, establishes common, core policies and processes for the performance-based pay systems established and administered by those executive departments and independent agencies with IC employees or their IC components; and ensures, through oversight, program evaluation, and other support as appropriate, that those performance-based pay systems effectively meet the requirements of this Directive.

2. Heads of the Executive Departments and Independent Agencies with IC Employees. These individuals are responsible for establishing performance-based pay systems for their employees, setting the rates of pay for those employees, and, subject to DNI and other appropriate program evaluation and oversight. They must ensure that those systems conform to the common, core policies and processes established by this Directive and other applicable authorities. They are also responsible for making sure that their management officials and employees receive initial and ongoing training in the implementation and operation of performance-based pay systems.

3. Management Officials. Supervisors and managers at all organizational levels are responsible for executing applicable pay administration and performance-based pay policies and procedures in a manner that accurately and objectively links overall performance evaluations with performance-based payouts to ensure the integrity of those policies and procedures. They are also responsible for communicating pay administration requirements and provisions to the employees under their supervision and management.

H. PERFORMANCE-BASED PAY POLICIES AND CORE CRITERIA.

1. General. Performance-based pay decisions will be merit-based and derived from the final evaluation of record, relative performance and contribution to mission, relative salary position within the pay band (where permitted by law or regulation), and the overall ratings distribution and funding within the pay pool. In addition, all performance-based pay systems covering IC employees will, at a minimum, incorporate the following requirements:

a. Deliberation and decision-making processes will be based on Federal Uniform Guidelines on Employee Selection Procedures (41 Code of Federal Regulations § 60-3) and/or other applicable professional and technical standards.

b. Performance-based pay decisions will be supported by a performance management system that meets the requirements of ICD 651.

c. To be eligible for consideration for performance-based payouts, employees must have received an Evaluation of Record from an IC component.

d. Eligible employees who are absent from civilian service to perform in the uniformed services, eligible employees who are receiving workers' compensation, or employees in other special circumstances, will be considered in accordance with applicable law and federal regulation, as well as policies promulgated by the DNI or the executive departments and independent agencies with IC employees.

e. Employees who have received an Evaluation of Record but are no longer employed by the IC component rendering that evaluation at the time of a performance-based payout are not eligible to receive a performance-based pay increase. Such employees may be considered for a performance-based bonus in accordance with policies established by the heads of executive departments and independent agencies with IC employees.

f. Only employees with a current Evaluation of Record of Successful or higher are eligible to receive both a performance-based payout and the full amount of the applicable rate range adjustment.

(1) Employees rated Successful or higher are eligible to receive a percentage increase in base pay not less than the minimum rate range adjustment as part of the annual performance-based pay increase.

(2) Employees who receive an evaluation of record below Successful are not eligible for any performance-based payout.

(3) The IC HCB may, from time to time, recommend adjustments or revisions to the above policies to reflect changing mission, market, and/or other appropriate policy considerations. Such adjustments or revisions will be fully communicated to all affected IC employees in advance of their implementation.

g. The heads of the executive departments and independent agencies with IC employees will provide guidance for determining performance-based payouts, which must address base pay and/or bonus allocations.

h. Employees will not receive base pay increases that would result in base pay above the maximum rate of the employee's pay band.

i. Performance-based payouts may include either a performance-based pay increase and/or bonus.

j. Performance-based payouts shall be effective on or about January 1 of each year or as soon as practical thereafter, but no later than April 1. IC components may vary from this

schedule in consultation with their parent department, as applicable, and the DNI if operational requirements or legislative appropriations necessitate a different schedule.

k. For employees on joint duty assignments, the gaining IC component is responsible for determining the evaluation of record, allocating bonus funding, and paying any performance-based bonus (if applicable), in accordance with ICD 601, "Joint Intelligence Community Duty Assignments," and IC Policy Guidance (ICPG) 601.01, "IC Civilian Joint Duty Program Implementing Instructions." The gaining IC component must forward the final rating to the employing IC component within 30 days of the close of the performance period to permit timely performance-based pay increase decisions while bonus deliberations are pending at the gaining IC component.

l. For employees on joint duty assignments, the employing IC component is responsible for ensuring sufficient salary funding, and determining and paying the employee's performance-based pay increase (if applicable). Such increases will be in accordance with section H.1 and will be consistent with performance-based pay increases awarded to similarly-situated and rated employees in the employing IC component within the assigned pay pool.

2. Funding.

a. To the maximum extent practicable, the overall amount allocated by the National Intelligence Program (NIP) for compensation of employees covered by the NICCP will not be less than the amount that would have been allocated for compensation of such employees if they had remained in the General Schedule or equivalent pay system. The DNI, based on budget proposals submitted by the IC components and recommendations from the IC HCB, will determine the NIP funding available for covered employees and issue implementing policies that establish the method for calculating the overall amount to be allocated to implement and administer the NICCP by fiscal year from their civilian payroll. The Secretary of Defense will make a similar determination pursuant to section 102A(c) of the IRTPA, with respect to the Military Intelligence Program (MIP) funding available for IC employees paid from that account.

b. As a minimum, funding for performance-based pay increases will be derived from funding for:

- (1) Within-Grade Increases (WIGI).
- (2) Quality Step Increases (QSI).
- (3) Annual comparability increases under the General Schedule.
- (4) Those within-band base pay increases that would have occurred as promotions under the GS system.

c. IC components are required to manage civilian pay during the year of execution and plan for and justify increased pay requirements as part of the official planning and programming process. Funding for performance-based pay increases and performance-based bonuses will be made part of the applicable IC component's NIP and/or MIP program budget submission.

(1) The DNI will provide budget guidance during the programming and budgeting cycle for the NIP, based on recommendations of the IC HCB, to establish the minimum and maximum aggregate funding assumptions for performance-based pay increases. The Secretary of Defense will do likewise for the IC employees funded by the MIP.

(2) During the year of budget execution, the head of each IC agency and element is responsible for determining and meeting actual NIP and/or MIP funding requirements for employee promotions, performance-based pay increases, and bonuses.

(a) Adjustments to the agency's or element's NIP performance-based pay budget that fall within the parameters of the DNI budget guidance are at the discretion of the head of the IC agency or element. Adjustments to the agency's or element's MIP performance-based budget will adhere to the Department of Defense guidance and procedures, as applicable.

(b) The DNI, in consultation with the IC HCB, must approve any proposed adjustment to an agency's or element's NIP performance-based pay budget that falls outside the funding parameters of the DNI budget guidance. Adjustments to the agency's or element's MIP performance-based budget will adhere to the Department of Defense guidance and procedures, as applicable.

3. Pay Pools. IC components will establish and use pay pools to determine and distribute performance-based payouts among pay pool employees, with the objective of providing higher pay for higher performance, rewarding greater contributions to mission, and ensuring overall pay equity within the pay pool.

a. IC components will determine their respective pay pool structures, subject to such considerations as:

(1) Organizational structure and geographic distribution.

(2) Number of employees and their occupational composition, work levels, and work categories.

(3) Effect of the size of the pool on:

(a) The ability of the pay pool manager or panel to make meaningful pay distinctions based on familiarity with the performance of employees in the pool.

(b) The effect of individual ratings on the overall ratings distribution and the resulting relative value of the performance pay increments.

(4) Other relevant factors.

b. Funding allocations to individual pay pools may not, in the aggregate, exceed the total amount budgeted for performance-based pay by the IC component. Within that budget, IC components will allocate funding among pay pools. Allocation decisions may be influenced by mission- and performance-related factors such as:

(1) Mission and the performance of work units covered by the pay pool.

(2) Occupational composition, work levels, base pay levels, career paths, and recruiting and retention patterns of employees in the pay pool.

(3) Strategic human capital requirements.

(4) Other appropriate factors, such as the number of employees on joint duty assignments.

c. Final evaluations of record must be completed prior to beginning the performance-based payout process and may not be changed by the pay pool manager or panel as part of the performance-based payout process.

d. The gaining IC component will determine which of its pay pools will be responsible for approving and allocating performance-based bonuses for employees on joint-duty assignments in accordance with ICD 601 and ICPG 601.01.

e. Pay pool managers and panels will manage pay pools and make decisions on performance-based payouts. Those decisions will be subject to senior level of review, as determined by the IC component and specified in the IC component's implementing instructions, to ensure merit and component-wide consistency, and to prevent unlawful discrimination.

f. The pay pool manager or panel generally will allocate performance-based pay increases within the range established for a particular evaluation of record based on relative performance against expectations.

(1) The preliminary estimate of an individual's performance-based payout is calculated using a standard IC mathematical formula that applies the following factors:

- (a) Individual performance ratings for employees in the pay pool;
- (b) The overall performance ratings distribution in the pay pool;
- (c) Current base pay levels of employees in the pay pool; and,
- (d) The overall pay pool budget for performance-based pay increases.

(2) An employee's preliminary performance-based payout will reflect the relationship of the employee's base salary to the market point (initially defined as the arithmetic mid-point of a pay band's salary range), according to a factor derived by dividing that market point salary level by the employee's pre-payout salary level consistent with applicable federal regulations.

(3) The application of the mathematical formula is intended to recognize performance and its impact on the rate of pay progression through the band. All other things being equal, salaries of eligible employees below the band midpoint will generally rise more rapidly up to the market/midpoint; and will then moderate as the employee's salary progresses beyond the market/midpoint up to the maximum salary rate of the band. Performance is the key factor. Resulting salary levels in the band and available budget are moderating factors.

(4) The actual amount of an individual's preliminary estimated payout will vary because of the unique combination of variables found in that individual's particular pay pool.

g. Where warranted by an employee's relative work accomplishments and contribution to mission, the pay pool manager or panel may adjust an individual's preliminary performance-based payout above or below the estimate established for the employee's evaluation of record.

In such cases, the rationale for the adjustment will be fully documented, approved by higher level authority, and provided to the employee.

h. In addition, the pay pool manager or panel may increase or decrease an individual employee's performance-based payout to reflect such factors as the period of time in the organization or position (if less than the full rating cycle), or a recent promotion. Such adjustments will be consistently applied in accordance with merit principles and applicable IC, departmental, and/or agency policies. The basis for any such adjustment will be fully documented and provided to the employee.

i. The salary progression of employees in an entry or developmental band may be adjusted up to the first tercile of the full performance band according to factors other than or in addition to their annual evaluation of record (for example, successful completion of a training program or course of study).

I. OVERSIGHT. The DNI and the heads of the executive departments and independent agencies with IC employees will conduct oversight of performance-based pay provisions established in accordance with this Directive.

1. Program Coordination. Performance-based pay policies established or modified to effect the policies of this Directive that impact multiple employees will be coordinated with the DNI (or the Associate DNI for Human Capital as the ODNI senior designee) and the IC HCB.

2. Reporting and Program Evaluation. The DNI will, in coordination with the heads of the executive departments and independent agencies with IC employees, establish reporting requirements for the purpose of conducting oversight of IC performance-based pay policies and processes.

J. REVIEW AND REVISIONS.

1. The DNI, in conjunction with the heads of the executive departments and independent agencies with IC employees, will review those IC Directives that comprise the NICCP biennially (from the date of issuance) to determine whether their requirements should be retained or modified.

2. The DNI, and/or the head of an executive department or independent agency with IC employees, may request revisions to this ICD at any time.

3. Where applicable, the heads of executive departments and independent agencies with IC employees may use their respective authorities to deviate from this ICD when necessary to carry out their independent missions and functions. Prior notification will be provided to the DNI when an agency or element establishes a written policy or practice impacting multiple employees that deviates from the ICD. Notification is not required for deviations in individual cases.

K. EFFECTIVE DATE. This ICD is effective upon signature. All executive departments and independent agencies with the requisite statutory authority will, consistent with that authority, implement the provisions of this Directive in conformance with their required implementation plans and timelines. For those executive departments without such statutory authority, implementation will be deferred unless and until such authority is granted. At that time, the DNI (or the Associate DNI for Human Capital as the ODNI senior designee) and the heads of those

departments (or their senior designees) will, through separate Memoranda of Understanding, set forth a mutually acceptable implementation plan with respect to both integration and timing that meets the legal, policy, and program requirements of both parties.



J.M. McConnell
Director of National Intelligence



Date