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<td>B. Kuhns</td>
<td>Assistant Secretary of Defense for Force Management Policy</td>
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DEPARTMENT OF DEFENSE
PUBLICATION SYSTEM
CHANGE TRANSMITTAL

OFFICE OF THE SECRETARY OF DEFENSE
Assistant Secretary of Defense for Force Management Policy

DoD 1401.1-M
CHANGE 6
February 16, 1996

PERSONNEL POLICY MANUAL FOR
NONAPPROPRIATED FUND INSTRUMENTALITIES

The Deputy Assistant Secretary Civilian Personnel Policy, has authorized the following pen changes to DoD 1401.1-M, "Personnel Policy Manual For Nonappropriated Fund Instrumentalities," December 1988:

PAGE CHANGES

Remove: Pages ii through xvi, III-1 through III-10, V-7 through V-9, and Appendix C-3 through C-4
Insert: Attached replacement pages and new pages xvii through xxiv and H-1 through H-5

EFFECTIVE DATE

The above change are effectively immediately.

B. C. WHITEHEAD
Director
Correspondence and Directives
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REFERENCES

This list may not be complete. Heads of DoD Components shall ensure compliance with all applicable Executive Orders, laws, rules, regulations, etc., including those that may not be listed below.

EXECUTIVE ORDERS


12953  Actions Required of all Executive Agencies to Facilitate Payment of Child Support, February 27, 1995.

PUBLIC LAWS


#Third Amendment (Ch 6, 2/16/96)  xiv
“Government Employees-Prevailing Rate System,” August 19, 1972. An Act to provide an equitable system for fixing and adjusting the rates of pay for prevailing rate employees of the Government, and for other purposes.


“Privacy Act of 1974,” December 31, 1974. Amends title 5, United States Code by adding Section 552a to safeguard individual privacy from the misuse of Federal records, and to provide that individuals be granted access to records.


“Budget and Accounting Procedures Act of 1978,” November 4, 1978. Amends the 1950 act to require that the Comptroller General provide for a financial audit with respect to pension plans for employees of the Federal Government, its agencies, and instrumentalities; to require that an annual report, including a financial statement and an actuarial statement, be furnished to Congress and the Comptroller General with respect to such plans; and for other purposes.


“OMNIBUS Budget Reconciliation Act of 1981,” August 13, 1981. Includes NAFIs within the definition of employee for purposes of the Health Maintenance Organization Act (Title IX, Section 946(b)).


99-603  "Immigration Reform and Control Act of 1986," November 6, 1986. Makes it unlawful to hire, recruit, or refer for a fee for employment, unauthorized aliens in the United States. This law necessitated a rule promulgated by the Immigration and Naturalization Service, U.S. Department of Justice. The rule provides for an employment eligibility verification system designed to prevent the employment of unauthorized aliens.


Base Closures,” amends Section 1013 of the Demonstration Cities and Metropolitan Development Act of 1966 to include NAF employees in homeowner’s assistance coverage. Also, adds 10 U.S.C. Chapter 58, Section 1143(d) to grant hiring preference in NAF positions to eligible involuntarily separated military members and their dependents.

101-647

“Crime Control Act of 1990,” November 29, 1990. Section 231 requires in part that every facility operated by the Federal Government or operated under contract with the Federal Government, that hires or contracts for individuals who have regular contact with children in the provision of child care services to children under the age of 18 years, conduct a criminal history check for all current and newly hired employees.

102-190

December 5, 1991. Section 661 which added section 1174a of title 10 U.S.C. 1174a, provides preference in hiring in NAF jobs for members of the Armed Forces, involuntarily or voluntarily separated with Special Separation Benefit (SSB) pay, and their dependents.

102-484

October 23, 1992. Division D, Subtitle C, provides civilian personnel transition initiatives, including separation pay for appropriated fund employees.

103-3

“Family and Medical Leave Act of 1993,” February 5, 1993. Provides eligible employees up to 12 administrative workweeks of leave without pay during a 12-month period to take care of certain family and medical needs.

103-94

“Hatch Act Reform Amendments of 1993,” October 6, 1993. Permits federal employees to participate in certain political activities on their own time. Section 9 allows the garnishment of federal pay in order to settle commercial debts.

103-226

“Federal Workforce Restructuring Act of 1994,” March 30, 1994. Restricts employees who resign or retire with an incentive on or after March 30, 1994, from re-employment with the U.S. government for five years following separation with an incentive unless the incentive is repaid.

103-337


103-353

“Uniformed Services Employment and Reemployment Rights Act of 1994,”
October 13, 1994. Amends title 38 U.S.C. to improve reemployment rights and
benefits of veterans and other benefits of employment of certain members of the
uniformed services, and for other purposes.

UNITED STATES CODE

Title 5 - Government Organization and Employees. Sections as amended:

2105 (status of nonappropriated fund employees)
2108 (veterans preference eligibility)
3110 (restrictions in the employment of relatives)
3326 ("Appointments of retired members of the armed forces to positions in the
Department of Defense")
3502(a)(C)(ii) (portability of benefits - order of retention in reduction-in-force)
5332 (GS pay rates)
5334(g) (portability of benefits - rate on change of position)
5335(g) (portability of benefits - periodic step-increases)
5341-5349 ("Prevailing rate system")
5342 (prevailing rate system - definitions)
5361-5366 (grade and pay retention instructions applicable to federal wage
system employees and to employees involuntarily moved to the civil service)
5373 ("Limitation on pay fixed by administrative action")
5531-5532-5533 ("Dual pay and dual employment")
5544 ("Wage-board overtime and Sunday rates; computation")

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5551(a) (portability of benefits - “Lump-sum payment for accumulated and accrued leave on separation”)

5595 (b)(2)(c) and (h) (“Severance pay”)

5753 (“Recruitment and relocation bonus”)

5754 (“Retention allowance”)

5911 (entitlement of quarters and facilities by civilian employees in the United States)

6304(a) (“Annual leave; accumulation”)

6308(b) (portability of benefits - “Transfers between positions under different leave system”)

6312(a)(2) (portability of benefits - leave accrual and accumulation)

7101-7103 (“Labor management relations”)

7204 (“Antidiscrimination in Employment; Other prohibition”)

7324 (influencing elections; taking part in political campaigns; prohibitions; exceptions)

7901 (health services programs for civilian employees)

7902 (legal status of civilian NAF employees with regard to safety programs)

8171 (extends the provisions of the Longshoremen's and Harbor Workers' Compensation Act to NAF employees)

8423 (portability of benefits - “Government contribution”)

8501 - 8509 (“Unemployment compensation”)

Title 10 - Armed Forces

1143(d) (employment preference by NAFIs)

1580-1599 (concerns “Whistleblower” protection for NAF employees)
Title 29 - Labor

201-219 (implements provisions of the Fair Labor Standards Act)
1651 (Joint Training Partnership Act Provisions)

Title 31 - Money and Finance

1349 (requires at least one month suspension for certain motor vehicle and aircraft use violations)

Title 33 - Navigation and Navigable Waters (Chapter 18 of title 33 (Longshore and Harbor Workers’ Compensation Act) applies with respect to disability or death resulting from injury, as defined by section 902(2) of title 33, occurring to an employee of a nonappropriated fund instrumentality)

Title 38 - Veterans Benefits

101 (definitions)
301 (definitions)
2021-2026 ("Veterans' reemployment rights")

Title 42 - The Public Health and Welfare

300e-9, Health Maintenance Organizations
410, Social Security (nonappropriated fund employees)
659, (authorizes the garnishment of federal salaries and retirees' annuities and Social Security benefits, to enforce obligations of alimony and child support)

CODE OF FEDERAL REGULATIONS

Title 5 - Administrative Personnel

Part 310, Employment of Relatives

Part 530, Subpart B--Aggregate Limitation on Pay

xx
Part 531, Subpart F—Locality-Based Comparability Payments
Part 532, Prevailing Rate Systems
Part 536, Grade and Pay Retention
Part 551, Pay Administration Under the Fair Labor Standards Act
Part 575, Recruitment and Relocation Bonuses; Retention Allowances
Part 731, Suitability

Title 20 — Employees' Benefits
Part 609, Unemployment Compensation for Federal Civilian Employees

OPM OPERATING MANUALS AND OTHER PUBLICATIONS
Federal Wage System - NAF
The Guide to Processing Personnel Actions
The CSRS and FERS Handbook for Personnel and Payroll Offices
The Federal Employees Group Life Insurance Handbook for Personnel and Payroll Offices
The Federal Employees Health Benefits Handbook for Personnel and Payroll Offices
The OPM Job Grading Standards for Trades and Labor Occupations

OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULARS
A-76 "Performance of Commercial Activities" (current edition)

DEPARTMENT OF STATE REGULATIONS
Department of State Standardized Regulations (Government Civilians - Foreign Areas), April 2, 1961, as amended:
Section 030 (eligibility for allowances and differentials)

Section 270 (education allowances for dependents of civilian personnel employed overseas)

GENERAL SERVICES ADMINISTRATION REGULATIONS

"Records Disposition Schedule for DoD NAF Employee Personnel Records," as approved by the General Services Administration, National Archives and Records Service on June 29, 1983, as amended.

"Joint Travel Regulation" (Volume II) - payment for official travel and transportation of U.S. Government employees

DoD DIRECTIVES

1010.4 "Alcohol and Drug Abuse by DoD Personnel," August 25, 1980

1010.9 "DoD Civilian Employee Drug Abuse Testing Program," August 23, 1988

1015.6 "Funding of Morale, Welfare and Recreation Programs," August 3, 1984

1342.13 "Eligibility Requirements for Education of Minor Dependents in Overseas Areas," July 8, 1982

1400.5 "DoD Policy for Civilian Personnel," March 21, 1983

1400.6 "DoD Civilian Employees in Overseas Areas," February 15, 1980

1401.3 "Employment Protection for Certain Nonappropriated Fund Instrumentality Employees/Applicants," July 19, 1985

1402.1 "Employment of Retired Members of the Armed Forces," January 21, 1982

1426.1 "Labor-Management Relations in the Department of Defense," November 10, 1988

1440.1 "DoD Civilian Equal Employment Opportunity (EEO) Program," May 21, 1987
“Homeowners Assistance Program,” June 26, 1991

“Department of Defense Wage Fixing Authority Appropriated Fund Compensation,” April 24, 1980

“Department of Defense Wage Fixing Authority Nonappropriated Fund Compensation Programs,” May 19, 1977

“Standards of Conduct,” August 30, 1993

“Compliance of DoD Members, Employees, and Family Members Outside the United States with Court Orders,” December 27, 1988


**DoD INSTRUCTIONS**

“Smoke-Free Workplace,” March 7, 1994


“Employment of Foreign Nationals in Foreign Areas,” December 5, 1980

“Employment of Family Members of Active Duty Military Members and Civilian Employees Stationed in Foreign Areas,” May 12, 1989

“Personnel Policy for Nonappropriated Fund Instrumentalities (NAFIs),” November 15, 1985


“DoD Occupational Safety and Health Program,” October 26, 1984

DoD MANUALS AND REGULATIONS

1015.8-R "DoD Civilian Employee Morale, Welfare, and Recreation (MWR) Activities and Supporting Nonappropriated Fund Instrumentalities (NAFIs) Regulation," November 1985


5200.2-R "DoD Personnel Security Program," January 1987


OTHER DoD PUBLICATIONS AND DOCUMENTS

Defense Outplacement Referral System (DORS), Nonappropriated Fund (NAF) User’s Guide

Defense Federal Acquisition Regulation Supplement, Parts 222.7100 - 222.7102, 252.222.7000 and 252.222.7001 (hiring preference for contractor positions related to closure or downsizing)

DoD/OPM Interchange Agreement between the Department of Defense and the Office of Personnel Management for the noncompetitive movement of personnel between the civil service system and the DoD NAF system, September 20, 1991
CHAPTER III

POSITION CLASSIFICATION, PAY AND ALLOWANCES

A. GENERAL POLICY

1. Payband Classification and Pay System for White-Collar (Non-Crafts & Trades) NAF Employees.

   a. Coverage. NAF white-collar employees world-wide except:

      (1) Child Development Program Assistants, Leaders, and Technicians (an Appendix G, in development, will describe their classification and pay system); and

      (2) Employees in Panama when the Panama Area Personnel Board directs a different system consistent with its delegated authority, Army regulations, and the Panama Canal Act of 1979.

   b. Purpose. The payband system is designed to help managers establish competitive wages, strengthen the link between pay and performance, and provide an efficient classification and pay process. It replaces the traditional grade and step system with one that groups work of similar characteristics into bands. It assigns a pay range to each band, and, with few limitations, permits pay to be set within the range.

   c. Relationship to AS, PS, and UA Systems. The payband system replaces the AS, PS, and UA pay systems described in this Chapter. Conversion of AS, PS, and UA employees to paybanding shall be in accordance with memoranda issued by the Office of the Deputy Assistant Secretary of Defense for Civilian Personnel Policy. AS, PS, and UA provisions in this Manual remain in effect until conversion is completed.

   d. Implementation. The Heads of the Components are responsible for:

      (1) Delegating classification and pay setting authority to the lowest practical level;

      (2) Oversight, through personnel management evaluations or other means, to ensure Appendix H, “Payband Classification and Pay System for White Collar NAF Employees,” is implemented in a manner that fosters equitable and efficient pay administration, and balances fiscal constraints with the need to recruit and retain a quality workforce; and
(3) Ensuring that NAF managers have access to any needed operating instructions, and advising the Deputy Assistant Secretary of Defense for Civilian Personnel Policy of any need for such instructions to be included in this Manual.


2. **Crafts and Trades (CT) Employees.** P.L. 92-392 establishes the NAFI Federal Wage System (FWS) for CT employees. OPM Operating Manual, “Federal Wage System--NAF,” contains instructions for the operation and implementation of the prevailing rate wage system for CT employees.

3. **Administrative Support (AS) and Patron Services (PS) Employees.** The principles of P.L. 92-392 and OPM Operating Manual, “Federal Wage System--NAF,” are administratively extended to cover AS and PS positions.

4. **Universal Annual (UA) Employees.** The UA salary system covers employees in managerial, executive, technical, and professional positions not yet converted to the payband system described in paragraph A.1. above. The rates of compensation of the UA salary system shall be commensurate with the rates for the GS system for appropriated fund employees.

**B. SPECIFIC POLICIES**

1. **Organization and Responsibilities.**


   b. **DoD Components.** The DoD Components shall comply with the requirements of this Manual and ensure that the Commander and General Managers of the Army and Air Force Exchange Service (AAFES) discharge the responsibilities assigned to them for administration of the system.

   c. **Installation Commanders or General Managers of the Army and Air Force Exchange Service (AAFES).** Installation Commanders or General Managers of AAFES shall, as delegated by the DoD Component headquarters, determine NAF pay category, title, and codes for jobs; apply job grading standards and pay; and administer authorized wage rates for their NAF employees.

2. **Compensation**

   a. **Increased Minimum Rates, Special Pay Rates, and Special Schedules.**
(1) When prevailing rates for specific types of NAF jobs are so much above the
maximum rates for those jobs on the NAF wage schedules that recruitment and retention of
well-qualified individuals are significantly handicapped, Components may recommend to the
Wage Fixing Authority increased minimum or special rates in accordance with Appendix E.
Recommendations also must be documented to show coordination with other NAF employers in
the local area. The Wage Fixing Authority will coordinate with DoD Components at the
headquarters level before acting on recommendations for increased minimum or special rates.

(2) Existing authorized special schedules shall be continued and adjusted under
current NAF practices pending decision by OPM or DoD on the most appropriate treatment of
schedules. Prior approval of the DoD Wage Fixing Authority is required to establish new special
schedules.

(3) Pursuant to FLSA, the cost of furnishing employees with board, lodging, or
other facilities may be included in the wages paid to employees if such board, lodging, or other
facilities are customarily furnished by the employing NAFI.

(4) Compensation for summer and student employment shall be in accordance
with the rates-of-pay schedule issued by DoD.

b. **Pay for NAFI Employees in the Panama Canal Area.** The basic principles
governing pay of all NAFI employees in the Panama Canal Area are contained in the Panama
Canal Act of 1979, and in regulations promulgated by the Secretary of the Army. Regardless of
nationality, NAF employees employed in the Panama Canal Area shall be paid at the scheduled
salary or wage rate specified for the position.

c. **Fair Labor Standards Act (FLSA).** FLSA provisions apply to NAF employees,
including off-duty military personnel, who are employed in geographical areas covered by the
FLSA. The minimum rate to be paid these employees may not be less than the current Federal
minimum wage or the applicable State or municipal wage, whichever is higher. Refer to Chapter
VII regarding pay for employees in foreign areas.

d. **Hourly Pay Plan**

(1) In pay matters, except those dealing with grade and pay retention, the
provisions of OPM Operating Manual, "Federal Wage System--NAF," augmented by Appendix
D of this Manual, apply to hourly paid NAF employees.

(2) For grade and pay retention determinations, Subchapter VI of 5 USC Chapter
53, and Part 536 of 5 CFR, contain guidelines applicable to FWS employees. There is no grade
retention for AS and PS employees. Pay retention entitlement for an employee moving to or
from an AS or PS position shall be determined in accordance with the following:
(a) The employee shall:

1. On the effective date of the change to lower grade, hold an appointment as a Regular Employee.

2. Not have been changed to lower grade for personal cause, at his or her own request, or because the change to lower grade was a condition of a temporary promotion.

3. Have served for 1 continuous year immediately before the change to lower grade in one or more positions under the same pay system for which the grade or rate is higher than the one to which demoted, or in one or more grades or positions for which the representative rate is greater than the representative rate of the grade to which demoted.

4. Have a performance rating of satisfactory or better during the 1-year period.

(b) When an eligible employee is changed to a lower grade, he or she shall retain the scheduled rate of pay immediately before the change to lower grade or 150 percent of the maximum rate of scheduled pay for the grade of the position after the change to lower grade, whichever is less.

(c) An employee granted pay retention under this authority shall receive wage increases during the pay retention period. Such increases shall be granted whenever the wage schedule applicable to the position to which demoted is increased. The amount of increase shall be equal to the amount by which the rate for the maximum step of the new grade increases. If the new rate of pay is identical with or below the top step of the grade, the employee's rate of pay shall be fixed at the step of the grade that equals or exceeds the retained pay and pay retention then ceases.

(d) Pay is retained under this policy for a period of 2 years, unless it is terminated earlier by one of the following conditions:

1. A break in service of 1 or more work days.

2. A later change to lower grade which is effected for personal reasons at the employee's request.

3. Entitlement to a scheduled rate of pay that is equal to or higher than the retained rate because of another personnel action or normal operation of the pay system.

(e) When an employee receiving a retained rate is further demoted during the 2-year retention period, he or she begins a new 2-year retention period on the date of the last demotion. The retained rate during the new 2-year period continues to be based on the original retained rate, but may not exceed 150 percent of the maximum rate of his or her grade after the later demotion.
(f) When an employee receiving a retained rate accepts a temporary promotion to the same or a higher grade than that from which demoted, the temporary promotion does not affect the running of the pay retention period, which shall still end 2 years after the original demotion.

(g) When an employee receiving a retained rate is to be permanently promoted to the same or higher grade than that from which demoted, he or she is entitled to be paid the lowest scheduled rate of the grade to which promoted that exceeds the maximum scheduled rate for the grade of the position from which promoted by at least 4 percent or the retained rate of pay, whichever is higher. If the employee’s retained rate of pay exceeds the rate range for the grade of the position to which promoted, entitlement to the retained rate of pay continues for the duration of the original 2-year period or until terminated by one of the conditions specified in subparagraph B.2.d.(2)(d).

(h) Upon termination of the 2-year pay retention period, the employee’s rate of pay shall be adjusted to the maximum scheduled rate of the new grade.

(3) FLSA provisions as prescribed by OPM apply to all hourly paid employees in those geographical areas covered by the FLSA, as amended. The following additional guidance is provided on the application of the FLSA to AS and PS employees.

(a) AS and PS employees who are nonsupervisory employees, leader employees, supervisory employees classified below the 7 level, and supervisory employees at the 7 level who perform work not directly related to their supervisory functions more than 20 percent of the time, are nonexempt in relation to the FLSA executive criteria.

(b) The following AS and PS employees are exempt from the coverage of the FLSA:

1. Supervisory employees at the 7 level who perform supervisory and related duties 80 percent or more of the time, and who

2. Perform the following supervisory functions:

   a. Assume responsibility for planning and accomplishing a continuing workload which meets the intent of the recognized organizational unit requirements.

   b. Regularly exercise discretion and independent judgment in planning, directing, and controlling the work.

   c. Are responsible for significant personnel management duties.

   e. Universal Annual (UA) Salary Plan
(1) Basic compensation for employees in managerial, executive, technical, or professional positions, who have not been converted to the payband system described in paragraph A.1. of this Chapter, shall be administratively fixed and adjusted equal with rates of compensation for appropriated fund employees in positions of comparable difficulty and responsibility, subject to the “General Schedule (GS)” (5 U.S.C. 5332). Components shall adjust the rates of pay of UA employees when the rates in the GS are changed to ensure that NAF pay rates are equal to GS rates for comparable work. The effective dates of adjustments shall be determined by the same method used for GS adjustments. Additional policy and guidance is at Appendix A, “Universal Annual Pay Administration Supplement.”

(2) FLSA provisions, as prescribed by OPM, apply to UA employees in those geographical areas covered by the FLSA.

(3) There is no grade retention for UA employees. Pay retention entitlement for an employee moving to, from, or between UA positions shall be determined under the criteria for AS and PS employees. Pay determination procedures for permanent promotions between UA positions are specified in Appendix A, section F.

(4) Allowances and differentials established by OPM for eligible civilian employees in certain nonforeign areas, whose pay is fixed by statute, apply to UA employees. They are paid in accordance with 5 CFR Part 591. Policy for foreign area allowances or differentials is in Chapter VII of this Manual.

f. Severance Pay

(1) RFT and RPT employees who have completed at least 12 continuous months of service with one or more DoD NAFIs and who then are separated involuntarily from employment because of business-based action, or base or post deactivation or reorganization, shall receive severance pay, if not precluded by subparagraph (3) below.

(a) The amount of such remuneration shall be 1 week’s basic pay for each year of continuous RFT or RPT service with one or more DoD NAFIs up to 4 years of service, for a maximum of 4 weeks of pay. This pay shall be based on the number of hours regularly scheduled to be worked during a week and at the rate received immediately before separation.

(b) Time served as a Regular NAF employee as well as time served in active duty with the U.S. Armed Forces that interrupted the civilian NAF service, shall be creditable for computing entitlement to severance pay.

(c) Periods of employment before separation that resulted in severance pay shall not be considered in later severance pay entitlement calculations for subsequent separations.

(2) As an exception to subparagraph (a), above, Heads of DoD Components may establish programs providing for the grant of additional severance pay to employees for whom
unlimited mobility has been made a condition of employment. Basic eligibility requirements are set forth in subparagraph (1), above, and the amount of remuneration shall not exceed 1 year’s pay at the rate received immediately before separation.

(3) Involuntarily separated employees shall not receive severance pay if they:

(a) Are immediately employed in another Regular NAF position.

(b) Have refused an offer of employment without loss of pay, employment category, and seniority in any NAFI in the same commuting area, or in the case of employees covered in subparagraph (2), above, in any NAFI, regardless of commuting area.

(c) Have immediately accepted employment in a continuing appropriated fund position.

g. **Dual Compensation.** The provisions of 5 U.S.C. 5531, 5532, and 5533 (Dual Compensation Act of 1964, P.L. 88-448) pertaining to dual pay and employment apply to NAF employees.

h. **Aggregate Limitation on Pay.** Other provisions of this Manual limit specific elements of compensation. An employee’s aggregate compensation, basic pay plus any allowance, differential, bonus, award, or other cash payment, shall not exceed the annual rate then payable for Level I of the Executive Schedule as of the end of the calendar year. This aggregate limitation on pay shall be in accordance with 5 CFR Part 530, Subpart B.

i. **Prohibition on Personal Service Contracts.** Personal service contracts may not be used to effect an appointment to a job that requires employing an individual on a continuing basis. Such positions shall be graded and paid under the appropriate schedule of the DoD Wage Fixing Authority.

j. **Extra Pay.** No salary or other supplementation of wages shall be provided to or accepted by any NAF employee. This provision does not affect existing special schedules such as tip and similar commission pay plans, or the executive and other pay plans approved by the OASD (FMP). Neither does it affect proper existing methods of distributing service charges provided for in special functions contracts and paid to service employees working the special functions.

k. **Travel and Transportation.** When it is clearly in the interest of the NAFI, expenses for essential travel and transportation of employees and their dependents shall be allowed in amounts not to exceed those prescribed in Volume 2 of the Joint Travel Regulations (JTR). Travel and transportation shall be paid, when appropriate, under the JTR to employees assigned duties associated with area wage surveys. The Heads of DoD Components and the Commander, AAFES, have approval authority for all matters covered by Volume 2, JTR, and may authorize specific exceptions only when it is in the best interests of the Component.
l. **Round-Trip Travel Pursuant to a Permanent Change-of-Station (PCS).** When authorizing round-trip travel between the old and new duty station to seek a permanent residence, more than one trip may be authorized the employee or spouse or both provided that the total trips combined do not exceed 10 days and the travel expenses for all trips do not exceed the constructive cost of one round trip.

m. **Mileage Rates for PCS.** The mileage rate when using a privately owned vehicle for PCS travel shall be the same as that prescribed in Volume 2 of the JTR for TDY travel regardless of the number of occupants in the vehicle. Authorization of this benefit is limited to those employees covered by an unconditional mobility agreement as a condition of employment.

n. **Separate Maintenance Allowance (SMA) for PCS Transfers.** The DoD Components may pay a Separate Maintenance Allowance (SMA) to UA employees who transfer nonlocally and who maintain separate households for minor dependent children so that they can finish the school term at the old duty station. The allowance shall be paid for no more than one semester, except that it may be paid for a full school year when the dependent is a high school senior. Maintaining a separate household means any living arrangement at the old duty station where the employee is paying a monthly amount for room and board for the dependents. The allowance shall be in the same amount as those prescribed by the Department of State for overseas employees receiving SMA for dependents living in the Continental United States (CONUS). Employees stationed in foreign overseas areas may receive SMA for other reasons as prescribed by the Department of State.

o. **Recruiting Bonuses, Relocation Bonuses, and Retention Allowances**

(1) **General.** These bonuses and allowances may be paid to non-crafts and trades employees not to exceed the basic 5 U.S.C. 5753 and 5754, and 5 CFR 575 limitations applicable to appropriated fund employees. 5 CFR 575.304 restrictions related to the Federal Government or non-Federal Government status of the prospective employer do not apply. These bonuses and allowances are used sparingly, only in very selective situations. They shall not be considered part of an employee’s rate of basic pay for any purpose, including calculation of retirement annuity. Recovery of funds, on a pro-rata basis, must be sought when employees fail to complete their required period of service. The amount of a retention allowance should be reduced or terminated when it is determined that a lesser amount or no allowance at all would be sufficient to retain the employee, i.e. labor-market conditions have changed to the extent that recruitment of employees with needed qualifications is possible, the need for the services of the employee has lessened, or budgetary considerations preclude payment. An annual review and recertification of necessity must be made to continue the payment of the retention allowance.

(2) **Documentation and Record Keeping.** As a minimum, the following information shall be recorded each annual operating year:

(a) the number of employees accepting recruiting and relocation bonuses and retention allowances;
(b) the percentage of salary accepted, and the justification for the payment, in each individual case;

(c) any recertification of necessity, in each individual case, to continue the payment of a retention allowance; and

(d) a summary statement assessing the effect the bonus and allowance authority had on the activity’s ability to recruit and retain quality employees in key positions.

3. **Job-Grading System.**

   a. Components are responsible for placing each position in its proper pay category and assigning it a title, code, and grade based on the duties and responsibilities of the position and application of job-grading standards consistent with this Manual.

   b. The DoD NAF Personnel Policy Office has final authority for determining the title, series, grade, and pay category for positions other than Crafts & Trades positions. Unresolved issues of this nature shall be submitted to the DoD NAF Personnel Policy Office for final determination.

   c. Each DoD Component shall ensure that all NAF positions within its jurisdiction are graded in accordance with the appropriate job-grading standards specified in sub-paragraphs (1) through (6) below.

   (1) **Noncovered Positions.** Positions which are not covered by the OPM job-grading standards or by those published in DoD 1401.1-M-1, “Job Grading System Manual for Nonappropriated Fund Instrumentalities,” may be classified by application of related standards.

   (2) **Standards.** When no standards exist, a copy of the position description and the classification rationale for the action shall be forwarded promptly through Component Headquarters to the DoD NAF Personnel Policy Office for review and post audit.

   (3) **Crafts and Trades.** OPM has developed and issued a job-grading system for NAFI positions subject to the provisions of P.L. 92-392, that is, CT positions. Details of this system are contained in subchapter S6 of OPM Operating Manual, “Federal Wage System—NAF.” Job-grading standards for these jobs are contained in the OPM Job Grading Standards for Trades and Labor Occupations. Supplemental guidelines are included in DoD 1401.1-M-1.

   (4) **Administrative Support (AS) and Patron Services (PS).** DoD has developed and issued job-grading systems for NAFI positions not subject to the provisions of P.L. 92-392. Details of these systems and job-grading standards for AS and PS positions are contained in DoD 1401.1-M-1.
(5) **Universal Annual (UA).** For positions qualifying for inclusion in the UA salary plan, General Schedule Office of Personnel Management Classification Standards application standards are included in DoD 1401.1-M-1.

(6) **Classification of Supervisory and Managerial Positions.** While size of the organizational unit and number of subordinates supervised may affect the grade of a supervisor or manager, these factors alone may not be used in determining the grade of such supervisor or manager. In grading these positions, other factors shall be considered, such as kind, difficulty, and complexity of work supervised; degree and scope of responsibility delegated to the supervisor; and kind, degree, and scope of the supervision exercised. A reduction in the number of subordinates or size of the organizational unit supervised may not be used under any circumstances as the sole basis for reducing the grade of a supervisory or managerial position. A more detailed explanation of this policy is contained in DoD 1401.1-M-1.

4. **Job-Grading Appeal System for CT, AS, PS & UA Employees.**

   a. A NAF employee may appeal at any time the grade, title, or series code assigned to his or her position, but not the job-grading standards established for the job nor other matters such as the accuracy of the job description, the rate of pay, or the propriety of a wage schedule rate.

7. **Disciplinary Actions**

   a. A disciplinary action is a personnel action affecting a regular employee that reduced the employee's basic pay or level; placed the employee in a nonpay, nonduty status; or separated the employee from employment; and was effected for cause, i.e., the disciplinary action stemmed directly from the actions of the affected employee.

   b. Disciplinary actions do not include:

      (1) Business-based actions.

      (2) Actions taken as the result of termination of temporary promotion.

      (3) Separation or change to lower pay or level when voluntarily initiated by the employee.

      (4) Application of a revised prevailing rate schedule when there is no change to the position.

      (5) Actions taken as a result of an employee abandoning his or her position.

   c. **Procedures for Processing Disciplinary Actions and Appeals.** The Heads of DoD Components shall issue regulations and procedures for processing disciplinary actions and for handling employee appeals of disciplinary actions that result in reduction of pay or in separation. That appeals process shall include a final appellate decision above the level of Installation Commander or General Managers of the Army and Air Force Exchange Service.

8. **Performance Management Program.** To improve individual and organizational performance and strengthen the link between pay and performance, achievement-focused performance management programs shall be established. Recognition of team achievement is encouraged. Programs may be tailored to fit the mission and culture of the organization, but they must include the following core requirements:

   a. An annual appraisal of whether performance met expectations, using at least two rating levels.

   b. A fair and consistent method for deriving a summary rating from performance. At a minimum, performance expectations consistent with duties must be discussed with the employee.

*First Amendment (Ch 6, 2/16/96)*
c. Approval of the appraisal or rating at level above the rater where practicable, and retention of the appraisal in the employee's Official Personnel Folder for possible future use in reaching personnel decisions.

d. Provision for determining actions to be taken when expectations are met or not met. Payband employees rated less than satisfactory, or equivalent, will not be granted a pay increase (does not apply to crafts and trades employees as their pay is based on the prevailing rate system rules). Appropriate limits and approval levels should be set for cash awards and pay adjustments. An employee may grieve the rating, but not the amount of the pay change.

9. **Incentive Awards and Recognition Programs.** Recognizing that NAFI employees at all levels share responsibility for the efficient and economical operations of the activity in which they are employed, incentive awards programs shall be established to the extent feasible, and within resources available, for the purpose of improving these operations and recognizing deserving employees.

10. **Occupational Safety and Health.** Components shall create and maintain a safe and healthful environment for their employees and for the users of facilities managed for the morale, welfare, and contentment of military personnel, their dependents, and authorized civilians. All safety and health regulations shall be strictly adhered to by NAFI employees in accordance with DoD Instruction 6055.1. Where safety technicians are not available within the installation, outside consultants shall be used as appropriate.

11. **Drug and Alcohol Abuse.** Components shall ensure that drug and alcohol abuse control programs are available to NAFI employees in accordance with the provisions of DoD Directive 1010.4.

B. **LABOR-MANAGEMENT RELATIONS POLICY**

The Federal Service Labor-Management Relations Statute, 5 U.S.C. 7101 et seq., is implemented within the Department of Defense by DoD Directive 1426.1 and DoD 1400.25-M. The statute, as implemented by these DoD issuances, applies to Nonappropriated Fund Instrumentalities (see 5 U.S.C. 7103 (a)(2) and (3) and DoD 1400.25-M, Chapter 711).

C. **ENTITLEMENT TO PERSONAL SERVICES AND GOVERNMENT QUARTERS**

The privileges afforded NAFI employees shall be consistent with those available to appropriated fund employees. In addition, the personal use of the facilities of the NAFI in which an individual is employed may be authorized by local commanders when the use by regular eligible patrons is not diminished. The entitlement of 5 U.S.C. 5911, (Government Quarters and Facilities) as well as any other regulations prescribed by the President and deemed to be necessary and appropriate to carry out the provisions of this section, are hereby administratively extended to NAFI civilian personnel. The Heads of DoD Components shall prescribe the regulations necessary to carry out the provisions of 5 U.S.C. 5911. Except in isolated situations in which the
only suitable quarters and facilities available are government-owned, NAFI employees will be expected to secure them from the private sector. Also, exceptions may be made when, in the judgment of the commander, the mission of the installation will be better accomplished by having certain key administrative NAFI personnel quartered on the installation. The occupation of Government quarters on a temporary basis by NAFI employees while traveling on official business is authorized.

D. "WHISTLEBLOWER" PROTECTION FOR NAFI EMPLOYEES AND APPLICANTS DISCLOSING INFORMATION

1. The DoD Components shall ensure that the confidentiality of employees and applicants making disclosures are protected fully. In accordance with 10 U.S.C. Chapter 81, NAFI employees and applicants for NAFI employment may not be impeded from disclosing information to appropriate authority that they reasonably believe evidences:

   a. A violation of any law, rule, or regulation; or

   b. Mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific damage to public health or safety.


3. **Time Limit for Filing Application.** An employee may file an application for review at any time. However, when the application involves a reduction in grade or loss of pay, it must be filed in a timely manner as in paragraph B.3.d. of this Appendix to establish and maintain entitlement to retroactive corrective action. This time limit may be extended if the employee can show that he or she was not notified of the time limit, was not aware of it, or was prevented by circumstances beyond his or her control from filing an application within the prescribed time limit.

4. **Cancellation of Application.** An employee's application for review or appeal under the DoD Component or DoD appeals system shall be canceled immediately when:

   a. The employee requests the termination of his or her application. This request must be in writing.

   b. It is learned that the employee is no longer in the job that was the subject of the application, except when the employee is entitled to retroactive benefits, including benefits allowable after the death of the employee.

   c. An employee fails to prosecute or furnish required information promptly.

**D. POSITION CLASSIFICATION APPEALS REVIEW FILE**

Each DoD Component is responsible for maintaining a position classification review file that shall constitute the review record. This record may not contain any information that is not made available to the employee. This review file shall include:

1. An individual PD in which the duties are certified as being accurate. (If this cannot be accomplished, documentation of disputed duties and responsibilities shall be attached to the official PD.)

2. Pertinent organizational charts reflecting the location of the position.

3. An analysis and evaluation of the duties and responsibilities of the employee, as compared with appropriate standards, and a copy of the review decision.

4. Component recommendations or any supplementary information bearing on the employee's duties and responsibilities.

**E. APPLICATION FOR APPEAL**

1. The employee or his or her designated representative may file an appeal with the DoD NAF Personnel Policy Office after completing the DoD Component review level, except as outlined in paragraph B.3.b of this Appendix. The address of the DoD NAF Personnel Policy Office is 1400 Key Boulevard, Suite B200, Arlington, VA 22209-5144. The telephone number is (703) 606-3310, DSN 426-3310. The fax number is (703) 696-5469, DSN 426-5469. The

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*First Amendment (Ch 6, 2/16/96)
employee may file the appeal at any time. However, to retroactively correct an adverse action, the appeal must be filed within 15 calendar days of the date of receipt of the Component's decision. The appeal shall specify the part of the decision with which the employee disagrees. The time limit may be extended as outlined in subsection C.3. of this Appendix.

2. All decisions shall be based on the record established by the DoD Component's review of the employee's application, and by any pertinent information provided by the employee. However, the DoD NAF Personnel Policy Office may audit the job and take the results of the audit into account in reaching its decision. An employee has no right to have a representative present at a desk audit conducted by the DoD NAF Personnel Policy Office.

3. The DoD NAF Personnel Policy Office shall notify the employee and DoD Component, in writing, of its decision. If this office sustains the employee's application, the effective date of the change in classification of a position shall not be earlier than the date of the decision and not later than the beginning of the first pay period which begins after the 60th day from the date the application was filed, except when a later date is specifically provided in the decision. An appeal decision that corrects a downgrading or loss of pay retroactively shall require correction of records and supplemented salary payments. If the appeal decision sustains any other change in classification, such corrective action shall be implemented and effective no later than 60 days after receipt of the written final decision by the DoD Component. An appeal decision that results in a downgrading or loss of pay shall require corrective action consistent with the provisions of NAF personnel regulations.

F. APPEAL DECISION

The decision of the DoD NAF Personnel Policy Office is binding on all administrative certifying, payroll, disbursing, or accounting officers within DoD NAF activities. The decision is final and the employee has no further right to an administrative appeal.
APPENDIX H
PAYBAND CLASSIFICATION AND PAY SYSTEM
FOR WHITE-COLLAR NAF EMPLOYEES

A. GENERAL

Basic policy is at Chapter III and includes provisions on coverage; purpose; relationship to the AS, PS, and UA systems; and responsibilities. Procedures for implementing the payband system are in sections B. through E., below.

B. STRUCTURE OF PAYBAND SYSTEM

Figure 1 on page H-2 depicts the structure of the NAF payband system. It shows, for each band, the generic work level, pay category, approximate number of employees covered, grades replaced, comparable GS grades, characteristics of work covered, and examples of jobs covered.

C. CLASSIFICATION

1. Determining Correct Band. Information from Figure 1 on page H-2, along with a more detailed description of work characteristics for each band, and a hierarchy of position guides or standard jobs for each band, are used to place a set of duties in the proper band. Any available Office of Personnel Management, Office of the Secretary of Defense, or DoD Component guidance on classification may be used as appropriate.

2. Authority for Placing a Position or an Employee in Band NF-6. Establishing an NF-6 (Senior Executive) position, or appointment of an employee to an NF-6 position, requires approval by the Component Assistant Secretary or designee, or Defense Agency Director. In AAFES, approval is required by the AAFES Board of Directors. Further approval at a level not lower than the same organizational level that approved the initial placement is required before an incumbent may receive an annual rate of pay equivalent to or in excess of the base pay rate for ES-5 of the executive schedule.

3. Classification Complaints. Employees may grieve the assignment of their position to a particular band. Also, where levels within a band have been established, the assignment of a position to a particular level may be grieved. Either the negotiated grievance procedure or the applicable NAF administrative grievance system may be used as appropriate. In accordance with 5 U.S.C. 7121, the negotiated grievance procedure may be used only if the classification results in a pay or payband reduction. Bargaining unit employees may use the applicable NAF administrative grievance system for classification complaints regarding actions that do not result in a reduction of pay or payband.
<table>
<thead>
<tr>
<th>WORK LEVEL, PAY CATEGORY, APPROX. # COVERED</th>
<th>GRADES REPLACED</th>
<th>COMPARABLE GS GRADES</th>
<th>BASIC WORK CHARACTERISTICS OF BAND</th>
<th>EXAMPLES OF JOBS COVERED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Junior Clerical/ Customer Svc NF-1 65,000</td>
<td>AS/PS 1-4</td>
<td>GS 1-3</td>
<td>Routine clerical and customer service duties such as filing, receptionist, typing, demonstrating and selling merchandise, receiving money, making change.</td>
<td>Computer, Acct., Pers., Ops., Supply, Mail, File and Desk Clerk, I.D. Checker, Life Guard, Rec. Aid, Cashier, Duty Offr., Courier, Clk-Typ, Jr. Sales Clerk</td>
</tr>
<tr>
<td>Senior Clerical/ Customer Svc NF-2 15,000</td>
<td>AS/PS 5-6</td>
<td>GS 4</td>
<td>More complex clerical, customer service, admin. and technical support duties such as typing, shorthand, creating and maintaining files, applying regulations, conducting studies, demonstrating and selling merchandise, planning and conducting promotion activities, supervising activities.</td>
<td>Rec. Asst., Water Safety Inst., Secy., Cashier, Computer or Pers. Clk/Asst., Illustrator, Club Ops. Asst., Payroll Clk/Tech., Sr. Sales Clk, Acct. Tech.</td>
</tr>
<tr>
<td>Top Management NF-5 1,000</td>
<td>UA 13-15</td>
<td>GS 13-15</td>
<td>Typically mgmt/supv positions. Staff specialist positions at a regional or national level may be included. Includes managing a large NAFI at a large installation or directing a major program area at a regional level. Planning, organizing and conducting a comprehensive program integrating a variety of resources at the national level. Serving as a consultant, providing guidance, assistance and advice to field activities. Coordinating with other national staff, and other military departments. Planning, coordinating, directing and controlling all phases of a major area/division within a NAFI. Developing or revising long range plans and policies which impact the NAFI and serviced community. Directing the mgmt. of subordinate activities to include examining and making recommendations concerning expansion, relocation or discontinuation.</td>
<td>General Mgr.(Exchange), Attorney, Labor Rel., Retail Mgr. (Main Store), Retail Mgr. (Region), Family Sp. Offc., Pers. Mgmt. Spec., Pers. Offc., Policy &amp; Prog. Mgr., Community Rec., Prog. Rev. &amp; Dev., Prog. Analyst, Community &amp; Family Acts. Prog. Mgr., Sr. Prog. Analyst, Comptroller, Finance Mgr., Club Mgr., Community Ops. Offc., Exec. Dir., Supv. Benefits Prog. Mgr., Club Coord., MWR Dir.</td>
</tr>
<tr>
<td>Senior Executive NF-6 20</td>
<td>UA 16-18</td>
<td>SBE 1-6</td>
<td>Executive positions, with extensive mission accomplishment responsibilities in directing an entire NAFI component, or a major sub-division thereof.</td>
<td>Director, Hospitality Management (Component Level), Chief Operating Officer (entire exchange system)</td>
</tr>
</tbody>
</table>
D. PAY SCHEDULES

1. The Wage Setting Division (WSD), DoD Civilian Personnel Management Service. The WSD publishes NAF payband schedules. These schedules establish the minimum and maximum pay rates for each payband in accordance with the following policy:

   a. Minimum/Maximum for Bands NF-1 & 2 and Minimum for Band NF-3. These rates are determined by a WSD survey of wages paid to employees in a representative number of retail, wholesale, recreation, finance, and insurance establishments in the immediate locality, who are engaged in activities similar to those in NAFIs. The WSD issues separate pay schedules for each geographical area surveyed. The effective dates of schedules vary depending on the survey dates. To aid pay setting decisions, a WSD-developed pay report is attached to each schedule. It contains the average hourly rate of pay and the range of pay from high to low for certain surveyed jobs.

   b. Maximum for Band NF-3 and Minimum/Maximum for Bands NF-4 through NF-6. Minimum rates in effect on the effective date of this Appendix will serve as a basis for future adjustments to minimum rates. Beginning in January 1996, the minimum rates for NF-4 through NF-6 will be adjusted by a percentage equal to any “national” Employment Cost Index (ECI) percentage increase for GS employees, rounded down to the nearest $500. The maximum rate for NF-6 will be adjusted to equate to the rate for Level IV of the Executive Schedule, in accordance with 5 U.S.C. 5373. The maximum rate for NF-5 will be adjusted to equate to the highest GS-15, step 10, locality pay rate. The maximum rates for NF-3 and NF-4 will be adjusted to equate to 40% and 63% respectively, of the NF-5 maximum rate, rounded up to the nearest $500.

2. Amendments to Pay Schedule Policy. The DoD NAF Personnel Policy Committee will review pay schedule policy periodically and propose any amendments to the DASD (CPP) who, in turn, will formally coordinate proposals with DoD Components.

E. PAY SETTING

1. General. Except for the special pay setting situations stated in subsection E. 2., below, management may determine where within the minimum and maximum rates of the proper band to set an employee's annual rate of basic pay. In setting an employee's rate of basic pay, consideration should be given, but not necessarily limited to, such factors as assigned duties and responsibilities; performance (performance management program policy is discussed in Chapter V); budget; competitiveness with Federal and private sector pay; current rates of pay for similar positions; and the amount and timing of previous pay increases, cash awards, bonuses, and allowances. The term "basic pay" as used in this Appendix means the annual rate of pay for the employee, including any portion that may be attributed to comparability with private sector pay in a locality, before any deductions and exclusive of additional pay of any kind. Basic pay may not exceed the maximum rate for the employee's payband. The hourly rate of basic pay is determined by dividing the annual rate by 2087.
2. **Special Pay Setting Situations.**

   a. **Fair Labor Standards Act (FLSA) Minimum Rate Requirement.** The minimum rate paid may not be less than the current Federal minimum wage, or the applicable State or municipal wage, whichever is higher.

   b. **Transfer of Function.** When a function is transferred from one NAFI to another within or between Components, pay for employees who move with their positions shall be set at a rate within the band that is not less than the employee's rate of basic pay immediately before the move. As an exception to this provision, where a portion of the pay is clearly defined as a locality adjustment, the locality pay adjustment need not be continued when the employee moves to an area with a lower locality pay adjustment. Future rates of pay will be in accordance with the receiving NAFIs policies and compensation programs consistent with the requirements of this Manual.

   c. **Promotion.** See subsection E.3., below.

   d. **Involuntary Moves to NAF under the DoD Employee Benefit Portability Program.** When a GS employee is involuntarily moved to a NAF Payband position, the employee's basic rate of pay will be set at a rate within the payband to which assigned that is not less than the employee's GS scheduled annual rate of pay, as defined in 5 CFR 531.602, plus the corresponding GS locality differential. Future rates of pay will be in accordance with the receiving NAFIs policies and compensation programs consistent with the requirements of this Manual. If the employee's last GS scheduled annual rate of pay plus the GS locality differential is above the maximum rate of the payband level to which moved, pay retention is required in accordance with portability program pay retention policy issued by DASD (CPP) memorandum of April 16, 1991.

3. **Pay Increase.** An employee may be granted a pay increase within a band, with or without a position change. A promotion occurs, except for temporary details, when an employee is moved to a higher band. It may also occur where the Component has established tiers or subbands and the employee is moved to a higher level. A promotion requires a minimum pay increase of 5%, or an increase to the minimum rate of the higher band, whichever is greater.

4. **Pay Decrease.** An employee's pay may be decreased within the band for the following reasons: change in duty station to a locality pay area with a lower locality rate of pay; business-based action, performance-based action, or disciplinary action in accordance with Chapter V of this Manual; classification error; and employee requested job reassignment. A detail is not a basis for a pay decrease. When an employee is moved to a lower band involuntarily, it is a demotion.

5. **Annual Across-the-Board Adjustments.** These adjustments are not required, but may be granted not to exceed the limits described in paragraphs E.5.a. through d., below. When the minimum rate for the band is raised in accordance with section D., above, employees at the bottom of the band, who are rated at least satisfactory or equivalent, must be given a pay increase to keep their rate of pay within the pay range for the band.

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a. Employees in Bands NF-1 and 2. The adjustment shall not exceed the average percentage adjustment stated on the pay report attached to the current pay schedule. It shall not be granted if both the ECI adjustment and the locality adjustment are canceled for appropriated fund GS employees.

b. Employees in Bands NF-3 through 5, and NF-6. The adjustment shall not exceed the respective adjustment granted to corresponding appropriated fund GS and SES employees.

c. Employees at or Near the Top of a Band. The employee's basic pay may not exceed the maximum rate for the employee's band.

d. Employees in a Less than Satisfactory or Equivalent Status. Such employees are ineligible for pay increase. This means that in some cases their pay may fall below the minimum rate of the band.

6. Foreign and Nonforeign Area Allowances and Differentials. Provisions on foreign allowances and differentials are contained in Chapter VII. A nonforeign allowance or differential established for appropriated fund employees is not granted to employees in bands NF-1 and NF-2 as their rates already are based on the prevailing rate, but may be granted to employees in bands NF-3 through NF-6. Managers should strive for consistency in a geographical area, internally and among Components.