

**Personnel Management Report**

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Friday  
October 2, 1987

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**Part VI**

**Office of Personnel  
Management**

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**Personnel Management Demonstration  
Project; Alternative Personnel  
Management System at the National  
Bureau of Standards; Notice of Approval**

## OFFICE OF PERSONNEL MANAGEMENT

### Personnel Management Demonstration Project; Alternative Personnel Management System at the National Bureau of Standards

**AGENCY:** Office of Personnel  
Management.

**ACTION:** Notice of approval of a  
demonstration project final plan.

**SUMMARY:** The National Bureau of Standards Authorization Act For Fiscal Year 1987 (Pub. L. 99-574) directed the Office of Personnel Management (OPM) and the National Bureau of Standards (NBS) to "jointly design a demonstration project which shall be conducted by the Director of the National Bureau of Standards." Section 10 of the Act, which covers the project, further provides that "The demonstration project shall, except as otherwise provided in this section, be conducted in accordance with section 4703 of title 5, United States Code . . ." Section 4703 requires the Office of Personnel Management to publish the final project plan in the Federal Register. This notice meets that requirement.

**DATES:** *Approval date:* The demonstration project plan was approved by the Office of Personnel Management on September 29, 1987. *Project implementation date:* January 1, 1988.

**FOR FURTHER INFORMATION CONTACT:**

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**SUPPLEMENTARY INFORMATION:**

#### 1. Background

The Office of Personnel Management published the proposed project plan in the Federal Register on July 1, 1987 (52 FR 24906). Copies of the proposed plan were transmitted to both Houses of Congress, as required by 5 U.S.C. 4703(b)(4). The period for public comment on the proposal continued through August 31, 1987. The notice of the proposed plan also announced the times and locations of public hearings during which interested persons or organizations could present their written or oral views on the proposed demonstration project plan. The Office held the public hearings as scheduled at

the two NBS sites: in Gaithersburg, Maryland, on August 10, 1987, and in Boulder, Colorado, on August 18, 1987. The hearing record was left open for additional data, views, and arguments until September 1, 1987.

#### 2. Summary of Comments

Six letters were received commenting on the Federal Register notice. In addition, three individuals made statements at the public hearings. The following is a summary by general topic of these written and oral comments.

(1) *Conversion to project pay system.* Objections were raised to the manner in which NBS employees are to be compensated for foregone within-grade pay increases. The project plan stipulates (in accordance with Pub. L. 99-574) that they receive a pro rata share of their next within-grade increase as of the day before they enter the project, to be paid in a lump sum. It was proposed that the share be paid instead as an addition to base pay, on the grounds that the lump sum payment would result in a short-term (and in some cases long-term) loss of salary for many employees.

(2) *Cost neutrality.* Opinions were expressed that the project could not achieve some of its objectives—i.e., competing more effectively for highly qualified employees, motivating and retaining those on board—if personnel costs are maintained at the levels they would have reached were the project not implemented.

(3) *Performance appraisal.* Concerns were voiced that a quota would be placed on favorable performance ratings under the project, and that persistent differences among supervisors in the severity of the ratings they give would produce inequitable results for employees working under a strict supervisor.

One respondent also urged that peer ratings be introduced, that is, peers rate each other's performance. The project plan calls instead for subordinate peers to be ranked by their supervisors in order of the quality of their performance.

(4) *Classification system changes.* It was argued that the banding of adjacent grades would result in the loss of status for employees formerly in the upper of the two grades and that these employees would also be disadvantaged in a RIF situation. Concern was also expressed that movement of qualified employees between career paths be encouraged, and that the delegation of classification authority to line managers be accompanied by extensive training. Finally, a question was raised regarding how employees would be converted back to the General Schedule system if

they leave the project or at its termination.

(5) *Probationary periods.* The observation was made that the provision for probationary periods of up to three years for new hires in the scientist and engineering career path is too open-ended. This could make for excessive uncertainty among employees regarding when their probation might be ended.

(6) *Promotion.* The suggestion was received that employees be included on promotion panels for their peers.

#### Demonstration Project Changes

Only a few comments were received on the preliminary project plan, especially considering that about 3000 employees will come under the project at implementation. Of those received, only a few were critical of the content of the substance of the plan. Most were cautionary in nature, urging that certain steps be taken to ensure success in applying the planned provisions.

Some of the provisions whose contents were directly challenged, such as payment of the lump sum pro rata share at conversion and pay banding, were mandated by Congress in the act authorizing the project and are not open to change. Others—extended probationary periods and the requirement of cost neutrality—were not mandated but have been retained in the final plan. The probationary period provision was modified to establish points in time at which supervisors must decide whether the probationary period will be ended. This provides a regular schedule under which each employee's probation is reviewed. In the case of cost neutrality, no substantive changes were made in the final project plan. Basic project objectives can be met within these constraints, which will also make the experiment more applicable to other government agencies.

Additional changes were made to the final version in order to clarify and expand on its provisions. A few editorial changes were also made. The substantive changes, by section, are: (1) *Position Classification:* further explanation of the process of generating position descriptions, (2) *Total Compensation Comparability:* more information on the method of measuring benefits, (3) *Staffing:* More information on the applications of direct hire, the extended probationary period, recruitment and retention allowances, travel expenses, and the link between promotion and performance ratings (the promotion subsection was moved from the classification section to the staffing section), (4) *Pay Administration:*

expanded explanation of the linkage between performance ratings and pay increases, the criteria for supervisory differentials, pay setting for new hires, and prorating lump sum payouts upon conversion, and (5) Implementation: more detailed criteria on determining grades if the project terminates and employees must be converted back to the General Schedule System.

**Public Law 99-574, National Bureau of Standards Authorization Act For Fiscal Year 1987:**

Because many elements of the proposed demonstration plan are required by section 10 of Pub. L. 99-574, the complete text of section 10 is presented here.

**Section 10, "Demonstration Project Relating to Personnel Management"**

**Sec. 10. (a)(1)** The Office of Personnel Management and the National Bureau of Standards shall jointly design a demonstration project which shall be conducted by the Director of the National Bureau of Standards.

(2) The demonstration project shall, except as otherwise provided in this section, be conducted in accordance with section 4703 of title 5, United States Code, and shall be counted as a single project for purposes of subsection (d)(2) of such section.

(3) Subject to subsections (f) and (g) of section 4703 of title 5, United States Code, the demonstration project shall cover any position within the National Bureau of Standards which would otherwise be subject to—

(A) Subchapter III of chapter 53 of title 5, United States Code, relating to the General Schedule;

(B) Subchapter VIII of chapter 53 of title 5, United States Code, relating to the Senior Executive Service; or

(C) Chapter 54 of title 5, United States Code, relating to the Performance Management and Recognition System.

(b) Under the demonstration project, the Director of the National Bureau of Standards shall provide that—

(1) The rate of basic pay for a position may not be less than the minimum rate of basic pay, nor more than the maximum rate of basic pay, payable for the pay band (as referred to in paragraph (3)) within which such position has been placed;

(2) The minimum and maximum rates of basic pay for each pay band shall be adjusted at the times, and by the amounts, provided for under subsection (c);

(3) Positions shall be classified under a system using pay bands which shall be established by combining or otherwise modifying the classes, grades, or other

units which would otherwise be used in classifying the positions involved;

(4) Employees shall be evaluated under a performance appraisal system which—

(A) Uses peer comparison and ranking wherever appropriate; and

(B) Affords appeal rights comparable to those afforded under chapter 43 of title 5, United States Code;

(5)(A) The rate of basic pay of each participating employee will be reviewed annually, and shall be adjusted on the basis of the appraised performance of the employee; and

(B) Subject to subsection (c)(4)(A)(i), the adjustment under subparagraph (A) in any year in the case of any employee whose performance is rated at the fully successful level or higher shall be at least the percentage adjustment taking effect under subsection (c)(3) in such year;

(6) Appropriate supervisory and managerial pay differentials (which shall be considered a part of basic pay) shall be provided;

(7) Performance-recognition bonuses, and recruitment and retention allowances, shall be awarded in appropriate circumstances, (but shall not be considered a part of basic pay);

(8) There shall be an employee development program which includes provisions under which employees may, in appropriate circumstances, be granted sabbaticals, the terms and conditions of which shall be consistent with those applicable for members of the Senior Executive Service under section 3396(c) of title 5, United States Code (excluding paragraph (2)(B) thereof);

(9) Payment of travel expenses shall be provided for personnel to their first post of duty in the same manner as is authorized for members of the Senior Executive Service under section 5723 of title 5, United States Code, at the discretion of the Director; and

(10) The methods of establishing qualification requirements for, recruitment for, and appointment to positions shall, at the discretion of the Director, include methods involving direct examination and hiring.

(c)(1) For the purpose of this subsection, the term "compensation" means the total value of the various forms of compensation provided, including—

(A) Basic pay;

(B) Bonuses;

(C) Allowances;

(D) Retirement benefits;

(E) Health insurance benefits;

(F) Life insurance benefits; and

(G) Leave benefits.

(2) The director of the National Bureau of Standards shall, by contract or otherwise, provide for the preparation of reports which, based on appropriate surveys—

(A) Shall include findings as to—

(i) The extent to which, as of the commencement of the demonstration project, the overall average level of compensation provided with respect to positions under the demonstration project is deficient in comparison to the overall average level of compensation generally provided with respect to positions involving the same types and levels of work in the private sector; and

(iii) With respect to each year thereafter, any net increase occurring during such year in the extent of the deficiency in the overall average level of compensation provided with respect to positions under the demonstration project, as compared to the overall average level of compensation generally provided with respect to positions involving the same types and levels of work in the private sector; and

(B) Shall recommend a single percentage by which basic pay for all positions under the demonstration project must be increased so that, when considered in conjunction with the other forms of compensation generally provided, any net increase determined under subparagraph (A)(ii) will be eliminated.

(3) Whenever the Director of the National Bureau of Standards receives a recommendation under paragraph (2)(B), the Director—

(A) Shall increase the minimum and maximum rates of basic pay for each such pay band by the lesser of—

(i) The percentage recommended; or

(ii) The overall average percentage of the adjustment in the rates of pay under the General Schedule under section 5305 of title 5, United States Code, for the period involved; and

(B) If and to the extent that funds are available for that purpose, may further increase those minimum and maximum rates—

(i) To make up for any part of the difference between the respective percentages under subparagraph (A), if the percentage under subparagraph (A)(ii) is the lesser; and

(ii) After making up for the entirety of any difference determined under clause (i) (including from any previous year), to eliminate any part of any remaining deficiency as originally determined under paragraph (2)(A)(i).

(4)(A) Notwithstanding any other provision of this section—

(i) The maximum rate of basic pay payable under any pay band may not

exceed the rate of basic pay payable for level IV of the Executive Schedule; and

(ii) The amount of basic pay, bonuses, and allowances paid during any fiscal year to any employee participating in the demonstration project may not, in the aggregate, exceed the annual rate of basic pay for level I of the Executive Schedule.

(B)(i) Any amount which is not paid to an employee during a fiscal year because of the limitation under subparagraph (A)(ii) shall be paid in a lump sum at the beginning of the following fiscal year.

(ii) Any amount paid under this subparagraph during a fiscal year shall be taken into account for purposes of applying the limitation under subparagraph (A)(ii) with respect to such fiscal year.

(5) Notwithstanding any other provision of this section, the demonstration project shall be conducted in such a way so that, with respect to the 12-month period beginning on October 1, 1986, the total cost to the Government relating to providing compensation to participating employees shall not exceed the total cost which would have resulted if this section had not been enacted.

(6)(A) If the minimum rate of basic pay for a pay band, after an increase under paragraph (3)(A), exceeds the rate of basic pay payable to an employee whose position would otherwise be within such pay band, the employee's position may, notwithstanding subsection (b)(1), be placed in the next lower pay band.

(B) Placement of a position in a lower pay band under subparagraph (A) shall not be considered a reduction in grade or pay for purposes of subchapter II of chapter 75 of title 5, United States Code, or a comparable provision under the project.

(d)(1) The rate of basic pay for an employee serving in a position at the time it is converted to a position covered by the demonstration project may not be reduced by reason of the establishment of such project.

(2)(A) Each employee referred to in paragraph (1) shall be paid—

(i) In the case of an employee serving in a position under the General Schedule on the date the position becomes covered by the demonstration project, a lump-sum pro rata share of the equivalent of any within-grade increase which would have been due the employee under section 5335 of title 5, United States Code, computed as provided in subparagraph (B), and

(ii) In the case of an employee serving in a position subject to chapter 54 of title 5, United States Code, on such date, a

lump sum pro rata share of the equivalent of the employee's merit increase which would have been due under such chapter, computed as provided in subparagraph (B), taking into account the performance requirements applicable to such increase.

(B) For purposes of subparagraph (A), the pro rata share of an equivalent increase referred to in such subparagraph shall be computed through the day before the date referred to in such subparagraph.

(e)(1)(A) In carrying out section 4703(h) of title 5, United States Code, with respect to the demonstration project, the Office of Personnel Management shall provide that such project will be evaluated on an annual basis by a contractor. Such contractor shall be especially qualified to perform the evaluation based on its expertise in matters relating to personnel management and compensation.

(B) The contractor shall report its findings to the Office in writing. After considering the report, the Office shall transmit a copy of the report, together with any comments of the Office and any comments submitted by the National Bureau of Standards, to—

(i) The Committee on Post Office and Civil Service, and the Committee on Science and Technology, of the House of Representatives; and

(ii) The Committee on Governmental Affairs, and the Committee on Commerce, Science, and Transportation, of the Senate.

(2) The Comptroller General shall, not later than 4 years after the date on which the demonstration project commences, submit to each of the committees referred to in paragraph (1)(B) a final report concerning such project. Such report shall include any recommendations for legislation or other action which the Comptroller General considers appropriate.

(f) The authority to enter into any contract under this section may be exercised only to such extent or in such amounts as are provided in advance in appropriation Acts.

(g) The demonstration project shall commence not later than January 1, 1988.

Office of Personnel Management.  
Constance Horner,  
Director.

#### Project Plan

The demonstration project plan reads as follows:

An Alternative Personnel Management System to Improve the Ability of the National Bureau of

Standards to Attract Highly Qualified Candidates, Motivate Employees, and Retain Successful Performers.

#### Executive Summary

The project was designed by the National Bureau of Standards, with participation of and review by the U.S. Department of Commerce (DoC) and the Office of Personnel Management (OPM). The Bureau will conduct the project over a 5-year period beginning January 1, 1988. The Office of Personnel Management will evaluate the project annually through contract; the Comptroller General will make a final report to Congress that will make any recommendations for legislation or other action which the Comptroller General considers appropriate.

The project is built upon the concepts of (1) total compensation comparability, rather than pay comparability only; (2) market sensitivity, by surveying compensation for private sector positions similar to NBS positions, linking entry salary to market forces by occupation, and selectively granting recruiting and retention allowances; (3) performance, by linking performance to pay for all covered positions; (4) administrative simplicity, by simplifying paperwork and processing in classification and other personnel systems; (5) management flexibility and accountability, through the delegation of classification and other authorities to line managers; and (6) Government-wide applicability, by designing an alternative system not just for NBS but for use by any agency.

The demonstration system is designed to (1) improve hiring and allow NBS to compete more effectively for high-quality researchers, through direct hiring, selective use of higher entry salaries, and selective use of recruiting allowances; (2) motivate and retain staff, through higher pay potential, pay-for-performance, more responsive personnel systems, and selective use of retention allowances; (3) strengthen the manager's role in personnel management, through delegation of personnel authorities; and (4) increase the efficiency of personnel systems, through installation of a simpler and more flexible classification system based on pay banding, through reduction of guidelines, steps, and paperwork in classification, hiring, and other personnel systems, and through automation.

The Director of the National Bureau of Standards will conduct the project through a Personnel Management Board (PMB) under the chairmanship of the NBS Deputy Director, with the directors

of the six NBS major organizational units (MOUs) as voting members and the NBS Personnel Officer and NBS EEO Officer as non-voting members. A Project Office within the Personnel Division will provide administrative support, communicate with individuals and groups outside NBS, and oversee NBS evaluations of the project.

In presenting the FY 1987 NBS Authorization bill to the Senate, Senator Slade Gorton stated that the bill "creates a National Bureau of Standards demonstration project relating to personnel compensation and management. The demonstration project enhances the Bureau's ability to recruit and retain capable employees by giving the Bureau flexibility in setting salaries competitive with those available outside the Government and in adjusting compensation on the basis of merit. The project addresses the Government's problem attracting and keeping qualified personnel especially in high-technology fields."

#### *Participating Organizations*

Both sites of the National Bureau of Standards will participate in the project. The two sites are located at Gaithersburg, Maryland, which is also the headquarters of NBS, and at Boulder, Colorado. The two sites are similar in employment profiles, with the following exceptions: (1) Of the approximately 3050 positions covered by the project, about 85 percent are in Gaithersburg; (2) all heads of major organizational units and all but one center head are located in Gaithersburg; and (3) certain administrative services at the Boulder facility, such as personnel administration and procurement, are provided by the DoC administrative support center in Boulder, which is not covered by the project and which services other DoC organizations also not covered by the project; in Gaithersburg those services are provided by NBS positions under the coverage of the project.

#### *Types and Numbers of Participating Employees*

The project will cover approximately 3050 NBS employees. By pay category, the coverage is 87.5 percent General Schedule (GS) positions, 9 percent Performance Management and Recognition System (PMRS) positions, percent 5 U.S.C. 3104 positions, and 3 percent Senior Executive Service (SES) positions. Under the PATCO categories, the coverage is 51 percent "professional," 12 percent "administrative," 18 percent "technician," 16 percent "clerical," and 3 percent "other." The professional

category is 98 percent scientists, engineers, and mathematicians.

The ten most populous occupations are Physicist (427), Chemist (258), Secretary (249), Engineering Technician (170), Electronics Engineer (155), Physical Science Technician (152), General Physical Scientist (146), Computer Scientist (134), Computer Specialist (110), and Mechanical Engineer (93).

Of the approximately 3050 covered employees, 78 percent are full-time permanent (FTP), 5 percent are part-time permanent (PTP) and 17 percent are "other" than FTP or PTP. The "other" category, made up of such categories as student, post-doctoral, temporary, and intermittent, shifts significantly during the year, particularly in the summer when many students are hired.

#### *Labor Participation*

A few General Schedule employees are represented by labor unions. These employees at the Gaithersburg site are represented by the International Association of Firefighters (IAFF), and at the Boulder site by the American Federation of Government Employees (AFGE). Union representatives have been separately notified about the project. NBS is proceeding to fulfill its obligation to consult or negotiate with them, as appropriate, in accordance with 5 U.S.C. 4703(f).

#### *Project Implementation Date*

January 1, 1988.

#### *Project Ending Date*

In accordance with section 4703 of title 5, United States Code, the project shall terminate before the end of the 5-year period beginning on the date on which the project takes effect, except that the project may continue beyond that period to the extent necessary to validate the results of the project. The Comptroller General is required to submit a final report to Congress not later than 4 years after the date on which the project commences, including any recommendations for legislation or other action.

#### *Methodology*

This proposal explains the methodology for introducing the following innovations in personnel management and demonstrating their results over a 5-year period: (1) Simplified position classification through pay banding, occupational groupings by career paths, and delegation of classification authority to managers; (2) compensation comparability based on total compensation; (3) improved staffing

through direct examination and hiring, extended probation, qualification standards more in line with private sector practice, more flexible use of recruiting tools such as paid advertising and retention allowances, travel expenses, and competitive areas based on career paths; (4) pay-for-performance, supervisory and managerial pay differentials, and market-based entry salaries; and (5) sabbaticals.

#### *Senior Executive Service and 5 U.S.C. 3104 Positions*

The personnel systems for SES positions will not change for the project. SES classification, staffing, compensation, performance appraisal, awards, and reduction in force will be based on current methods.

The personnel systems for 5 U.S.C. 3104 positions will change only to the extent that 3104 positions are in the same performance appraisal, awards, and reduction in force systems as General Schedule positions. Classification, staffing, and compensation, however, will not change.

Neither SES nor 5 U.S.C. 3104 employees will be subject to the pro rata share payouts upon conversion to the demonstration system. Pay adjustments for their positions under the project will be carried out in accordance with existing Federal rules pertaining to SES and 3104 pay adjustments.

#### *Performance Management and Recognition System (PMRS) and General Schedule (GS) Positions*

The PMRS and GS categories will no longer exist as identified categories under the project. Both will be incorporated in the new career-path/pay-band system. The step increases of the General Schedule and the merit increases of the PMRS system will be replaced by the annual performance pay increases described under "Pay Administration". Laws and regulations pertaining to the General Schedule that have not been waived for this project, however, such as those pertaining to overtime pay, will continue in force for all covered positions to which they now apply.

#### *Position Classification*

##### *Introduction*

The objectives of the new classification system are to simplify the classification process, make the process more serviceable and understandable, and place more decision-making authority and accountability with line managers.

### Coverage

All positions listed under "Types and Numbers of Participating Employees" above will be accounted for in the classification structure. All General Schedule occupations currently represented at NBS will be included. Provisions will be made for including others as employment requirements change in response to changing technical programs.

### Career Paths

Occupations at NBS which can be treated in a similar fashion will be aggregated into career paths. Occupations will be grouped according to similarities in type of work and customary requirements for formal training or credentials. The common patterns of advancement within the occupations as practiced at NBS and in the private sector will also be considered. The current occupations and grades at NBS have been examined, and their characteristics and distribution have served as guidelines to the development of career paths.

Four career paths will be established:

(a) *Scientific and Engineering*. This path will include all technical professional positions, such as physical, biological, and social scientists, engineers, computer scientists, mathematicians, and computer specialists. Ordinarily, specific course work or educational degrees are required for these occupations.

(b) *Scientific and Engineering Technician*. This path consists of the jobs that support the various scientific and engineering activities. Employees in these jobs are not required to have college course work. However, training and skills in the various electrical, mechanical, chemical, or computer crafts and techniques are required.

(c) *Administrative*. This career path contains specialized functions in such fields as finance, procurement, personnel, public information, technical

information, accounting, administrative computing, and management analysis. Special skills in administrative fields or special degrees are involved.

(d) *Support*. This career path is composed of positions for which a minimal formal education is needed, but for which special skills and knowledge, such as typing or shorthand, are usually required. Clerical work usually involves the processing and maintenance of records. Assistant work requires knowledge of methods and procedures within a specific administrative area. Other support functions include the work of secretaries, guards, firefighters, and mail clerks.

### Pay Bands

Each career path will be composed of discrete pay bands (levels) corresponding to recognized advancement within the occupations. These pay bands will replace grades. They will not be the same for all career paths. Each career path will be divided into either five or six pay bands, each pay band covering the same pay range now covered by one or more grades. The maximum rate of a pay band will be the highest rate possible for positions within that career path and band, including any position with a special pay rate. A salary overlap, similar to the current overlap between grades, will be maintained.

Ordinarily an individual will be hired at the lowest salary in a pay band. Superior qualifications may lead to a higher entrance level within a band.

For each pay band, a corresponding band will be established for employees qualifying for supervisory/managerial differentials. The supervisory pay band will have the same minimum rate as the non-supervisory band, but its maximum rate will be 6 percent higher than the maximum rate of the non-supervisory band. Positions in the supervisory pay bands will include division chiefs and group leaders in the Scientific and

Engineer Career Path, positions with formal supervisory authority over at least three positions (excluding support positions), and other positions approved by the PMB on a case-by-case basis.

The proposed pay bands for the four career paths appear in Chart I. The General Schedule (GS) grades being replaced appear at the bottom of the figure.

The pay band concept has the following advantages:

Reduces the number of classification decisions required during an employee's career: In the current system a classification action is required for each promotion to a higher grade, while in the new system a classification action is required for promotion to a higher band. Because there will be fewer bands than grades, there will be fewer classification decisions.

Simplifies the classification decision-making process and paperwork: A pay band is a larger target than a grade, and thus may be defined in shorter and simpler language. At the same time the definition for one band can be made more distinct from the definition for adjacent bands, reducing the potential for disagreement.

Supports delegation of classification authority to line managers with review or post-audit by personnel specialists.

Provides a broader range of performance-related pay for each level: In many cases, employees whose pay would have been frozen at the top step or a grade will now have more potential for upward movement in the broader pay band.

The chart below shows all four proposed career paths and how their pay bands relate to the current General Schedule grades. Each regular pay band is considered to have a corresponding pay band for supervisors and managers who qualify for the supervisory/managerial differential, though it is unlikely that the lower bands will ever be filled by supervisory positions.

CHART I: CAREER PATHS AND PAY BANDS

| Career Path                           | Levels (or Bands)          |    |     |    |   |    |     |    |   |    |     |     |    |          |          |          |
|---------------------------------------|----------------------------|----|-----|----|---|----|-----|----|---|----|-----|-----|----|----------|----------|----------|
|                                       | Scientific and Engineering | I  |     |    |   |    | II  |    |   |    |     | III | IV | V        | 3104/SES |          |
| Scientific and Engineering Technician | I                          |    |     | II |   |    | III | IV | V |    |     |     |    |          |          |          |
| Administrative                        | I                          |    |     |    |   | II |     |    |   |    | III | IV  | V  | 3104/SES |          |          |
| Support                               | I                          | II | III | IV | V |    |     |    |   |    |     |     |    |          |          |          |
| GS Grade                              | 1                          | 2  | 3   | 4  | 5 | 6  | 7   | 8  | 9 | 10 | 11  | 12  | 13 | 14       | 15       | 3104/SES |

### Occupational Series

The present General Schedule classification system has 434 occupations (also called series) which are divided into 22 groups. NBS has positions in 115 occupations and in 16 groups. The occupational series, which frequently provide well-recognized disciplines with which employees wish to be identified, will be maintained. New series may be added as physical, chemical, and biological sciences, engineering, and computer science change in other career paths, such as a new series in the Support Career Path to describe clerical and assistant support of the internal administrative functions of an organizational unit. Chart II lists the occupations currently represented at NBS by career path. This arrangement may be modified from time to time as experience is gained in applying it.

### Classification Standards

The present system of classification standards will be simplified for routine use by NBS managers. The objective is to record the essential criteria for each pay level within each career path by stating the general duties and

responsibilities and the knowledges, skills, and abilities required. Each pay band or level of each standard is described in two categories or factors: (1) General duties and responsibilities, and (2) knowledges, skills, and abilities. These two categories complement each other at each level and may not be separated in classifying a position.

### Position Descriptions

New position descriptions will emphasize the knowledges, skills, and abilities required. Line managers will follow an automated menu-driven process to classify positions and produce position descriptions. The objectives in developing these new descriptions are to:

- Simplify the description by using short standard-format descriptors rather than long narrative descriptions and by holding the length of a position description to no more than two pages;
- Allow supervisors to prepare descriptions on a personal computer; and
- Make the position description a more useful and accurate tool for other functions of personnel management,

such as recruiting, reduction in force, performance appraisal, and employee development.

### Classification and Position Description Process

Part 1 of the position description corresponds to the following steps by the supervisor:

1. *Statement of Position Objective* (a supervisor creates a "statement" by typing free-form at appropriate points in the menu-driven system).
2. *Selection of Career Path, Occupational Series, Function, Pay Band or Level, Specialty Areas, Supervision Exercised, FLSA Status, and Minimum Qualifications Required* (a supervisor makes a "selection" by selecting from options in the menu).
3. *Statement of Position Title, Organizational Location, and Supervisor.*

Part 2 of the position description is the supervisor's *statement* of position-specific duties and responsibilities and position-specific knowledges, skills, and abilities.

In producing a position description the supervisor first states the general purpose to be met, or mission objective

to be accomplished, by the position (position objective). The supervisor then selects from the menu a career path, an occupational series, a functional code, and a level description (see level descriptions under "Classification Standards") commensurate with the position objective. When producing part 2 of the position description, the supervisor will confirm the selections and classification against the position-specific duties and responsibilities and the position-specific knowledges, skills, and abilities.

The menu-driven system incorporates the four career paths and the occupational series listed below. Descriptors of these occupations are available in the program if needed. The "functions" are those currently used by OPM for science and engineering positions, including research, development, planning, etc., as well as functional descriptions associated with maintaining and servicing the facilities and providing technical and administrative services and support to the scientific and engineering staff.

"Specialty Areas" are subdisciplines or subsets of the disciplines as practiced at NBS. Descriptors of these specialties have been prepared by NBS staff and are available in the program. Selection of the appropriate supervisory responsibilities automatically determines the appropriate affirmative action obligations. The FLSA status can generally be matched to Career Path and Level, but a selection of FLSA "exempt" or "non-exempt" must be consistent with OPM guidance. Minimum qualifications are determined by the selection of career path, occupation, and level, and appear automatically after these three items have been selected.

#### *Delegation of Classification Authority*

Line managers will have classification authority. Supervisors at the lowest levels will have recommendation authority only. Higher-level managers will have approval authority, the level of approval depending on the proposed career path and pay band. The current system of approval of SES and 5 U.S.C. 3104 positions will be maintained. Classification actions will receive post audits by the personnel office. Periodic audit reports will be made to the NBS Director. Errors in classification will be corrected when discovered.

#### **Chart II: Occupational Series by Career Path**

##### *I. Scientific and Engineering*

- 101—Social Scientist
- 110—Economist

- 180—Psychologist
- 185—Social Worker
- 334—Computer Specialist
- 401—Biologist
- 403—Microbiologist
- 690—Industrial Hygienist
- 801—General Engineer
- 804—Fire Prevention Engineer
- 806—Materials Engineer
- 808—Architect
- 810—Civil Engineer
- 830—Mechanical Engineer
- 840—Nuclear Engineer
- 850—Electrical Engineer
- 855—Electronics Engineer
- 858—Biomedical Engineer
- 892—Ceramic Engineer
- 893—Chemical Engineer
- 896—Industrial Engineer
- 899—Engineering Student
- 1301—General Physical Scientist
- 1306—Health Physicist
- 1310—Physicist
- 1320—Chemist
- 1321—Metallurgist
- 1330—Astronomer
- 1360—Oceanographer
- 1372—Geodesist
- 1384—Textile Technologist
- 1399—Physical Science Student
- 1515—Operations Research Analyst
- 1520—Mathematician
- 1529—Mathematical Statistician
- 1530—Statistician
- 1550—Computer Scientist
- 1599—Mathematics Student

##### *II. Scientific and Engineering Technicians*

- 332—Computer Operator
- 404—Biology Technician
- 462—Forestry Technician
- 802—Engineering Technician
- 809—Construction Inspector
- 856—Electronics Technician
- 1311—Physical Science Technician
- 1521—Mathematics Technician

##### *III. Administrative*

- 018—Safety Specialist
- 080—Security Officer
- 099—Student Trainee
- 201—Personnel Management Specialist
- 221—Position Classification Specialist
- 230—Employee Relations Specialist
- 235—Employee Development Specialist
- 280—Equal Employment Specialist
- 301—Miscellaneous Administration and Program
- 340—Program Manager
- 341—Administrative Officer
- 343—Management Analyst
- 345—Program Analyst
- 393—Communication Specialist
- 501—Financial Administrator
- 510—Accountant
- 511—Auditor
- 560—Budget Analyst
- 1001—General Arts and Information

- 1020—Illustrator
- 1035—Public Affairs Specialist
- 1060—Photographer
- 1071—Audio-Visual Production Specialist
- 1082—Writer/Editor
- 1083—Technical Writer/Editor
- 1084—Visual Information Specialist
- 1101—General Business Specialist
- 1102—Contracts Specialist
- 1410—Librarian
- 1412—Technical Information Specialist
- 1420—Archivist
- 1601—General Facilities Manager
- 1640—Facility Manager
- 1654—Printing Manager
- 2001—General Supply Specialist
- 2003—Supply Manager
- 2010—Inventory Manager
- 2050—Supply Cataloger
- 2130—Traffic Manager
- 2150—Transportation Operator

##### *IV. Administrative Support*

- 081—Firefighter
- 085—Guard
- 203—Personnel Clerk/Assistant
- 303—Miscellaneous Clerk/Assistant
- 304—Information Receptionist
- 305—Mail and File Clerk
- 309—Correspondence Clerk
- 312—Clerk-Stenographer
- 318—Secretary
- 322—Clerk-Typist
- 335—Computer Clerk/Assistant
- 344—Management Clerk/Assistant
- 350—Equipment Operator
- 351—Printing Clerk
- 357—Coding Clerk
- 382—Telephone Operator
- 392—General Communications Assistant
- 394—Communications Clerk
- 525—Accounting Technician
- 544—Payroll Clerk/Technician
- 561—Budget Clerk/Assistant
- 1021—Office Draftman
- 1087—Editorial Clerk/Assistant
- 1105—Purchasing Agent
- 1106—Procurement Clerk/Assistant
- 1152—Production Controller
- 1411—Library Technician
- 2005—Supply Clerk/Assistant
- 2102—Transportation Clerk/Assistant
- 2132—Travel Clerk/Assistant

##### **Total Compensation Comparability**

##### *Introduction*

An objective of the demonstration project is to improve the quality of NBS by making compensation more competitive. The Bureau will provide for the preparation of reports, by contract or otherwise, that include findings as to the extent to which the overall average level of total compensation for covered NBS positions is deficient in comparison



with the overall average level of total compensation for similar positions in the private sector. Annually thereafter during the project, the Bureau will determine the change in the deficiency.

#### *Definition of Total Compensation*

The legislation defines compensation as the total value of the various forms of compensation, including:

- (A) Basic pay;
- (B) Bonuses;
- (C) Allowances;
- (D) Retirement benefits;
- (E) Health insurance benefits;
- (F) Life insurance benefits; and
- (G) Leave benefits.

NBS will develop a comparability measurement system, with contractor assistance, based on calculations and comparisons of the costs of compensation to the private sector and to the Federal Government.

NBS will use the "level-of-benefits" or "standardized" cost approach to measure benefits. This approach estimates what it would cost to provide private sector and Federal Government benefit plans to a standard workforce. By determining the cost of the various benefits to a workforce with constant demographic characteristics and using a constant set of actuarial and economic assumptions, cost data can be generated that reflect the difference in the benefit plan provisions. The NBS workforce covered by the demonstration project will be the standard workforce population used in the benefit comparisons.

#### *Process To Determine Overall Deficiency and Net Changes in the Deficiency*

The NBS Director is authorized to adjust the ranges of pay bands based on surveys conducted of total compensation paid to individuals in positions in private sector firms and universities that are similar in levels of work and responsibility to NBS positions. The Director will determine the criteria for selecting private sector organizations to be surveyed. The first survey will establish the extent to which compensation for covered NBS positions is deficient in comparison with compensation for comparable positions in the private sector prior to the start of the project, thus setting a baseline. Additional surveys will be conducted annually to determine the change occurring from year to year in private sector total compensation.

NBS will select a representative sample of private sector firms to be used in the surveys on the following basis:

- (A) National coverage for scientists and engineers based on peer groups of

private sector firms and universities that perform R&D work similar to that performed at NBS;

(B) Regional coverage for administrative positions; and  
(C) Local coverage (Gaithersburg, Maryland, and Boulder, Colorado) for science and engineering technicians, and for administrative support positions.

To the extent possible NBS will use available data and will participate in existing compensation surveys. As an example, NBS is participating in the Department of Energy's National Compensation Survey of Research and Development Scientists and Engineers. NBS, using contractor support, will devise ways to build hybrid queries to access various compensation data bases in order to match the pay and benefits components of compensation of individual private sector positions in a mix of occupations similar to those at NBS. The nation's leading actuarial and compensation consulting firms have developed and tested costing models for the various benefit plans. NBS will use one or more of these models to generate total compensation values.

#### *Comparability Decision by the Director*

Each year, the NBS Director will receive three comparability figures: (1) The annual percentage pay increase for General Schedule employees (General Federal Increase); (2) the net percentage by which the overall average level of compensation for NBS positions covered by the project has fallen behind the overall average level of compensation for similar private sector positions over the past year (Net Increase in the Deficiency); and (3) the overall percentage by which the average level of compensation for NBS positions covered by the project was deficient, as of the commencement of the project, as compared with the average level of compensation for similar private sector positions (Overall Deficiency). The Director must select at least the lesser of the first two figures as the annual NBS comparability percentage increase. If the Net Increase in the Deficiency is larger than the General Federal Increase, the Director may increase the comparability percentage by some or all of the difference, if budget considerations permit. If the Director makes up all of the Net Increase in the Deficiency, he may, if budget considerations permit, authorize an additional adjustment to further decrease the Overall Deficiency.

The percentage comparability increase selected by the Director will apply directly to: (1) The minimum and maximum rates of basic pay for each pay band (the same percentage increase will apply to all pay bands), and (2) the

basic pay of each employee receiving a fully successful or higher performance rating. An employee receiving a rating of less than fully successful will not receive an increase in basic pay.

#### *Staffing*

##### *Introduction*

New examining and hiring procedures coupled with simplified classification procedures will shorten the hiring process. Other features, such as payment of recruiting allowances, will help attract candidates in essential occupations. Retention allowances will be used to retain highly skilled and productive employees. Line managers will work with the personnel offices to develop hiring strategies. Priority placement, reemployment priority, and the merit assignment process will be addressed in developing these strategies. The personnel offices will ensure that proper procedures are followed. Line managers will participate actively in the examining and hiring process.

NBS will use a full range of staffing options. These options are Direct Hire (shortage occupations and shortage highly-qualified candidates), Agency-Based Staffing, Merit Assignment, Reinstatement, and Reassignment. All vacancies will be treated on a case-by-case basis and managers will have the option of choosing one or a combination of the applicable staffing options. The necessary examination and hiring procedures will be administered by NBS. NBS will not rate applicants for non-NBS positions. This will be made clear to all applicants.

NBS will use two options for candidates not employed by the government (non-status candidates): Direct Examination and Hiring and Agency-Based Staffing. Direct Examination and Hiring will be used for shortage categories. Agency-Based Staffing will be used for shortage categories. Agency-Based Staffing will be used for non-shortage categories to provide NBS with applicants who are specifically interested in, and available for, positions at NBS. Managers working with personnel office staff will determine the appropriate hiring strategy in each case.

##### *Direct Examination and Hiring: Critical Shortage Occupations*

NBS will use direct examination and hiring procedures for occupations defined as critical shortage occupations. Critical shortage occupations will be defined as hard-to-fill occupational series which have special pay rates or

require essential job-specific skills that are in short supply. Shortage occupations with special pay rates now include all Engineers, Mathematical Statisticians, Computer Scientists, and Metallurgists in the Scientific and Engineering Career Path, and Clerk-Typists, Clerk-Stenographers, Dictating Machine Transcribers, and all clerical and secretarial positions requiring typing, stenography, or dictating machine transcribing skills in Levels I through IV of the Support Career Path. In addition, all occupations in the Scientific and Engineering Career Path at Level III and above and Nuclear Engineering Technicians (Nuclear Reactor Operators) at Level III in the Scientific and Engineering Technician Career Path are in short supply and are shortage occupations.

NBS will recruit and make immediate offers of appointment to qualified candidates for critical shortage occupations without further competitive steps or procedures. Applications will be solicited through various recruitment activities, and applicants will be asked to submit a Personal Qualifications Statement (SF-171). A completed copy of the Federal Automated Examining System (FAES), Key Entry Examination System (KEES), or other appropriate appointment package will be provided to OPM's Office of Examining Services for all individuals appointed. All applications must be signed and contain information on citizenship, date of birth, removals, and convictions. Candidates who apply pending completion of education must submit verification that they meet all requirements prior to entering on duty.

Appropriate staff of the personnel offices and some non-personnel staff will be trained to rate applicants. Examiners will also be trained to review applications for completeness and to determine whether all legal and suitability requirements have been met. Examiners will not rate the applications of personal acquaintances or relatives. The basis for rating applicants will be documented on the OPM rating sheet. Examiners will initial and date each rating sheet and the front of the corresponding application. NBS will submit monthly reports to OPM showing the previous month's appointment activity. The report will include the name, date of birth, enter-on-duty, pay band, and job series for each appointee.

Each applicant will be rated only for the level and occupational series for which the applicant is being considered for employment. No numerical ratings will be assigned. Applicants will be determined eligible or ineligible only.

*OPM Handbook X-118: Qualifications Standards for Positions Under the General Schedule* will be used to determine an applicant's basic qualifications, except that NBS will not use the testing requirements. Selective or special qualification factors will be considered where warranted.

NBS may appoint any individual who is certified eligible. Although no registers will be maintained, NBS will accept applications on an open-continuous basis for all direct hire categories.

All selections will be subject to the Department of Commerce Priority Placement and Reemployment Priority Programs, the OPM Displaced Employees Program, and the Interagency Placement Assistance Program. If there are available priority placement candidates, NBS will appoint a priority candidate or justify why priority candidates were not appointed.

#### *Direct Examination and Hiring: Critical Shortage Highly-Qualified Candidates*

Candidates who meet high academic and training standards are also a critical shortage category. Critical shortage highly qualified candidates may be directly hired for entry level positions in the Scientific and Engineering, Scientific and Engineering Technician, and Support Career Paths.

Under the Demonstration Project, quality candidates (those with bachelors degrees with a 2.9 GPA, out of 4.0, or masters degrees) may be directly hired at Level I or II of the Scientific and Engineering path. Quality candidates for Level I or II Technicians positions must have a 2.9 GPA, out of 4.0, in 2 or 4 years of study in an accredited college, junior college, or technical institute. Candidates who apply on the basis of superior academic achievement must submit verification that they meet all requirements prior to entering on duty.

The procedures for recruiting and examining critical shortage highly qualified candidates will be the same as those used above for critical shortage occupations, except that veteran preference candidates who meet the minimum quality-candidate standard will be given priority consideration. NBS will justify the nonselection of any quality candidate with veteran preference.

If any of these categories of critical shortage occupations or critical shortage highly-qualified candidates cease to be shortage categories, NBS will place them in the agency-based hiring system. If additional shortage categories arise, they will be negotiated with OPM before being included for direct hire.

#### *Agency-Based Staffing*

NBS will carry out the examination and certification of applicants in the agency-based system. Agency-Based Staffing will follow competitive principles, requiring that each position be advertised within NBS, at OPM Federal Job Information Center(s), and at State Employment Services. Each selection will be subject to the Department of Commerce Priority Placement and Reemployment Priority Programs, the OPM Displaced Employees Program, and the Interagency Placement Assistant Program.

NBS will publicize each vacancy, examine and certify applicants (except that tests will not be used), develop rating schedules where needed, evaluate and rank applicants, issue lists of best qualified candidates, and select candidates in accordance with applicable regulations. NBS will adjudicate rating appeals, act on objections to eligibles or passover of veterans with less than 30 percent disability, answer inquiries from applicants for the posted vacancy, and maintain records of all applicants.

When a position is announced under Agency-Based Staffing, all applications from non-status candidates will be received and rated. All applications must be signed and contain information on citizenship, date of birth, removals, and convictions. A rating plan will be established for each case. Selective factors may be used as discussion above. Applicants will be given numerical scores which will be placed in rank order. Ten and five-point veteran preference will be applied. Current procedures for the rule of three will be followed. All non-selected candidates will be notified of the outcome of their application with a statement that the NBS rating is not applicable for other Federal government positions and does not place the applicant on any competitive register. NBS will maintain case records for two years from the date of selection.

#### *Merit Assignment, Reassignment, and Reinstatement*

NBS will use its current Merit Assignment Plan (MAP). This plan allows managers to select status candidates for positions with greater known promotion potential than the position the selectee currently holds. This plan will be followed for status applicants requiring MAP competition for promotion, reassignment, or other competitive personnel actions. Appropriate changes will be made to the

plan to convert GS-grades to pay levels. There will be no change in current reassignment and reinstatement procedures, except for the appropriate changes converting GS-grades to pay levels. The reassignment and reinstatement procedures also allow managers to select status candidates for positions which have no promotion potential beyond that which the selectee currently holds (or held) in the Federal Government.

#### *Paid Advertising and Recruiting Services*

NBS will continue to recruit at colleges and universities and will make greater use of paid advertisements in journals, professional magazines, and newspapers to expand recruiting sources and attract the best candidates. Advertising will become one of the first steps in recruitment. Procedures will also be developed for using private sector employment services.

#### *Probation Period*

The hiring system will include a flexible probation period for all Scientific and Engineering Career Path hires. A formal process will be developed and put in place under which the probation period may be extended up to 3 years for employees on career conditional appointments in this career path. Employees appointed prior to the implementation of the project will not be affected.

The 3-year probation will apply to non-status hires after January 1, 1988. That is, it will apply only to new employees hired after that date who do not come from another Federal Government position or do not have reemployment or reinstatement rights. At designated points in the service of the employee, the responsible manager will be asked to decide whether to:

- (a) End probation (change the employee from probationary to nonprobationary status);
- (b) Continue the employee on probation; or
- (c) Terminate the employee.

These automatic requests for a decision will come at month 9, month 21, and month 33, so that decisions can be made by months 12, 24, and 36, respectively. The manager may, however, decide to terminate an employee at any time during probation, or end probation at any time after month 12. The manager must make a decision to terminate the employee or change the employee from probationary to nonprobationary status before the end of month 36. Other aspects of probation will not change, including the limited notice and appeal rights granted to

probationary employees under law and regulation.

#### *Qualification Standards*

The qualifications required for placement within a pay band and within a career path will be based on present qualifications found in *OPM Handbook X-118*, except that testing requirements will not be used. The minimum qualifications for the occupation and for the General Schedule grade corresponding to the lowest grade incorporated in the pay band will apply. In a few cases NBS will update these standards to reflect current practices in the scientific, engineering, and computer science fields and to reflect modern curricula in recognized degree programs. Where new occupational series are defined, new minimum qualification standards will be written following the pattern of *OPM Handbook X-118*.

#### *Recruitment and Retention Allowances*

Recruitment and Retention Allowances will be established to provide incentives for individuals to enter or remain in Federal service. Allowances may be provided in appropriate circumstances, not to exceed \$10,000. Decisions on allowances will be based on market factors such as salary comparability and salary offer issues; relocation/dislocation issues; programmatic urgency; emerging technologies; turnover rates; special qualifications; and shortage categories or scarcity positions unique to NBS as defined by the PMB.

All professional and hard-to-fill positions are eligible. Based on the determination factors above, Recruitment Allowances will be paid by authority of the appropriate MOU Director, and Retention Allowances will be paid by authority of the PMB.

Receipt of a Recruitment Allowance represents a commitment by the employee to remain in Federal service for a specified time period of from 6 to 36 months, to be determined between the individual and the hiring official or supervisor. The service agreement will outline amount of allowance, time requirements of agreement, payment schedule, and repayment requirements if the individual separates from Federal service before the end of the agreed period, other than having been involuntarily separated from Federal service by reason of reduction-in-force. Actions to collect repayment may be terminated under appropriate circumstances and in accordance with generally applicable standards for termination. A Retention Allowance does not require a continued service agreement.

A Recruitment Allowance may be paid in a lump sum at or soon after entry on duty or may be paid in increments over a period of time determined by the PMB, not to exceed 36 months. A Retention Allowance may not be paid in a lump sum but must be paid in increments over a period of time determined by the MOU Director, not to exceed 36 months.

Recruitment and Retention Allowances will not be considered part of an individual's basic pay.

#### *Travel Expenses*

At the discretion of the NBS Director, travel and transportation expenses, reimbursement of expenses, and advancement of funds may be provided to new hires in the same manner as is authorized in sections 5723 and 5724 of title 5, U.S. Code. The selecting official, with approval of the MOU Director or the MOU Director's designee, will make application decisions. Recipients must sign service agreements indicating commitment of at least 12 months continued service. Service agreements will contain provisions for repayment in the event the recipient separates from Federal service before the end of the agreement. Actions to collect repayment may be terminated under appropriate circumstances and in accordance with generally applicable standards for termination.

#### *Affirmative Action/Equal Employment Opportunity*

NBS is committed to positive affirmative action/equal employment opportunity goals. Line managers will be accountable for understanding and implementing policies designed to meet these goals.

#### *Promotion*

A promotion is a move from one level (pay band) to a higher level within a career path, or a move from a level in one career path to a level with a higher pay range in another career path. Promotions will follow basic Federal merit promotion practices. In the scientific and engineering fields the qualifications for promotions will rest largely upon the qualifications of the individual. Some of this emphasis on individual knowledges, skills, and abilities will be applied to other career paths. Each position will have promotion potential to a specific level within a career path, but not all positions in a career path will have promotion potential to the same level. Movement from one career path to another will depend upon individual knowledges, skills, and abilities and

upon the availability of positions requiring them.

#### *Link Between Promotion and Performance*

Non-competitive promotions will be linked to current performance ratings and the locations of current salaries in pay bands. The salary range of each pay band is divided into three intervals (see "Pay for Performance" for a description of the pay band matrix). To be promoted noncompetitively, an employee in the bottom interval must have a performance rating of outstanding, an employee in the middle interval must have a rating of at least commendable, and an employee in the top interval must have a rating of at least fully successful.

#### *Reduction in Force*

##### *Introduction*

The current NBS process for reduction in force will be essentially maintained. Current reduction-in-force procedures will be adjusted in the context of the career path and pay band classification system. Retention registers will maintain the elements of career status, veteran preference, length of service, and service computation date adjustments based on performance ratings. Position descriptions will become a better tool for reduction in force by focusing on specific knowledges, skills, and abilities required.

##### *Competitive Areas*

Each of the four career paths will be a separate competitive area. This will place employees with similar knowledges, skills, abilities and in similar occupations together. It will also eliminate the disruptions caused by scientists or engineers displacing administration or support staff. Displacements, bumps, and retreats will occur only within career paths. Current reduction-in-force regulations will be modified by substituting "same level" for "same grade" and "one level lower" for "three grades lower". Whereas in the current system an employee may bump another employee in a lower retention subgroup and at the same grade or up three grades below the bumping employee, in the demonstration system an employee may bump another employee in a lower retention subgroup and at the same level or up to one level below the bumping employee.

##### *Saved Grade and Pay*

Saved grade and pay will follow current regulations, except that career path "level" will substitute for "grade."

#### *Pay Administration*

##### *Introduction*

The objective is to establish a pay system that will improve the ability of NBS to attract and retain quality employees. The new system will be a pay-for-performance system and, when implemented, will result in a redistribution of current pay resources based upon individual performance. The authorizing legislation states that "the rate of basic pay of each participating employee will be reviewed annually, and shall be adjusted on the basis of the appraised performance of the employee."

The first decision in the annual pay-setting process is the Director's selection of the percentage comparability increase that must be given to all covered employees rated fully successful or higher (see "Comparability Decision by the Director" above). The minimum and maximum rates of each pay band must also be increased by this percentage.

##### *Pay for Performance*

Pay increases will be allocated to employees through organizational pay pools. These pools will have three components: (A) Comparability increases; (B) performance increases; and (C) bonuses and awards. The first component, comparability increases, will consist of the percentages selected by the Director in the comparability process, and will be given as a minimum pay increase to all covered employees rated fully successful or higher. The second component, performance increases, will be made up of money previously available for within-grade increases, quality step increases, merit pay increases, and promotions from one grade to another where both grades will now be in the same pay band. Decisions on these pay increases will take into account all of the following: (1) The employee's performance; (2) the salary range of the employee's pay band; and (3) the employee's current salary in that range. The third and final component will be bonuses and awards, composed of former cash awards.

A matrix will be developed for each pay band of each career path. The vertical component of the matrix will be salary. The salary range of a pay band will be divided into three intervals, from the minimum rate to the maximum rate of the band. Employees will then be placed in an interval according to their salary. The percentage of performance-related salary increase will be highest for those in the bottom interval. Those employees in the middle interval will receive a smaller percentage increase than those in the bottom interval, and

those in the top interval will receive a smaller percentage increase than those in the other two intervals.

The horizontal component of the matrix is organized by performance rating. The performance ratings are Outstanding, Commendable, Fully Successful, Marginal, and Unsatisfactory. No employees receiving a rating below fully successful will receive a performance-related pay increase. This increase, as a percentage of current base salary, will be higher for each successive rating. The highest percentage increases, therefore, will be given to employees who are in the bottom intervals of their pay ranges and who have outstanding ratings.

##### *Placement in a Lower Pay Band*

An employee whose performance rating is less than fully successful will not receive the comparability increase. Because the minimum pay rate for each pay band will be increased each year by at least the amount of the comparability increase, it is possible that the new minimum rate of a pay band will exceed the basic pay of an employee in that pay band who did not receive the comparability increase. When this happens, the employee will be placed in the next lower pay band. The legislation specifically allows for this and provides that it will not be considered an adverse action.

##### *Supervisory and Managerial Pay Differentials*

The legislation provides that "appropriate supervisory and managerial pay differentials (which shall be considered a part of basic pay) shall be provided." The differential will not apply to SES and 5 U.S.C. 3104 positions.

The managers and supervisors who qualify for the differential include division chiefs and group leaders in the Scientific and Engineering Career Path, supervisors who formally supervise three or more subordinates doing the substantive work of the unit, and others with supervisory responsibilities as approved case-by-case by the PMB. The amounts of the differentials will be up to 6 percent of base salary (see "Pay Bands" above for a description of the supervisory pay bands and their maximum rates). The total basic pay for an employee receiving a supervisory/managerial differential, including the differential, may not exceed the prevailing basic pay for pay level 3 of the SES.

Upon conversion to the project, all eligible positions will be placed in the supervisory pay bands. The incumbents

of these positions will be converted at their basic pay at the time of conversion, except that division chiefs and group leaders, who are not now compensated for supervision, will begin receiving the added differential upon conversion. New hires into eligible positions after the date of conversion will have their pay set at the supervisor's discretion within the pay range of the applicable pay band.

#### *Pay and Compensation Ceilings*

The legislation specifies the following two overall pay ceilings: (1) The basic pay under any pay band may not exceed the basic pay of Executive Level IV. (2) An employee's total monetary compensation for a fiscal year may not exceed the basic pay of Executive Level I. Any amount that cannot be paid to an employee in a given fiscal year because of the ceiling on total monetary compensation shall be paid in the following fiscal year.

In addition, each pay band will have its own pay ceiling, just as do grades in the current system. Pay rates for the various pay levels will be directly keyed to the General Schedule rates with consideration given to the special pay rates. Basic pay will be limited to the maximum rates payable for each pay band. In the case of the special pay bands established for individuals receiving the supervisory/managerial pay differential, the top of the band will not exceed pay level 3 of the Senior Executive Service.

#### *Pay Setting for New Hires*

The setting of initial salaries within pay bands for new appointees will be flexible, particularly for hard-to-fill positions in the scientific and engineering career path. Determinations on setting pay will be based on the same factors applicable to granting recruitment and retention allowances (see "Recruitment and Retention Allowances" above).

#### *Pay Setting for Promotion*

The minimum basic pay increase upon promotion to a higher level will be 6 percent.

#### *Conversion of Employees to the Demonstration System*

Current grades will translate directly to the new career-path and pay-band structure. Employees will be converted at their current salaries at the time of conversion, except for the non-SES and non-3104 division chiefs and group leaders in the Scientific and Engineering Career Path who qualify for a supervisory/managerial pay differential upon conversion. No one's salary will be

reduced as a result of the conversion. At the time of conversion each converted employee will be given a lump sum cash payment for the time credited to the employee toward what would have been the employee's next within-grade (step) increase or PMRS merit increase.

The payment for a General Schedule employee will be computed by (1) calculating the ratio of the number of days the employee will have spent in the employee's current step through the day prior to the day of conversion, to the total number of days in the employee's current waiting period for a regular within-grade increase (365, 730, or 1,095 days), and (2) multiplying that ratio by the dollar value of the employee's next within-grade increase, using the GS pay scale effective the first pay period of 1988.

The payment for a PMRS employee will be computed by multiplying (1) the percentage increase of the employee's last merit increase by (2) the employee's basic pay to be effective the first pay period of 1988 by (3) 30 percent (the proportion of a full year to the credit of the employee), or a lesser percentage for an employee who has entered on duty since October 1, 1987.

#### *Performance Evaluation*

##### *Introduction*

The Performance Appraisal System will link pay and promotions to performance through annual performance evaluations and performance ratings. Individual performance objectives will be tied to organizational goals and objectives. The proposed performance appraisal system will use peer comparison and ranking wherever appropriate.

##### *Process*

The current Department of Commerce (DoC) Performance Management Recognition System (PMRS) will be the model for the project performance appraisal system. Performance plans will be developed each year by the employee and supervisor to clarify NBS and DoC goals and objectives and identify individual accountability for their accomplishment. Critical elements for each position will be established and weighted on the basis of importance. Performance standards developed by DoC will be used along with specific supplemental performance standards developed by the supervisor to evaluate levels of accomplishment for each critical element. A mid-year review will determine whether objectives are being met and whether critical elements should be modified to reflect changes in planning, work-load, and resource

allocation. Additional reviews may be held if needed. There are five rating categories: Outstanding, Commendable, Fully Successful, Marginal, and Unsatisfactory.

After the initial rating is given, an employee's performance will, if appropriate, be reviewed at higher levels and ranked in relation to the employee's peers (all other employees in the same pay band and career path). This peer ranking process may take place at division, center, and MOU level, and will result in assignment of a final rating. Pay adjustments will be based on employee ratings. The performance appraisal cycle for all covered employees will begin October 1 and end September 30 of the following year.

All performance plans and appraisals will be reviewed by at least the next higher level of management. A written performance review at the end of the rating period will be required.

An employee who disagrees with the rating received may comment in writing to the approving official. The approving official makes the final decision and must document any changes in the rating.

#### *Senior Executive Service*

Members of the Senior Executive Service will remain under the current DoC/NBS SES performance appraisal system. 5 U.S.C. 3104 employees will be under the structure of the project performance evaluation system, but will not be in the project pay-for-performance pay system.

#### *Awards*

##### *Introduction*

NBS currently has an extensive awards program consisting of both internal and external awards. Performance recognition bonuses will replace current performance recognition awards (Quality Step Increases, Sustained Superior Performance Awards, and PMRS Performance Awards). The Special Act or Service Awards (SAS), internal NBS awards, and suggestion awards will continue. Department of Commerce Medal Awards and other honorary non-cash awards will also be retained.

##### *Performance Bonuses*

Bonuses are cash awards to recognize and encourage special contributions. Bonuses must be supported by a total summary rating of at least Fully Successful. They must be approved at a managerial level at least one level higher than the official who recommended the bonus. Cash bonuses

will not become a party of employee base pay.

#### *Senior Executive Service and 5 U.S.C. 3104 Employees*

Members of the Senior Executive Service (SES) will remain under their current awards system and will not participate in the project performance recognition bonus awards program. SES members will continue to be eligible for the SES bonus awards and the Presidential Rank Awards.

5 U.S.C. 3104 employees will be eligible for cash awards.

#### **Employee Development**

##### *Introduction*

The objective of NBS's Employee Development Program is to develop the competence of employees for maximum achievement of Bureau goals and objectives. The legislation mandates the continuation of an employee development program including, in appropriate circumstances, a sabbatical program. The legislation requires that any sabbatical program be consistent with the terms and conditions of the sabbatical program currently applicable to members of the Senior Executive Service.

##### *Sabbaticals*

The proposed NBS Sabbatical Program under the Project will cover all career appointees whose current performance is above the fully successful level. Employees will be eligible after completion of seven years of Federal service. One sabbatical of 3 to 11 months may be granted to an employee in any 10-year period. Each sabbatical should benefit NBS, as well as increase the employee's individual effectiveness. Various learning or developmental experiences may be considered for purposes of granting a sabbatical, such as advanced academic teaching or research, or on-the-job work experience with public, private, or non-profit organizations.

Final approval authority for all training during the project will be the major organizational unit (MOU) director or designated management level. The personnel offices will provide policy guidance, training design, evaluation, information, scheduling, and administrative processing.

#### **Employee Relations**

##### *Introduction*

The legislation mandates that employees covered by the project are to be evaluated under a performance evaluation system that affords appeal rights comparable to those provided

currently under chapter 43 of title 5, United States Code. NBS will maintain, under the project, the substantive and procedural appeal rights that employees now have.

##### *Placement in a Lower Pay Band*

Employees whose ratings are marginal or unsatisfactory will receive no pay increase and may move to a lower pay band as the minimum rates of basic pay in a pay band increase (as the result of comparability increases). Such placement in a lower pay band, with no decrease in pay, and due to a failure to attain a performance rating of fully successful, will not be considered an adverse action.

##### *Safeguards for Employees*

Employees may be removed from their positions or reduced to a lower level for unacceptable performance. These performance-based actions will follow the same procedures and allow the same appeal rights as current performance-related removals and reductions in grade.

#### **Evaluation**

##### *Introduction*

The Demonstration Project legislation mandates evaluations and reports by organizations external to NBS.

The Office of Personnel Management is to have the Project evaluated annually by a contractor. The contractor must be especially qualified to perform the evaluation based on its expertise in matters relating to personnel management and compensation. The contractor is to report the findings to OPM in writing. After reviewing the report, OPM is to transmit the report, along with comments by OPM, the Department of Commerce, and NBS, to Congress.

The Comptroller General must submit a final report to Congress no later than 4 years after the commencement of the project. This report is to include any recommendations for legislation or other action which the Comptroller General considers appropriate.

The Evaluation Plan incorporates both internal and external evaluation efforts. Elements of the plan are outlined below.

##### *Evaluation Methodology*

The evaluation effort will be carried out in four phases. The *design phase* is intended to aid in the structuring of the demonstration project and is primarily an internal NBS effort.

Baseline data will be collected prior to implementation of the demonstration scheduled for January 1988. These data

will be made available to the OPM contract evaluator.

Following the implementation of the project, the monitoring of the *implementation phase* begins. An evaluation of this phase is necessary to determine whether the project is implemented as designed and whether the stated processes are stable and operational.

The *formative evaluation phase* begins once it has been determined that the project is stable and operational. This phase will extend over the full 5-year experimental period. Data will be collected annually and periodic reports will be issued. The *summative phase* will assess the overall impact of the project upon conclusion of the experiment.

The evaluation will focus on overall personnel management issues and will be based on before-and-after comparisons of the personnel management data, using both quantitative and qualitative criteria. Personnel records and reports, as well as previously validated survey instruments, will be used to develop appropriate measures. New data collection methods and measures, or modifications to existing instruments, may be required for some criteria. A private research firm will design, conduct, and analyze the results of employee attitude surveys in order to ensure the validity of results and to protect the confidentiality of individual employee responses. In addition to the specific requirements, as mandated by the legislation, the design of the survey will benefit from the experience of the Office of Personnel Management, the Department of Commerce, the National Bureau of Standards, and other organizations. The first survey is scheduled for the fall of 1987.

Evaluation criteria will be derived from the following Demonstration Project goal and objectives:

*Goal:* Demonstrate improved personnel management by tying pay more closely to the job market, linking pay increases to performance, and introducing efficient personnel structures and processes.

*Objectives:* Compete more effectively for high-quality staff; motivate staff and retain key employees; increase management responsibility and accountability; remain budget neutral; and create a model that could be adopted by other government agencies.

#### **Project Training**

One of the keys to the success or failure of the project will be the training provided to all participants. Training

will not only provide the necessary knowledge and skills to carry out the proposed changes, but will also promote a commitment to the program on the part of all participants.

Training will be structured to meet the specific needs of:

1. Supervisors
2. Administrative Staff: generally personnel specialists, personnel assistants, and administrative officers
3. Employees.

Training will also include orientation and periodic status updates. This training will focus on overviews and in-depth descriptions of all elements of the demonstration project, including:

1. Objectives
2. Implementation plan and timetable
3. Organization for the demonstration project
4. How employees will enter the project
5. Pay adjustment process
6. Position classification/position description preparation
7. Promotion
8. Staffing
9. Performance evaluation
10. Bonuses
11. Link between management accountability and personnel office oversight
12. Automation
13. Internal and external evaluation processes

#### *Supervisors*

The focus of the demonstration project on management-centered personnel administration, with increased supervisory and managerial personnel management authority and accountability, demands thorough training of supervisors and managers in the knowledges and skills that will prepare them for their new responsibilities. Training will include detailed information on the policies and procedures of the demonstration project, skills training in classification, position description preparation, and performance evaluation using peer comparison and ranking.

#### *Administrative Staff*

The administrative staff, generally personnel specialists, technicians, and administrative officers, will play a key role in advising, training, and coaching supervisors and employees in implementing the demonstration project. This staff will also need training in the procedural and technical aspects of the project. They will undergo at least the same block of training provided to all supervisors.

#### *Employees*

NBS will train employees for the demonstration project. In the months leading up to the implementation date, meetings will be held for employees to fully inform them of all project decisions, procedures, and processes.

#### *Costs*

Although the project legislation does not require budget neutrality, NBS has set for itself an objective to control total compensation costs associated with the project. NBS programs must have the flexibility to respond to emerging technologies and to industry and other agency demands. Nearly half of NBS resources come from government and private sector customers. The proposed measures will allow NBS to meet these demands and yet control total compensation costs.

NBS intends to maintain total compensation during the project at the level it would have reached under the current Government-wide system. The proposed procedure will permit changes in NBS expenditures which result from legislatively mandated program changes and changes in Federal pay and benefits. NBS may offset selected salary increases with savings by reducing turnover, eliminating unnecessary overhead, and cutting other personnel costs. NBS will measure its adherence to cost control by preparing budget estimates which are based on prescribed Federal Budget processes and monitor actual spending under the Demonstration Project against this budget estimate.

#### *Implementation*

NBS intends to strike an appropriate balance between supervisors' personnel management authority and accountability and personnel office oversight responsibility. Supervisors will be thoroughly trained for exercising their delegated authorities in accordance with demonstration procedures and safeguards.

#### *Conversion to the Demonstration Project*

Initial entry into the demonstration project for covered employees will be accomplished through a full employee protection approach that ensures each employee an initial place in the appropriate career path and pay band without loss of pay (see "Conversion of Employees to the New System" under "Pay Administration" above).

#### *Personnel Administration*

All personnel laws, regulations, and guidelines not superseded by Pub. L. 99-574 authorizing the project or waived by

this plan will remain in effect. Basic employee rights will be safeguarded and merit principles will be maintained. The personnel offices will oversee the personnel management decisions made by supervisors, and will continue to process all personnel and payroll actions.

#### *Automation*

NBS will continue using the U.S. Department of Agriculture's National Finance Center automated personnel/payroll processing system. NBS will automate internal personnel processes and systems associated with the demonstration project wherever proper and appropriate, and will design a personal computer system to handle the production of position descriptions.

#### *Conversion Back to the Former System*

In the event the project ends and the demonstration system is not made permanent, a conversion back to the former (regular) Federal civil service system will be required for positions equivalent to GS/GM-15 and below (SES and 3104 position classification will not change under the project).

The conversion will be conducted according to the following steps:

1. All employees will be converted at their current base pay at the time of conversion, except where a General Schedule employee's base pay falls between two steps of a grade and must be raised to the higher step.

2. All employees in a pay band corresponding to a single General Schedule (GS) grade will be converted to that grade.

3. Employees in a pay band corresponding to two or more GS grades will be converted to one of those grades according to the following procedures:

- a. A mid-point will be calculated for each GS grade, which will be the dollar figure half-way between the minimum rate and maximum rate of the grade in the current GS pay schedule at the time of conversion.

- b. An employee's basic pay at the time of conversion will be compared to the GS grade mid-points to establish the grade mid-point that is closest, whether higher or lower, to the employee's basic pay.

- c. The employee will be converted to the GS grade whose mid-point is closest to the employee's basic pay, except that an employee converting to a two-grade-interval occupational series will be converted to an appropriate grade for that series whose mid-point is closest to the employee's basic pay. If the employee's basic pay is equally distant from the mid-points of two appropriate

grades, the employee will be converted to the higher grade.

4. Employees will be placed in GS or GM (PMRS) categories according to coverage criteria that exist at the time of conversion.

5. Once these conversions have taken place, evaluations will be conducted to ensure proper classification.

#### **Experimentation and Revision**

Many aspects of a demonstration project are experimental. Modifications must be made from time to time as experience is gained, results are analyzed, and conclusions are reached on how the system is working. The Bureau, with DoC and OPM approval, will make minor modifications, such as changes in the occupational series in a career path, without further notice. Major changes, such as a change in the number of career paths, will be published in the Federal Register.

#### **Project Management and Oversight**

In accordance with the project legislation, the project will be "conducted by the Director of the National Bureau of Standards." The Director will delegate management and oversight of the project to the Personnel

Management Board (PMB) under the chairmanship of the NBS Deputy Director. The directors of the major organizational units will be voting members and the Personnel Officer and EEO Officer will be non-voting members. The PMB will be the NBS body to manage, evaluate, and make policy and procedural changes to project systems when needed. When necessary, the PMB will interpret and clarify project policy. The PMB will establish the management and administrative structure for running and evaluating the project and will oversee the delegations of authorities to managers, supervisors, and management bodies, including the withdrawal of authority when warranted. The PMB will have the authority to make exceptions to normal project procedures on a case-by-case basis when it believes an exception is warranted. The PMB will also have the authority to establish itself as the approving body for any type of project personnel action for which NBS has authority.

#### **Authorities and Waiver of Laws and Regulations Required**

Public Law 99-574 gave the National Bureau of Standards the authority to

experiment with several specific personnel system innovations which are otherwise prohibited by law and regulations. In addition to the authorities granted by act, the following waivers of law and regulation are necessary:

#### **Title 5, U.S. Code**

Section 5333(a) Minimum rate for new appointments

#### **Title 5, Code of Federal Regulations**

Section 315.801 Requirement for one-year probationary period

Section 315.802 Length of probationary period

Section 351.401 Scope of competition in RIF

Section 351.402 Competitive area in RIF

Section 351.403 Competitive level in RIF

Section 351.701 Assignment involving displacement

Section 531.203 Minimum rate for new appointments

[FR Doc. 87-22854 Filed 10-1-87; 8:45 am]

BILLING CODE 6325-01-M



**Facility Operating Licenses Nos. PR-77 and DPR-78, Amendments** revised the **Technical Specifications**. **Public comments requested as to proposed no significant hazards consideration:** No. The amendment application was processed on an emergency basis, pursuant to 10 CFR 50.91(a)(5). The Commission's related evaluation is contained in a Safety Evaluation dated May 4, 1989.

**Attorney for licensee:** General Counsel, Tennessee Valley Authority, 400 West Summit Hill Drive, E11 B33, Knoxville, Tennessee 37902.

**Local Public Document Room location:** Chattanooga Hamilton County Library, 1001 Broad Street, Chattanooga, Tennessee 37402.

**NRC Assistant Director:** Suzanne Black

Dated at Rockville, Maryland, this 11th day of May, 1989.

For the Nuclear Regulatory Commission  
Gary M. Holahan,

Acting Director, Division of Reactor Projects - III, IV, V and Special Projects Office of Nuclear Reactor Regulation

[Doc. 89-11687 Filed 5-16-89; 8:45 am]

BILLING CODE 7590-01-D

## OFFICE OF PERSONNEL MANAGEMENT

**Personnel Management Demonstration Project: Alternative Personnel Management System at the National Institute of Standards and Technology**

**AGENCY:** Office of Personnel Management.

**ACTION:** Notice of amendments of the National Institute of Standards and Technology (NIST; formerly National Bureau of Standards) demonstration project plan.

**SUMMARY:** This action provides for changes to the final project plan published October 2, 1987, to clarify certain authorities granted to NIST under the project. The notice makes four corrections of errors in the "Staffing" section, clarifies NIST's authority to reimburse new hires for relocation expenses, makes the definition of "promotion" more like the definition in the Federal Personnel Manual (FPM), and makes clear that removal of a supervisory differential upon giving up supervisory responsibilities does not constitute an adverse action.

**DATE:** Comments must be received on or before June 16, 1989.

**ADDRESS:** Send comments to Dorna Beecher, Assistant Director for Systems Innovation and Simplification, U.S. Office of Personnel Management, Room

7638, 1906 E Street NW., Washington, DC 20415.

**FOR FURTHER INFORMATION CONTACT:** Allen Cassady, (301) 975-3031, at the National Institute of Standards and Technology; Paul R. Thompson, (202) 632-6184, at OPM.

### SUPPLEMENTARY INFORMATION:

#### Background

On January 1, 1988, the National Institute of Standards and Technology (NIST) began a 5-year project to demonstrate an alternative personnel management system. The new system was mandated by Congress to improve the Institute's ability to motivate and retain staff and to attract and hire highly qualified candidates. NIST will also simplify personnel administration and give managers more authority and accountability for personnel management.

The major features and interventions of the project are total compensation comparison with the private sector, simplified position classification with delegation of authority and accountability to line managers, agency-based hiring, direct-hiring, recruiting and retention allowances, pay for performance, and supervisory pay differentials.

NIST will annually compare compensation for NIST positions with compensation for similar positions in the private sector and, to the extent allowed by budget limitations, will make up the net increase in the deficiency through an annual comparability pay increase for all employees rated "fully successful" or higher. In position classification, career paths and broad pay bands have replaced the General Schedule (GS) grade structure. NIST conducts its own hiring, rather than hiring through the Office of Personnel Management (OPM) registers, and fills most scientific and engineering vacancies through the direct-hire process. NIST management will grant recruiting and retention allowances up to \$10,000 in special cases. Supervisors will determine/pay increases within pay bands on the basis of performance appraisals. Supervisors and managers who would not otherwise be compensated for supervision or management will be given pay differentials.

#### Project Plan Modifications

The official NIST Project Plan appeared in the Federal Register on October 2, 1987 (52 FR 37082). In order to implement the plan fully, it is necessary to modify certain sections so that they express more clearly the intentions of OPM and NIST in designing the project.

In the "Staffing" section of the original plan, errors were made in describing appointment reports to OMB (none required), open-continuous applications (should be critical shortage occupations only), the career paths covered by the category of critical shortage highly-qualified candidates (should not include Support Career Path), and the approval authorities for the timing of Recruitment and Retention Allowances (the approval authority cited for Recruiting Allowances should have been cited instead for Retention Allowances, and the authority cited for Retention Allowances should have been cited for Recruiting Allowances).

The definition of "promotion" (52 FR 37091) has not proved practicable in its coverage of movements from one career path to another, because it differed too much from the traditional definition in the Federal Personnel Manual (FPM). The revised definition parallels the definition in the FPM. Also, the time-in-pay-band requirement one year for promotion eligibility was not made explicit. This Notice, therefore, changes the definition of "promotion" and adds the time-in-pay-band requirement to the same section.

The original project plan provides that new hires are eligible for reimbursement of travel expenses to first post of duty and relocation expenses "in the same manner as is authorized in sections 5723 and 5724 of title 5, U.S. Code" (52 FR 37091). It was intended that the authority cover all the facets of relocation expenses described in sections 5724a, 5724b, and 5724c of title 5, as well as those mentioned in the original plan. This notice amends the project plan to add specific reference to the three recipients to repay travel expenses when they separate prior to the end of their service agreements.

The project plan does not mention the process by which a supervisory pay differential is discontinued when the supervisory responsibilities are discontinued. This modification adds this process and makes clear that loss of a supervisory differential is not an adverse action and is therefore not subject to appeal.

Finally, all instances of "National Bureau of Standards," "NBS," and "Bureau" are changed to "National Institute of Standards and Technology," "NIST," and "Institute," respectively, in accordance with a provision of the Technology Competitiveness Act signed into law by the President on August 23, 1988.

U.S. Office of Personnel Management.  
Constance Horner,  
Director.

The demonstration project plan for the Alternative Personnel Management System at the National Institute of Standards and Technology, published in the Federal Register on Friday, October 2, 1987 (52 FR 37082-37096) is amended as follows:

**1. Staffing—Reports to OPM:** OPM's Office of Examining Services has decided it does not want a report on each direct-hire appointment. The following sentence (52 FR 37090) is deleted:

A completed copy of the Federal Automated Examining System (FAES), Key Entry Examination System (KEES), or other appropriate appointment package will be provided to OPM's Office of Examining Services for all individuals appointed.

**2. Staffing—Open-Continuous Applications:** The statement on open-continuous applications appeared under the subsection titled "Direct Examination and Hiring: Critical Shortage Occupations," and was intended to apply only to that category; therefore "critical shortage occupations" is added to the following sentence (52 FR 37090) as indicated by brackets:

Although no registers will be maintained, NBS will accept applications on an open-continuous basis for all direct hire [critical shortage occupations]

**3. Staffing—Critical Shortage Highly-Qualified Candidates:** The Support Career Path was not intended to be covered by this category; therefore, the sentence that reads "Critical shortage highly-qualified candidates may be directly hired for entry level positions in the Scientific and Engineering, Scientific and Engineering Technician, and Support Career Paths" (52 FR 37090) is changed to read:

Critical shortage highly-qualified candidates may be directly hired for entry level positions in the Scientific and Engineering and Scientific and Engineering Technician Career Paths

**4. Staffing—Recruitment and Retention Allowances:** The authorities for approving recruiting and retention allowances were unintentionally reversed in one passage (52 FR 37091). The passage is changed to read:

Recruitment Allowance may be paid in a lump sum at or soon after entry on duty or may be paid in increments over a period of time determined by the [MOU Director], not to exceed 36 months. A Retention Allowance may not be paid in a lump sum but must be paid in increments over a period of time determined by the [PMB], not to exceed 36 months.

**5. Travel Expenses:** The "Travel Expenses" subsection (52 FR 37091) is replaced with the following new subsection (new material is bracketed) to make clear which sections of title 5, U.S. Code, are covered and to emphasize the repayment obligation upon separation prior to the end of the agreement:

**Travel Expenses**

At the discretion of the NIST Director, travel and transportation expenses, advancement of funds, [per diem expenses incident to travel, and/or relocation expenses] may be provided to new hires in the same manner as is authorized in sections 5723, 5724, [5724a, 5724b, and 5724c] of title 5, U.S. Code. The selecting official, with approval of the MOU Director or the MOU Director's designee, will make application decisions. Recipients must sign service agreements indicating commitment of at least 12 months continued service. Service agreements will contain [a repayment obligation] in the event the recipient separates from Federal service before the end of the agreement. Actions to collect repayment may be terminated under appropriate circumstances and in accordance with generally applicable standards for termination.

**6. Staffing—Promotion:** The sentence that reads "A promotion is a move from one level (pay band) to a higher level within a career path, or a move from a level in one career path to a level with a higher pay range in another career path" (52 FR 37091) is changed to read:

A promotion is a change of an employee to (1) a higher pay band in the same career path, or (2) a pay band in another career path in combination with an increase in the employee's salary. The time-in-pay-band requirement for promotion eligibility is one year.

**7. Supervisory and Managerial Pay Differentials:** The intent of Congress on the discontinuance of a supervisory differential was not adequately reflected in the notice; therefore, the following new subsection is added to the section on "Pay Administration" (52 FR 37092) immediately under the subsection titled "Supervisory and Managerial Pay Differentials":

**Supervisory and Managerial Pay Differentials**

The House Post Office and Civil Service Committee Report accompanying the project legislation stated that supervisory and managerial pay differentials "will be terminated when an employee leaves a supervisory or management position. Such termination will not be considered a reduction in pay." Where an employee's pay band does not change as a result of undertaking supervisory responsibilities, the granting of a differential will not be

considered a promotion or a competitive action. The differential will be discontinued when an employee's supervisory responsibilities are discontinued. The cancellation of a differential will not itself constitute a demotion or a reduction in pay. The cancellation of a supervisory differential, therefore, will not constitute an adverse action and there will be no right of appeal under 5 USC Chapter 75.

[FR Doc. 89-11778 Filed 5-16-89; 8:45 am]

BILLING CODE 6325-01-M

**SECURITIES AND EXCHANGE COMMISSION**

[Release No. 34-26804; File No. SR-GSCC-89-3]

**Self-Regulatory Organizations; Filing and Immediate Effectiveness of Proposed Rule Change by Government Securities Clearing Corporation ("GSCC") Relating to Its Fee Structure**

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934, 15 U.S.C. 78s(b)(1), notice is hereby given that on April 14, 1989 GSCC filed with the Securities and Exchange Commission the proposed rule change as described in Items I, II, and III below, which Items have been prepared by GSCC. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

**I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

The proposed rule change would modify GSCC's fee schedule to establish a minimum monthly fee of \$500.00 that each participant must remit to GSCC.

**II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change**

In its filing with the Commission, GSCC included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. GSCC has prepared summaries, set forth in sections (A), (B), and (C) below, of the most significant aspects of such statements.

Those permitted to intervene become parties to the proceeding, subject to any limitations in the order granting leave to intervene, and have the opportunity to participate fully in the conduct of the hearing, including the opportunity to present evidence and cross-examine witnesses.

If a hearing is requested, the Commission will make a final determination on the issue of no significant hazards considerations. The final determination will serve to decide when the hearing is held.

If the final determination is that the request for amendments involves no significant hazards considerations, the Commission may issue the amendments and make them effective, notwithstanding the request for a hearing. Any hearing held would take place after issuance of the amendments.

If a final determination is that the amendments involve significant hazards considerations, any hearing held would take place before the issuance of any amendment.

Normally, the Commission will not issue the amendments until the expiration of the 30-day notice period. However, should circumstances change during the notice period such that failure to act in a timely way would result, for example, in derating or shutdown of the facility, the commission may issue the license amendment before the expiration of the 30-day notice period, provided that its final determination is that the amendments involve no significant hazards considerations. The final determination will consider all public and State comments received. Should the Commission take this action, it will publish a notice of issuance and provide for opportunity for a hearing after issuance. The Commission expects that the need to take this action will occur very infrequently.

A request for a hearing or a petition for leave to intervene must be filed with the Secretary of the Commission. U.S. Nuclear Regulatory Commission, Washington, DC 20555, Attention: Docketing and Service Branch, or may be delivered to the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, by the above date. Where petitions are filed during the last ten (10) days of the notice period, it is requested that the petitioner promptly so inform the Commission by a toll-free telephone call to Western Union at 1-(800) 325-6000 (in Missouri 1-(800) 3426700). The Western Union operator should be given Datagram Identification Number 3737 and the following message addressed to Herbert N. Berkow: (petitioner's name and telephone number), (date petition

was mailed), (plant name), and (publication date and page number of this Federal Register notice). A copy of the petition should also be sent to the Office of the General Counsel, U.S. Nuclear Regulatory Commission, Washington, DC 20555, and to Michael W. Maupin, Esq., Hunton and Williams, P.O. Box 1535, Richmond, Virginia 23212.

Nontimely filings of petitions for leave to intervene, amended petitions, supplemental petitions and/or requests for hearing will not be entertained absent a determination by the Commission, the presiding officer or the Atomic Safety and Licensing Board designated to rule on the petition and/or request, that the petitioner has made a substantial showing of good cause for the granting of a late petition and/or request. That determination will be based upon a balancing of the factors specified in 10 CFR 2.714(a) (1)-(v) and 2.714(d).

For further details with respect to this action, see the application for amendments dated August 2, 1989, which is available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC and at the Local Public Document Room located at the Swem Library, College of William and Mary, Williamsburg, Virginia 23185.

Dated at Rockville, Maryland, this 10th day of August 1989.

For the Nuclear Regulatory Commission,  
**Bart C. Buckley,**  
Senior Project Manager, Project Directorate II-2, Division of Reactor Projects-I/II, Office of Nuclear Reactor Regulation.

[FR Doc. 89-19217 Filed 8-15-89; 8:45 am]  
BILLING CODE 7590-01-M

**OFFICE OF PERSONNEL MANAGEMENT**

**Personnel Management Demonstration Project: Alternative Personnel Management System at the National Institute of Standards and Technology**

**AGENCY:** Office of Personnel Management.

**ACTION:** Final notice.

**SUMMARY:** This action provides for the approval of amendments to the final project plan published October 2, 1987 (52 FR 37082). The amendments were published on May 17, 1989 (54 FR 21331), as proposed changes, with a 30 day comment period. Changes were to be made final unless any compelling objections were raised. Representatives of the local bargaining units and all other employees covered by the project plan were notified of the proposed

changes and the comment period. There were no requests to bargain and only two letters were received, neither of which contained comments addressing the proposed amendments.

**EFFECTIVE DATE:** August 16, 1989.

**FOR FURTHER INFORMATION CONTACT:** Allen Cassday (301) 975-3031, at the National Institute of Standards and Technology; Paul Thompson, (202) 632-6164, at OPM.

U.S. Office of Personnel Management,  
Constance B. Newman,  
Director.

[FR Doc. 89-19136 Filed 8-15-89; 8:45 am]  
BILLING CODE 6325-01-M

**SECURITIES AND EXCHANGE COMMISSION**

[34-27109]; [File No. DTC-89-14]

August 8, 1989.

**Self-Regulatory Organizations' Notice of Filing and Immediate Effectiveness of Proposed Rule Change by The Depository Trust Company Relating to Changes in its Fee Schedule for Services**

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> notice is hereby given that on July 24, 1989 the Depository Trust Company ("DTC") filed with the Securities Exchange Commission ("Commission") the proposed rule change as described below (SR-DTC-89-14). The Commission is publishing this notice to solicit comments by interested persons on the proposed rule change.

**I. Description of the Proposed Rule Change**

The following is the proposed schedule of charges for DTC's interface service with the National Securities Clearing Corporation's ("NSCC") Mutual Fund Settlement, Entry and Registration Verification Service ("Fund/SERV"),<sup>2</sup> as set forth by DTC in its filing:

| Service  | Fee   |
|--|---|
| For each Mutual Fund Order Entry, Settlement, and Registration Usage Charge..... | \$0.70 per settled transaction.<br>\$50.00 monthly. |

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1981).  
<sup>2</sup> On July 24, 1989 the Commission approved DTC's proposed interface service with NSCC's Fund/SERV. See Securities Exchange Act Release No. 27056 (July 24, 1989), 54 Fed. Reg. 31,752 (August 1, 1989).

petitioner is aware and on which the petitioner intends to rely to establish those facts or expert opinion. Petitioner must provide sufficient information to show that a genuine dispute exists with the applicant on a material issue of law or fact. Contentions shall be limited to matters within the scope of the amendment under consideration. The contention must be one which, if proven, would entitle the petitioner to relief. A petitioner who fails to file such a supplement which satisfies these requirements with respect to at least one contention will not be permitted to participate as a party.

Those permitted to intervene become parties to the proceeding, subject to any limitations in the order granting leave to intervene, and have the opportunity to participate fully in the conduct of the hearing, including the opportunity to present evidence and cross-examine witnesses.

If a hearing is requested, the Commission will make a final determination on the issue of no significant hazards considerations. The final determination will serve to decide when the hearing is held.

If the final determination is that the request for amendment involves no significant hazards consideration, the Commission may issue the amendment and make it effective, notwithstanding the request for a hearing. Any hearing held would take place after issuance of the amendment.

If a final determination is that the amendment involves a significant hazards consideration, any hearing held would take place before the issuance of any amendment.

Normally, the Commission will not issue the amendment until the expiration of the 30-day notice period. However, should circumstances change during the notice period such that failure to act in a timely way would result, for example, in flaring or shutdown of the facility, the Commission may issue the license amendment before the expiration of the 30-day notice period, provided that its final determination is that the amendment involves no significant hazards considerations. The final determination will consider all public and State comments received. Should the Commission take this action, it will publish a notice of issuance and provide for opportunity for a hearing after issuance. The Commission expects that the need to take this action will occur very infrequently.

A request for a hearing or a petition for leave to intervene must be filed with the Secretary of the Commission, U.S. Nuclear Regulatory Commission, Washington, DC 20555, Attention:

Docketing and Service Branch, or may be delivered to the Commission's Public Document Room, the Gelman Building, 2120 L Street NW., Washington, DC, by the above date. Where petitions are filed during the last ten (10) days of the notice period, it is requested that the petitioner promptly so inform the Commission by a toll-free telephone call to Western Union at 1-(800) 325-6000 (in Missouri 1-(800) 342-6700). The Western Union operator should be given Datagram Identification Number 2737 and the following message addressed to Elinor G. Adensam: (petitioner's name and telephone number), (date petition was mailed), (plant name), and (publication date and page number of this Federal Register notice). A copy of the petition should also be sent to the Office of the General Counsel, U.S. Nuclear Regulatory Commission, Washington, DC 20555, and to Nicholas S. Reynolds, Esquire, Bishop, Cook, Purcell and Reynolds, 1400 L Street NW., 12th Floor, Washington, DC 20005-3502, attorney for the licensee.

Nontimely filings of petitions for leave to intervene, amended petitions, supplemental petitions and/or requests for hearing will not be entertained absent a determination by the Commission, the presiding officer or the Atomic Safety and Licensing Board that the petition and/or request should be granted based upon a balancing of the factors specified in 10 CFR 2.714(a)(1)(i)-(v) and 2.714(d).

For further details with respect to this action, see the application for amendment dated May 4, 1990, which is available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street NW., Washington, DC 20555 and at the Local Public Document Room located at Hinds Junior College, McLendon Library, Raymond, Mississippi 39154.

Dated at Rockville, Maryland, this 4th day of May 1990.

For the Nuclear Regulatory Commission:  
Elinor G. Adensam,  
Director, Project Directorate II-1, Division of Reactor Projects-I/II, Office of Nuclear Reactor Regulation.

[FR Doc. 90-10949 Filed 5-9-90; 8:45 am]

BILLING CODE 7590-01-M

## OFFICE OF MANAGEMENT AND BUDGET

### Revised Standards for Defining Metropolitan Areas for the 1990's; Correction

AGENCY: Statistical Policy Office, Office of Information and Regulatory Affairs,

Office of Management and Budget (OMB).

**ACTION:** Correction.

**SUMMARY:** This notice corrects two errors in the document setting out revised standards for defining metropolitan areas that was published in the Federal Register on March 30, 1990 (55 FR 12154).

In FR Doc. 90-7425 beginning on page 12154 in the issue of Friday, March 30, 1990, make the following corrections:

1. On page 12155, second column, line 22, insert a footnote reference "4" after "county/counties".

4. On page 12159, third column, in the definition of "Employment/Residence Ratio," lines 5 and 6, remove the words "and the two following".

James B. MacRae, Jr.,

Acting Administrator and Deputy Administrator, Office of Information and Regulatory Affairs.

[FR Doc. 90-10923 Filed 5-9-90; 8:45 am]

BILLING CODE 3110-01-M

## OFFICE OF PERSONNEL MANAGEMENT

### Personnel Management Demonstration Project; Alternative Personnel Management System at the National Institute of Standards and Technology

**AGENCY:** Office of Personnel Management.

**ACTION:** Notice of proposed amendment with request for comments.

**SUMMARY:** This action provides for changes to the final project plan published October 2, 1987 (52 FR 37082), and amended August 16, 1989 (54 FR 33790), primarily to revise the performance appraisal system and the pay administration system in order to better link pay with performance. The current system makes it difficult to rank order employees and employees feel that the adjectival labels applied to scale values do not adequately reflect the level of their performance. The new system ascribes numerical values to levels of performance allowing for more accurate ranking of employees.

**DATES:** Comments must be received on or before June 11, 1990.

**ADDRESSES:** Send comments to Donna Beecher, Assistant Director for Systems Innovation and Simplification, U.S. Office of Personnel Management, room 7433, 1900 E Street NW., Washington, DC 20415.

**FOR FURTHER INFORMATION CONTACT:** at the Office of Personnel Management, Marilyn Geldzahler, (202) 606-2890; at

the National Institute of Standards and Technology, Allen Cassady, (301) 975-3031.

#### SUPPLEMENTARY INFORMATION:

##### Background

On January 1, 1988, the National Institute of Standards and Technology (NIST; formerly the National Bureau of Standards) began a 5-year project to demonstrate an alternative personnel management system. The new system was mandated by Congress (Pub.L. 99-574) to improve the Institute's ability to motivate and retain staff and to attract and hire highly qualified candidates. NIST has also simplified personnel administration and given managers more authority and accountability for personnel management.

The major features of the project are "total compensation comparability (TCC)," simplified position classification, agency-based hiring, direct-hiring, recruiting and retention allowances, pay for performance, and supervisory pay differentials.

NIST annually compares compensation for NIST positions with compensation for similar positions in the private sector. The Director of NIST has the authority, within budget limitations, to make up the net increase in the deficiency through an annual comparability pay increase for all employees rated Fully Successful or higher.

In position classification, career paths and broad pay bands have replaced the General Schedule (GS) grade structure. NIST conducts its own hiring, rather than hiring through the Office of Personnel Management (OPM) registers, and fills most scientific and engineering vacancies through the direct-hire process. NIST management grants recruiting and retention allowances up to \$10,000 in special cases.

Supervisors determine pay increase within pay bands on the basis of performance appraisals. Supervisors and managers in the Scientific and Engineering Career path, who are not otherwise compensated for supervision or management, are given pay differentials.

##### Original Performance Appraisal System

The original project plan did not change NIST's performance appraisal system. NIST continued using the Department of Commerce's (DoC) Performance Plan, Progress Review and Appraisal Record to evaluate their employees. With this system supervisors rated employees on work elements using generic performance standards. There were benchmarks for "outstanding," "commendable," "fully successful,"

"marginal," and "unsatisfactory." The ratings were translated to a numerical scale (from 5 to 1) and multiplied by the weight of the element (which reflected the importance of that type of task for the position). The element scores were added and translated to an overall adjectival rating. The performance salary increases were distributed by rating for each level in each career path. To control costs, guidelines for the distribution of ratings were imposed.

The appraisal system compared individual performance to various designations of performance; it did not compare one individual with another. It proved to be inadequate to make the fine distinctions between employees necessary in the ranking system that was mandated by the enabling legislation which said that NIST was to use ranking among peers as the basis for pay-for-performance payouts wherever appropriate.

Supervisors and employees outlined other problems with the performance appraisal system. The guidelines for the distribution of scores placed limitations on supervisors' ability to rate employees and caused resentment among employees who believed they would receive higher ratings if no controls were imposed.

Focus groups of employees noted that the labels also provoked negative responses. Like most performance appraisal systems used in the federal government the NIST system used five adjectival ratings: "Outstanding," "commendable," "fully successful," "marginal," and "unsatisfactory." While employees said they were willing to accept individual distinctions to determine pay increases, the personal labeling implied by the performance rating was demotivating. The term "fully successful" was not perceived by employees as a positive rating, as originally intended. As the lowest of the three possible ratings for acceptable performance, it conveyed a message of minimal performance, when, in fact, employees given this rating are usually valuable contributors to the organization. Even the "commendable" rating was viewed by many employees as an indicator of mediocrity. Analysis of focus group comments revealed that whatever was gained in morale through the granting of "outstanding" ratings was more than cancelled by the granting of a larger number of "fully successful" ratings. Overall, the adjectival ratings had a negative effect on morale at NIST.

These issues and attitudes have been reported and confirmed through (a) direct reports from supervisors and employees to members of the NIST Personnel Management Board (PMB); (b)

reports from the NIST Employee Advisory Committee to the PMB; (c) a report from the University Research Corporation, the NIST project evaluation contractor to OPM, based on "focus groups" of NIST supervisory, technical, and administrative employees and on interviews with top managers; and (d) a report from two focus groups, one composed of supervisors and one of nonsupervisory employees, established to review the current performance appraisal system and make recommendations to the PMB.

##### Project Plan Modifications

Many employee suggestions were incorporated into the proposed system. Adjectival ratings to describe levels of performance have been replaced by numerical scores which allow managers to make finer distinctions between employees and rank them accordingly. Those given a score below a set cut-off point on any element will be rated "Unsatisfactory" and will not be considered for performance pay increases, bonuses, or total compensation comparability increases. Those with scores above the cut-off point on all elements will be rated "Eligible" for consideration for performance based pay increases and bonuses, and will receive TCC increases. Guidelines for the distribution of ratings are no longer necessary because the amount of performance pay increases is awarded on the basis of rank among peers, not rating.

This amendment also (1) clarifies the relationships between NIST pay bands and General Schedule grades for the purpose of applying OPM reduction-in-force regulations, (2) revises the membership of the Personnel Management Board (PMB) to anticipate plans for reorganizing major organizational components, (3) clarifies the impact of pay for performance on student and faculty appointments, and (4) corrects a typographical error in the original plan.

U.S. Office of Personnel Management  
Constance Berry Newman,  
Director.

The demonstration project plan for the Alternative Personnel Management System at the National Institute of Standards and Technology, published in the Federal Register October 2, 1987 (52 FR 37082-37096) and amended August 16, 1989 (54 FR 33790) is amended as follows:

1. *Link Between Promotion and Performance*: The subsection titled "Link Between Promotion and

Performance" (52 FR 37092) is replaced with the following:

*Link Between Promotion and Performance*

To be eligible for promotion, an employee must have a current performance rating of "Eligible."

2. *Reduction in Force:* The section on "Reduction in Force" (52 FR 37092) is replaced with the following, to explain the new link between performance and retention and to clarify the relationship between NIST pay bands and General Schedule grades for the purpose of applying OPM Reduction in Force regulations:

**Reduction in Force**

*Introduction*

The NIST reduction in force process remains consistent with past practice. Retention registers retain the elements of career status, veteran preference, and length of service. Displacement, bumping, and retreating procedures are essentially the same. Regulations related to "grades" are modified to fit the "pay band" system. "Career Path" is the determinant for competitive areas. The additional service credit based on performance is linked to performance appraisal scores, rather than to adjectival performance ratings.

*Link Between Performance and Retention*

An employee with an overall performance score (see "Performance Evaluation" section) in the top 10 percent of scores within a Career Path, within the same Pay Pool (see "Performance Evaluation-Pay Pool Allocation"), is credited with 10 additional years of service for retention purposes. This credit is applied for each of the last three annual performance scores of record, for a potential total credit of 30 years for an employee. This provision substitutes for OPM regulations (5 CFR 351.504) pertaining to credit for performance in reduction in force.

*Competitive Areas*

Each of the four career paths is a separate competitive area. This categorizes employees for reduction in force according to similarities in knowledges, skills, and abilities. It also eliminates the disruptions caused by scientists or engineers displacing administrative or support staff. Displacements, bumps, and retreats occur only within career paths.

OPM (5 CFR 351.701) reduction in force regulations are modified by substituting "same band" for "same grade" and "one band lower" for "three

grades lower." That is, instead of bumping another employee in a lower retention subgroup at the same grade or up to three grades below the bumping employee, an employee in the demonstration project may bump another employee in a lower retention subgroup at the same band or up to one band below the bumping employee as long as both employees are in the same career path. For a preference eligible employee with a compensable service-connected disability of 30 percent or more the reduction in force regulations are modified by substituting "two bands" for "five grades." Restrictions on bumping outside one's career path apply to preference eligible employees.

*Saved Grade and Pay*

Saved grade and pay will follow current regulations, except that "band" will substitute for "grade."

3. *Pay Administration:* The subsection under "Pay Administration" titled "Pay for Performance" (52 FR 37092) is replaced with the following:

*Pay for Performance*

Pay for performance has three components: (A) Comparability pay increases; (B) performance pay increases; and (C) bonuses and awards. The first component, comparability pay increases, consists of the percentages selected by the NIST Director in the comparability process, and is given as a minimum pay increase to all covered employees rated Eligible. (For the procedures on this component, see the section on "Total Compensation Comparability.") The second component, performance pay increases, is composed of money previously available for within-grade increases, quality step increases, merit pay (PMRS) increases, and promotions from one grade to another where both grades are now in the same pay band. (For the procedures on this component, see the section on "Performance Evaluation.") Decisions on these pay increases will take into account all of the following: (1) The employee's performance; (2) the salary range of the employee's pay band; and (3) the employee's current salary in that range. The third component is bonuses and awards, composed of former cash awards. (For the procedures on this component, see the section on "Awards.")

4. *Performance Evaluation:* The section on "Performance Evaluation" (52 FR 37093) is replaced by the following:

**Performance Evaluation**

*Introduction*

The Performance Appraisal System links pay with performance through annual performance evaluations. Individual performance objectives are tied to organizational goals and objectives. The new performance appraisal system will use peer comparison and ranking as part of the process to allocate increases in compensation.

*Performance Ratings*

The performance ratings are "Eligible" (for performance pay increases, total compensation comparability increases and bonuses) and "Unsatisfactory." "Eligible" covers the same performance range as the former ratings of "Fully Successful," "Commendable," and "Outstanding." All instances of "Fully Successful," "Fully Successful or higher," "at least Fully Successful," and "above the Fully Successful level" in the final plan are changed to "Eligible." For purposes of applying personnel law and OPM and DoC regulations and guidelines, similar uses of the term "Fully Successful" or terms equivalent to "Fully Successful or higher" in law, regulation, or guideline mean "Eligible" in the NIST Demonstration system. Also for these applications, any mention of a performance rating above Fully Successful, such as "Exceeds Fully Successful," "Commendable," or "Outstanding," will be understood to lie within the range of "Eligible" in the NIST Demonstration Project.

"Unsatisfactory" covers the same performance range as the former ratings of "Marginal," "Minimally Successful," "Unsatisfactory," and "Unacceptable" (levels 1 and 2) or equivalent.

*Pay Pool Allocation*

The NIST Budget Office and the Personnel Division calculate the total performance pay increase fund under the budget neutrality model and allocate pay pools to Major Organizational Units (MOUs) based on MOU employee salaries, career paths, pay bands, and pay band intervals.

*Performance Plans*

New performance plans and rating forms will be designed to implement the new scoring and rating system. Performance plans are developed each year by supervisors and employees to document DoC and NIST goals and objectives and to identify individual accountability for their accomplishment. Performance elements are established for each position. Only a critical element

may be a performance element. Objectives and major activities are established for each element.

#### *Element Weights*

The total weight of all elements in a performance plan is 100 points. The supervisor assigns each element some portion of the 100 points in accordance with its importance for the position.

#### *Benchmark Performance Standards*

The NIST benchmark performance standards are modified versions of the Department of Commerce performance standards. Each benchmark performance standard describes the level of performance associated with a particular point on the rating scale. Supervisors may add supplemental standards to the performance plans of the employees they supervise to further elaborate the NIST benchmark performance standards.

#### *Mid-Year Review*

A mid-year review determines whether objectives are being met and whether performance elements should be modified to reflect changes in planning, work-load, and resource allocation. Additional reviews are held as needed.

#### *Performance Appraisal*

Performance appraisal is scheduled for the final weeks of the annual performance cycle, although an individual performance appraisal may be conducted at any time. The performance appraisal process brings supervisors and employees together for formal discussions on performance and results in (1) written appraisals, (2) performance ratings, (3) performance pay increases, (4) cash awards, and (5) other individual performance related actions as appropriate. Two meetings are held between employee and supervisor: the performance review meeting and the evaluation feedback meeting.

#### *Performance Review Meeting Between Employee and Supervisor*

The review meeting is to discuss job performance and accomplishments. The supervisor does not assign scores, ratings, pay increases, or awards at this meeting. The supervisor notifies the employee of the review meeting in time to allow the employee to prepare a list of accomplishments. The employee is given an opportunity at the meeting to give a personal performance assessment and describe accomplishments. The supervisor and employee discuss job performance and accomplishments in relation to the performance elements,

objectives, and planned activities established in the performance plan.

#### *Evaluation Feedback Meeting Between Employee and Supervisor*

In this second meeting between employee and supervisor, the supervisor informs the employee of management's appraisal of the employee's performance, the employee's performance score and rating, and any related pay increase, award, or other personnel action.

#### *Performance Scores*

The level of employee performance on each element is identified with an appropriate benchmark performance standard or interpolated between two benchmark standards in a hierarchy of progressively more demanding benchmarks. The score for the element is the number on the element weight scale that corresponds with the level selected on the benchmark scale. A rating of Unsatisfactory on any single element (all elements are critical elements) produces an overall rating of Unsatisfactory.

The overall score is the sum of the element scores. Only those employees rated Eligible are eligible for performance ranking. The supervisor reviews tentative scores with the pay pool manager and gets the pay pool manager's approval before assigning final scores.

#### *Performance Actions Based on an Unsatisfactory Rating*

A score of below 40% on any one element will result in an overall rating of Unsatisfactory. Prior to, or at the time they receive a rating of Unsatisfactory, employees are given written notification of their unsatisfactory performance in the element(s) at issue and an opportunity to improve. Actions based on Unsatisfactory performance will be carried out in accordance with the procedures of the regular OPM and DoC personnel systems.

#### *Performance Ranking*

Each MOU establishes peer groups within the MOU at the lowest organizational level that provides a reasonable number of employees for ranking within the group. A peer group may involve no more than one career path, but may be otherwise organized by any combination of organization, occupation, or pay band. Members of a peer group are ranked by performance score.

#### *Pay Pool Interleaving*

The pay pool manager interleaves, by peer group and by performance score,

the rankings made by subordinate supervisors. The pay pool manager has final authority for the interleaved ranking.

#### *Pay Increase Ranges*

Pay increases are calculated as a percent of salary. Each pay band interval for each career path has an established range, expressed in percents, within which employees' salary increases can vary. The salary range of a pay band is divided into three intervals, from the minimum rate to the maximum rate of the band. Employees are categorized by interval according to salary. The potential for performance-related pay increases is lowest in the top interval and progressively higher in the middle to the lowest interval.

#### *Performance Pay Increases*

The pay pool manager is accountable for staying within pay pool limits. The pay pool manager assigns pay increases to individuals on the basis of rank among peers, salary interval and band. A pay pool manager may request approval for the PMB or its designee to grant a pay increase to an employee that is higher than the normal pay increase range for that employee for extraordinary achievement.

#### *Exceptions*

Members of the Senior Executive Service remain under the non-demonstration DoC/NIST SES performance appraisal system. Employees covered by 5 USC 3104, employees on excepted coop, "p" and "q" student appointments, and faculty on excepted "o" appointments have their performance evaluated under the structure of the Project performance evaluation system, but are not in the Project pay-for-performance pay system.

5. *Membership of the Personnel Management Board (PMB):* Change the sentence under "Project Management and Oversight" (52 FR 37096) that reads "The Director will delegate management and oversight of the project to the Personnel Management Board (PMB) under the chairmanship of the NBS Deputy Director" to read: "The Director will delegate management and oversight of the Project to the Personnel Management Board (PMB), whose members and staff will be appointed by the Director." Delete the following sentence that reads "The directors of the major organizational units will be voting members and the Personnel Officer and the EEO Officer will be non-voting members."

6. *Authorities and Waiver of Laws and Regulations Required Public Law*

99-574 gave the National Institute of Standards and Technology the authority to experiment with several specific personnel system innovations which are otherwise prohibited by law and regulations. In addition to the authorities granted by the act and listed in the October 2, 1987 Federal Register Notice (52 FR 37096), the following waivers of regulation are necessary: *Title 5, Code of Federal Regulations*; section 351.504 (a) and (d) Credit for performance.

7. *Correction of Errors:* Delete the sentence under the "Introduction" subsection of "Staffing" that reads: "Agency-Based Staffing will be used for shortage categories" (52 FR 37089). This sentence was an erroneous combining of the last part of the preceding sentence with the first part of the following sentence.

[FR Doc. 90-10938 Filed 5-9-90; 8:45 am]  
BILLING CODE 6325-01-M

## OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

[Docket No. 301-79]

### Termination of Section 302 Investigation; Procurement of Electronic Highway Toll Identification Systems by the Government of Norway

**AGENCY:** Office of the United States Trade Representative.

**ACTION:** Notice of termination of investigation under section 302 of the Trade Act of 1974, as amended.

**SUMMARY:** The United States Trade Representative (USTR) has terminated an investigation initiated under section 302 of the Trade Act of 1974, as amended ("Trade Act") with respect to procurement of electronic highway toll identification equipment by the Government of Norway, having reached a satisfactory resolution of the issues under investigation.

**DATES:** This investigation was terminated effective April 26, 1990.

**FOR FURTHER INFORMATION CONTACT:** Timothy J. Richards, Director of Information Industry Trade Policy, (202) 395-6160, Beverly Vaughan, Director, Government Procurement, (202) 395-3063, or Kenneth Freiberg, Associate General Counsel, (202) 395-7305.

**SUPPLEMENTARY INFORMATION:** On July 11, 1989, AMTECH Corporation filed a petition under section 302 of the Trade Act, regarding a Norwegian government procurement of electronic highway toll identification systems for the Oslo Toll Ring. The Petitioner asserted that the

actions of the Norwegian Government through its Ministry of Transport, in overturning a decision of the Oslo Toll Road Authority to award a contract to Petitioner and its Norwegian correspondent violated the Agreement on Government Procurement ("Procurement Code") of the General Agreement on Tariffs and Trade (GATT). The Petitioner's allegations are set out in the August 31, 1989, Federal Register notice initiating the section 302 investigation (54 FR 36090).

On August 25, 1989, the USTR initiated an investigation in this case. Consultations were held with Norway under Articles VII:3 and VII:4 of the Procurement Code on September 5, 1989, October 16, 1989 and March 9, 1990. The matter was also discussed in the Committee on Government Procurement under Article VII:6 of the Code on January 19, 1990, and March 9, 1990.

In an exchange of letters between the United States and Norway on April 26, 1990, Norway agreed to take actions that offset the negative impact of this procurement on the Petitioner. These include clarification that the AMTECH system met the requirements of the Oslo Toll Ring project and a statement that the AMTECH system was found to be proven, reliable, competitive, type-approved by the Norwegian PTT and commercially available. Norway will also take steps to ensure that Procurement Code procedures are followed in its future government procurements and that the award of the Oslo Toll Ring contract to a Norwegian firm does not prejudice the ability of foreign companies to win contracts for future toll ring projects in Norway.

On the basis of this exchange of letters, the United States withdrew its complaint from the Committee on Government Procurement. The Petitioner expressed satisfaction with the resolution of this matter.

A. Jane Bradley,  
Chairman, Section 301 Committee.

[FR Doc. 90-10859 Filed 5-9-90; 8:45 am]  
BILLING CODE 3190-01-M

### Trade Policy Staff Committee; Generalized System of Preferences (GSP); results of reviews of petitions requesting changes in the list of countries and articles eligible for duty- free treatment under the 1989 Annual Review of the GSP

**SUMMARY:** The purpose of this notice is to announce the dispositions of the petitions accepted for review in the 1989

Annual Review of the GSP program (54 FR 32891). These changes will take effect on May 1, 1990 or July 1, 1990, as noted below.

**FOR FURTHER INFORMATION CONTACT:** GSP Information Center, Office of the United States Trade Representative, 600 17th Street, NW., room 414, Washington, DC 20506. The telephone number is (202) 395-6971. Additional materials regarding the decisions of the 1989 review are available from the USTR Public Affairs Office at (202) 395-3230.

**SUPPLEMENTAL INFORMATION:** This publication contains the dispositions of the petitions accepted for review in the 1989 annual review of the GSP program (54 FR 32891). These petitions requested changes in the list of articles and countries eligible for duty-free treatment under the U.S. Generalized System of Preferences (GSP). The GSP is provided for in the Trade Act of 1974, as amended (19 U.S.C. 2461-2465). The review was conducted pursuant to regulations codified as 15 CFR part 2007, and these changes will take effect on May 1, 1990 or July 1, 1990, as noted below. The President's decisions concerning the 1989 annual review have also been reflected in a proclamation and determination memorandum to the United States Trade Representative, recently published in the Federal Register (55 FR 18075 and 18299).

Reviews of petition requests were also conducted concerning the beneficiary status of eight GSP beneficiary countries based on their practices in the area of internationally recognized worker rights. This includes reviews of Haiti, Liberia, and Syria, which were continued from the 1988 Annual Review. After reviewing these eight requests, the President determined that Indonesia and Thailand are taking steps to afford internationally recognized worker rights. The President also determined that Liberia is not taking such steps and therefore will be suspended from the GSP program, effective July 1, 1990. Benin, the Dominican Republic, Haiti, Nepal, and Syria will continue to be reviewed as part of the upcoming 1990 Annual Review.

Four requests were considered to examine allegations of expropriation without compensation. The President has determined that there is no basis for taking action to suspend or withdraw GSP eligibility for Costa Rica and Uruguay. Reviews regarding Peru and Venezuela were terminated in previous Federal Register notices (54 FR 50465 and 55 FR 4932) at the petitioners'



## OFFICE OF PERSONNEL MANAGEMENT

### Request for Extension of OPM Form 1495 Submitted to OMB for Clearance

**AGENCY:** Office of Personnel  
Management.

**ACTION:** Notice.

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1980 (Title 44, U.S. Code, chapter 35), this notice announces a proposed unchanged extension to a form which collects information from the public. OPM Form 1495, Financial Eligibility Statement for Student and Summer Aid Programs, is completed by students applying for Federal positions in the Stay-in-School, Summer Aid and Federal Junior Fellowship Programs. Federal agencies use the information to determine if applications meet the financial needs criteria required by these programs. There are 10,000 individuals who respond annually for a total public burden of 2,500 hours. For copies of this proposal, call C. Ronald Trueworthy on (202) 606-2261.

**DATES:** Comments on this proposal should be received by October 5, 1990.

**ADDRESSES:** Send or deliver comments to:

C. Ronald Trueworthy, Agency  
Clearance Officer, U.S. Office of  
Personnel Management, room 6410,  
1900 E Street NW., Washington, DC  
20415.

and

Joseph Laakey, Information Desk  
Officer, Office of Information and  
Regulatory Affairs, Office of  
Management and Budget, room 3235,  
New Executive Office Building,  
Washington, DC 20503.

**FOR FURTHER INFORMATION CONTACT:**

Martha Frost, (202) 606-0870.

U.S. Office of Personnel Management.

Constance Berry Newman,

Director.

[R Doc. 90-22682 Filed 9-24-90; 8:45 am]

BILLING CODE 6325-01-M

### Personnel Management Demonstration Project; Alternative Personnel Management System at the National Institute of Standards and Technology

**AGENCY:** Office of Personnel  
Management.

**ACTION:** Final notice of amendment.

**SUMMARY:** This action provides for changes to the final project plan published October 2, 1987 (52 FR 37082), and amended August 16, 1989 (54 FR

33790) primarily to revise the performance appraisal system and the pay administration system in order to better link pay with performance. The proposed amendment with request for comments was published in the *Federal Register* on May 10, 1990 (55 FR 19688). On reviewing 13 written comments OPM has decided to finalize the proposed amendment without change.

**EFFECTIVE DATE:** October 1, 1990.

**FOR FURTHER INFORMATION CONTACT:** at the Office of Personnel Management, Marilyn Geldzahler, (202) 606-2890; at the National Institute of Standards and Technology, Allen Cassidy, (301) 975-3031.

**SUPPLEMENTARY INFORMATION:** In the new performance appraisal system adjectival ratings to describe levels of performance will be replaced by numerical scores which allow managers to make finer distinctions among employees and rank them accordingly. Those given a score below a set cut-off point on any element will be rated "Unsatisfactory" and will not be considered for performance-based pay increases, bonuses, or total compensation comparability (TCC) increases. Those with scores above the cut-off point on all elements will be rated "Eligible" for consideration for performance-based pay increases and bonuses, and will receive TCC increases. The individual's rank in the pay pool determines the proportion of the possible percentage salary increase that employee will receive (within the range prescribed by the PMB), that is, each individual will be awarded a greater proportion of his or her possible increase than those ranked lower than that individual.

The May 10, 1990, amendment also (1) clarified the relationships between NIST pay bands and General Schedule grades for the purpose of applying OPM reduction-in-force regulations, (2) revised the membership of the Personnel Management Board (PMB) to anticipate plans for reorganizing major organizational components, (3) clarified the impact of pay for performance on student and faculty appointments, and (4) corrected a typographical error in the original plan.

#### Summary of Comments and Responses

OPM received 13 letters in response to our request for comments; one of these letters had fifteen signatures. NIST also made three presentations to employees during which questions were fielded and comments noted. Approximately 200 employees attended the first Gaithersburg, Maryland, meeting on May 25, 1990, and 13 had questions or

comments. Approximately 250 employees attended the Boulder, Colorado, presentation on May 30, 1990; 31 had comments or questions. On June 7, 1990, approximately 100 employees attended the second presentation at the Gaithersburg NIST site, and 25 asked questions or offered comments. Most of the people speaking at these presentations asked for more information or for clarification of the design or implementation of the new performance appraisal system.

Eight letters and several of the comments at the presentations expressed concern over the competitive nature of a pay-for-performance system, especially one that used ranking among peers. OPM believes that competition is not necessarily unhealthy and that the new system is flexible enough to reward the cooperative aspects of work at NIST. For example, in units characterized by a high level of cooperative work, supervisors may include contributions to the team in performance plans and rate employees accordingly. To address related concerns that rankings might become public, the numerical rankings will not be publicized, although individuals may request information about their own rank. Records of ranks will be kept to calculate RIF credit; however, numerical rank will not be included in employees' Official Personnel Folders.

Another concern mentioned in one letter was the possible lack of management flexibility in a payout system which links rank directly with percent pay increases. OPM believes that the new system affords flexibility to all levels of management. Supervisors will continue to develop performance plans that reflect their expectations for each employee, considering the individual's experience, band, occupation, and position in the organization. Pay pool managers, in concert with supervisors, have latitude (within the guidelines set by the PMB) in how they interleave employees from different units, including the option of ranking two or more employees the same. The PMB retains the authority to change the payout matrix. For instance, if certain career paths or experience intervals have historically received fewer promotions and awards, the payout matrix can be adjusted. The PMB or its designee, at the request of the pay pool manager, may also grant a higher than normal pay increase for extraordinary achievement. Thus, the new performance management system gives management many opportunities to fine tune the match between salary increases and performance.

Three letters and some of the comments at the presentations expressed concerns about the complexity of the ranking system and the difficulty both supervisors and employees have with communicating about standards and performance ratings. NIST will be conducting training sessions throughout the organization which will address these issues.

No letters or comments addressed the other changes offered in the May 10, 1990, amendment.

After considering all comments, OPM has decided to make the May 10, 1990, proposed amendment to the NIST Personnel Management Demonstration Project effective as published.

U.S. Office of Personnel Management.

Constance Berry Newman,

Director.

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## SECURITIES AND EXCHANGE COMMISSION

[Rel. No. 34-28450; File No. SR-NASD-89-12]

### Self-Regulatory Organizations; National Association of Securities Dealers, Inc.; Order Approving Rule Change Requiring Display of Quote Size in NASDAQ

The National Association of Securities Dealers, Inc. ("NASD") submitted on March 20, 1989, pursuant to section 19(b)(1) of the Securities Exchange Act of 1934,<sup>1</sup> and rule 19b-4 thereunder,<sup>2</sup> and amended on September 8, and December 20, 1989, a proposed rule change to require NASDAQ market makers to display quotation size equal to the maximum order size displayed in the Small Order Execution System ("SOES") and honor such size to all parties except firms making a market in the subject security. At the same time, with regard to the market maker exception to the honoring of quote size, the NASD requested a temporary, six-month exemption from the requirements of rule 11Ac1-1(c)(2) under the Act ("Quote Rule"),<sup>3</sup> which provides that a

broker-dealer is obligated to execute any order to buy or sell a security in an amount up to the broker-dealer's published quotation size.

Notice of the proposal, together with the substance of the terms of the proposed rule change, was given by the issuance of a Commission release (Securities Exchange Act Release No. 27601, January 9, 1990) and by publication in the Federal Register (55 FR 1743, January 18, 1990). No comments were received on the proposal.

Under current practice, NASDAQ market makers are not obligated to display quotations in excess of the normal unit of trading, 100 shares. As a result, few market makers display larger quotations in NASDAQ. Nonetheless, market makers in NASDAQ generally trade in a size greater than that displayed in their published quotations. Indeed, the Rules of Practice and Procedure for SOES require NASDAQ market makers that are also SOES market makers to execute orders through SOES in sizes up to the maximum SOES order size, *i.e.*, 1,000, 500 or 200 shares, depending upon the trading characteristics of the particular security. Accordingly, as stated by the NASD, mandating the display of size in NASDAQ at least equal to the maximum size of an order eligible for automatic execution in SOES would provide a more realistic picture of the actual size of execution available and the depth of the market in each security.

The Commission agrees with the NASD that the proposed rule change will enhance the quality, liquidity and depth of the NASDAQ market and provide greater information to investors. Market makers presently are willing to execute trades well in excess of the 100 share size that is typically displayed on NASDAQ. For this reason, the Commission has favored realistic display of size since the early 1980s.<sup>4</sup> We believe that the NASD's proposal will have a minimal impact on market makers and will provide issuers and the public with a better view of the depth of the market in any particular security. This positive development in the over-the-counter market should be beneficial to the public, issuers, and the marketplace as a whole. Accordingly, the Commission finds that the proposed rule change is consistent with the

requirements of the Act and the rules and regulations thereunder and, in particular, with the requirements of section 15A(b)(6),<sup>5</sup> which requires that the Association's rules be designed to "remove impediments to and perfect the mechanism of a free and open market and a national market system," and section 15A(b)(11),<sup>6</sup> which requires that the Association's rules relating to quotations be designed to "produce fair and informative quotations." Indeed, the proposal also furthers Congressional expectations in enacting the Securities Acts Amendments of 1975 which were intended, in part, "to assure the prompt and accurate, reliable and fair . . . publication of (quotation and transaction information) and the fairness and usefulness of the form and content of information with respect to quotation(s) and transactions."<sup>7</sup> Moreover, the rule change permits investors greater access to market information concerning the depth of the market for a particular security that previously was not readily available to public investors.<sup>8</sup>

The Commission staff today also has granted the NASD a six-month exemption from the firmness requirement of the Quote Rule. The Commission is concerned over the disparate treatment that may be provided NASDAQ market makers under such an exemption. Nevertheless, the Commission recognizes the concerns of some NASD members over the possible financial exposure resulting from the combined effect of the new size requirement and the NASD requirement that a market maker in a NASDAQ security deal with all other NASDAQ market makers in the security. Accordingly, the Commission believes that a temporary exemption from the Quote Rule's firmness requirement for market maker trades, while the NASD reviews the effect of its rules, is appropriate.<sup>9</sup>

<sup>5</sup> 15 U.S.C. 78o-3(b)(6) (1982).

<sup>6</sup> 15 U.S.C. 78o-3(b)(11) (1982).

<sup>7</sup> S. Rep. No. 94-75, 94th Cong., 1st Sess. 104, reprinted in 1975 U.S. Code Cong. and Ad. News, 179, 282.

<sup>8</sup> The NASD has agreed to monitor participation by non-NAS market makers in SOES to determine whether the rule affects the level of voluntary participation in SOES by those market makers. See letter from Kathryn V. Natale, Assistant Director, SEC, to Robert E. Aber, Vice President and Deputy General Counsel, NASD, dated May 14, 1990, and reply letter dated June 6, 1990.

<sup>9</sup> After the expiration of the temporary exemption, the NASD has undertaken to monitor the effects of the proposed rule change on market makers to determine the extent to which the increase in the size requirement causes a problem with failed trades. The NASD agreed to report on

Continued

<sup>1</sup> 15 U.S.C. 78s(b)(1) (1982).

<sup>2</sup> 17 CFR 240.19b-4 (1989).

<sup>3</sup> 17 CFR 240.11Ac1-1(c)(2) (1989). A letter granting an exemption from the Quote Rule has been issued. See letter from Richard C. Ketchum, Director, SEC, to Frank J. Wilson, Executive Vice President and General Counsel, NASD, dated September 18, 1990.

<sup>4</sup> Securities Exchange Act Release No. 16590 at 51 (February 19, 1980); 45 FR 12391 (February 26, 1980) ("Vendor Display Rule Release"). Division of Market Regulation, "The October 1987 Market Break", (February 1988) at 9-27. Cf. "Report of the Special Committee of the Regulatory Review Task Force On the Quality of Markets," NASD, July 1988, at 28 ("Quality of Markets Committee") (similar recommendation made by the NASD's Committee).