

Department of Defense Plan for the Payment of Supervisory Differentials

1. Introduction. This plan implements the provisions of title 5, United States Code (U.S.C.) 5755 and subpart D, part 575 of title 5, Code of Federal Regulations (CFR). Upon issuance, this plan may be used by DoD activities and appointing officials as authority for the payment of supervisory differentials, until superseded by a DoD Civilian Personnel Manual (CPM) chapter. As appropriate, the CPM will also provide uniform procedures and policy guidance, including standard formats and documentation/recordkeeping requirements.

2. Supervisory Differential Determination and Approval. A supervisory differential may be paid to a General Schedule employee who supervises one or more civilian employees not covered by the General Schedule who, but for the differential would be paid more than the supervisor. Except as specified in sub-paragraph b below, the authority to approve supervisory differentials is delegated to officials who exercise personnel appointing authority. In the Military Departments, this delegation is made through the Secretary of the Department and the Service's chain of command to those officials vested with such appointing authority (normally the head of an installation or activity). In those Defense Agencies with independent appointing authority, the delegation is made through the Director of the Agency and the Agency's chain of command.

a. A decision to grant a supervisory differential, including the amount of the differential, must be reviewed and approved by an official at an organizational level higher than the individual making the initial decision. Accordingly, officials with delegated review and approval authority may designate subordinates to make initial differential determinations, subject to their final review and approval. All such designations must be in writing and be included in local operating guidance.

b. Only the Secretary or Deputy Secretary of Defense may approve supervisory differentials for individuals appointed to Schedule C positions, as authorized by 5 U.S.C. 2103.

3. Eligibility Criteria. A supervisory differential may be paid to an employee who meets the following criteria:

a. The employee occupies a General Schedule position, including a position under the Performance Management and Recognition System;

b. The employee meets the definition of supervisor in 5 U.S.C. 7203 (a); and

c. The employee is responsible for providing direct, technical supervision over the work of one or more civilian employees whose positions are not under the General Schedule and one or more of the subordinates would, in the absence of the differential, be paid more than the supervisory employee.

4. Payment of the Supervisory Differential.

a. A supervisory differential shall be paid in the same manner and at the same time as basic pay although it shall not be considered a part of basic pay.

b. In deciding whether to use a supervisory differential and in determining the amount of the differential, the pay of other supervisors in the organizational component must be considered along with the relationship of the pay of the supervisor to his or her subordinate. A supervisory differential should be authorized only when there is a pay disparity between the supervisor and the highest paid subordinate. In view of the requirement for termination or reduction of a supervisory differential if the supervisor's continuing pay exceeds the continuing pay of the highest paid subordinate, care should be exercised in granting a supervisory differential when the relationship between their continuing pay is so close that the differential will have to be reduced or terminated with every pay action taken on either the supervisor or the subordinate.

5. Calculation of the Supervisory Differential.

a. The supervisory differential may not cause the supervisor's continuing pay to exceed the continuing pay of the highest paid subordinate by more than 3 percent. A supervisory differential may not be based on supervising a civilian employee whose rate of basic pay exceeds the dollar amount of the maximum rate of basic pay for GS-15 of the General Schedule (including any applicable locality-based comparability payment, an interim geographic adjustment or a special salary rate). For example, a supervisor over an employee paid under a separate pay schedule whose basic pay exceeds the General Schedule rate (including any applicable locality based comparability payment, interim geographic adjustment or a special salary rate) for a GS-15 step 10 would have their supervisory differential paid based on the GS-15 step 10 rate rather than the subordinate's actual basic pay. Payment of a supervisory differential is subject to the aggregate limitation on pay under 5 U.S.C. 5307.

b. Continuing pay for the supervisor includes basic pay, including a retained rate of pay; locality based comparability or an interim geographic adjustment; staffing differential, retention allowance; premium pay paid on an annual basis; and any other continuing payment including, but not limited to, cost-of-living allowances, post differentials, remote worksite allowances and a physicians comparability allowance. Continuing pay for the supervisor does not include night, Sunday or holiday premium pay or a hazardous duty differential.

c. Continuing pay for the subordinate employee includes, but is not limited to, basic pay (including the basic pay of a retained grade); locality based payments; interim geographic adjustments; and premium pay paid on an annual basis. Continuing pay for the subordinate does not include a retention allowance; a retained rate of pay; night, Sunday or holiday premium pay or environmental pay.

6. *Reduction or Termination of the Supervisory Differential.*

- a. The continuing pay of both the supervisor and the subordinate must be carefully monitored to ensure that termination or reduction requirements are met.
- b. The supervisory differential must be terminated when the supervisor's continuing pay (not including the differential) exceeds that of the highest paid subordinate.
- c. The differential must be reduced or terminated when the continuing pay of the supervisor (including the differential) exceeds that of the highest paid subordinate by more than 3 percent.
- d. The supervisory differential must be reduced or terminated when the subordinate whose pay was the basis for the supervisory differential leaves a supervised position or experiences a reduction in pay.
- e. Required reductions or terminations in supervisory differential should be effected not later than 30 days after the date which causes the reduction or termination to be necessary.
- f. If required reductions and terminations are not made in a timely manner (not later than 30 days after the cause of the termination or reduction), the resulting payments are overpayments of pay and are subject to collection or, as appropriate, waiver. Supervisors who are granted a supervisory differential must be informed of the requirements for termination or reduction of the differential at the time the differential is granted.
- g. In addition to the mandatory reductions or terminations, approving officials may alter or terminate the supervisory differential for discretionary reasons. For example, the pay disparity is not significant enough to warrant the administrative burden of granting the supervisory differential.

7. *Documentation and Recordkeeping.* Documentation shall contain sufficient information for the reconstruction of the action, including the basis for determining the amount of the differential and the comparison of continuing pay required by 5 CFR 575.405.

8. *Supplementation.* As a matter of DoD policy, the regulation of personnel management authorities is to be kept to a minimum.

- a. The policies set forth above shall not be supplemented except as prescribed by statute or otherwise authorized by the provisions of this plan. In this regard, the Secretaries of the Military Departments, Directors of Defense Agencies with independent appointing authority, and the OSD Director of Administration and Management are authorized to issue internal implementing guidance where they (or their Assistant Secretary-level designee) determine such guidance to be essential.

b. The above provisions are not intended to restrict the issuance of operating guidance addressing the offer or approval of supervisory differentials and other internal coordinating requirements, consistent with the policies and delegations of authority established by this plan.

9. *Program Oversight and Evaluation.* The DASD (CPP/EO) is responsible for the oversight and evaluation of this plan and the execution of its policies throughout the Department. To this end, copies of Component implementing guidance will be furnished to the DASD (CPP/EO) upon issuance. Additional evaluation/oversight procedures will be set forth in the CPM, as appropriate.