



UNITED STATES MARINE CORPS

MARINE FORCES RESERVE
4400 DAUPHINE STREET
NEW ORLEANS, LOUISIANA 70146-5400

IN REPLY TO
12000
CivPers

FEB 13 2007

FORCE POLICY LETTER 02-07

From: Commander, Marine Forces Reserve
To: Distribution List

Subj: INTERIM POLICY ON AWARDING OF QUALITY STEP INCREASES
(QSI'S) TO CIVILIAN MARINES AT MARINE FORCES RESERVE
(MARFORRES) HEADQUARTERS

Encl: (1) Quality Step Increase Information From OPM Website

1. Purpose. To publish interim policy regarding the award of Quality Step Increases to Civilian Marines at this Headquarters.

2. Discussion. OPM guidance, and the results of interviews with Human Resources Office (HRO) Personnel at Headquarters, Marine Corps, other Marine Corps Commands, and locally disclosed that awarding QSI's represent a unique, ongoing, increased cost to an agency, unlike other cash awards.

a. QSI's increase agency costs not only in basic salary and sooner than normal step increases, but also in continued retirement and Thrift Savings Plan costs as long as the employee remains with the agency.

b. Because of those increased costs, QSI's represent the highest level of agency specific cash incentive awards that can be given, but are prohibitively expensive. Thus QSI's must be awarded to only the most outstanding Employees in only the most meritorious of cases.

c. A QSI is an important pay-for-performance feature and a valuable tool for agencies to use to recognize and reward outstanding performance.

d. As with all awards, however, MARFORRES must recognize the cost implications in order to appropriately match the award to the performance, yet best use agency resources.

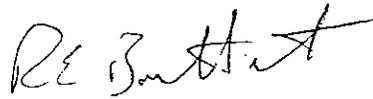
e. The enclosure details the specifics of agency QSI costs.

3. Interim Policy. Based on the information outlined above, QSI's will generally only be awarded to Civilian Marines who are selected as the MARFORRES Civilian Employee of the Year or for

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performance of a similar nature to that required of the employee
of the year.

4. Cancellation. This interim policy will be cancelled upon the
full conversion of this Headquarters to the National Security
Personnel System.



R. E. BRAITHWAITE
Executive Director

DISTRIBUTION: A

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MSC G-1's
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HRO, HQMC (Attn: Ms. Sue Carruthers)
HRO Detachment, NOLA (Attn: Ms. Carolyn Jones)
Bulletin Board

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QUALITY STEP INCREASE INFORMATION FROM OPM WEBSITE

Quality Step Increases: Know The Costs

Agencies should consider carefully the long-term cost implications of granting quality step increases (QSIs) to their employees. In reviewing various agency award programs, our Office of Merit Systems Oversight observed that this is not always the case, and that managers and supervisors are also unsure of how their agencies budget for QSI costs.

- What is a QSI?
- What are the Costs?

What is a QSI? A quality step increase is a faster than normal within-grade increase used to reward General Schedule employees at all grade levels who display high quality performance. To be eligible for a QSI, employees must:

- currently be paid below step 10 of their grade level;
- have received an *Outstanding* or equivalent rating of record, or have received the *highest* rating available under their performance management program and have demonstrated *sustained* performance of the *highest* quality; and
- not have received a QSI within the preceding 52 consecutive calendar weeks.

What are the Costs? Because a QSI increases an employee's rate of basic pay, it represents an increased cost to an agency on an ongoing basis, unlike a lump-sum cash award. Managers also should know that QSIs increase retirement and Thrift Savings Plan expenses as well. Managers should estimate the costs so they can better judge whether the award is appropriate to the circumstances. By using information such as the employee's grade and step level and how long the awarded employee is expected to remain in the Government, agencies can project award costs over given time periods. For example, the 1-year salary cost of granting a QSI at the beginning of the fiscal year to a GS-

QUALITY STEP INCREASE INFORMATION FROM OPM WEBSITE

9, step 2 employee in Washington, DC would be \$1,177, but the compounded salary cost over 5 years would be \$3,674, assuming a 3 percent per year general increase based on the Employment Cost Index.

A QSI is an important pay-for-performance feature and a valuable tool for agencies to use to recognize and reward outstanding performance. As with all awards, however, agencies *must recognize the cost implications* so that they can appropriately match the award to the performance and *best use agency resources*.