"incentive" in the regulations to situations where the relationship between contribution and award is clearly specified in advance.

OPM is proposing to remove the separate subpart (subpart E) within part 430 governing the use of rating-based cash performance awards and to integrate a minimum number of essential provisions into subpart A of part 451. (See §§ 451.104(a)(3), 451.104(b) & (g), and 451.106(b), (f) & (g).) OPM is also proposing to delete the separate subpart (subpart C) within part 451 governing the use of time-off awards and to integrate time-off awards within the more general award provisions. (See §§ 451.104(a) and 451.104(e).)

OPM is proposing new regulations to implement new statutory provisions at 5 U.S.C. 4508 and 4509 concerning restrictions on awards for senior political appointees. (See § 451.105.) In addition, OPM is proposing a new regulation that alerts agencies that when designing award programs under this authority, they must ensure that award schemes, especially those based on achievements other than those directly related to an employee's performance plan, will not violate any other statute or Governmentwide regulation. (See § 451.106(a).)

Within-Grade Increase Flexibilities

OPM is proposing an agencyrequested flexibility to permit the delay of the acceptable level of competence (ALOC) determination required for granting a within-grade increase when an employee has begun an opportunity period or has been given a notice of a proposed performance-based action. This option to delay an ALOC in no way restrains an agency from establishing a policy to deny a within-grade increase to an employee whose performance or rating of record supports such a denial. Furthermore, in those agencies that choose to continue using a Level 2 ("Minimally Successful" or equivalent) summary rating level, exercising the delay option would create an inequity between the minimally acceptable and unacceptable employee in that the unacceptable employee would be given additional time to achieve ALOC. (See § 531.409(c)(2).)

Another proposed flexibility would cover situations where agencies have employees who are authorized to perform activities of official interest to the agency (e.g., labor-management partnership activities under section 2 of Executive Order 12871, serving as a representative of a labor organization, etc.), but are not able to perform under elements and standards (and, therefore, the agency is unable to provide a rating

of record). OPM is proposing to permit the agency to waive the requirement for an ALOC determination and grant within-grade increases upon completion of the applicable waiting period. This waiver option recognizes that such employees have not had a sufficient opportunity to perform under their assigned elements and standards due to the other authorized activities and supposes that such performance would have been at least "Fully Successful" had it occurred. (See § 531.409(d)(5).)

Eligibility for Quality Step Increases

Agencies are required by Executive Order 11721 to establish plans for granting additional step increases to employees on the basis of high quality performance. Current regulation at § 531.504 establishes that a Level 5 ("Outstanding" or equivalent) rating is required for granting such a quality step increase (QSI). OPM recognizes that agencies that choose to adopt two summary rating levels or to not include a Level 5 summary rating level would not be able to grant a QSI under current regulation, and thereby satisfy the requirements of Executive Order 11721. Consequently, OPM proposes to amend its pay regulations to permit an employee under an appraisal program without a Level 5 summary rating level to be eligible for a QSI based on demonstrating sustained performance that is significantly higher than that expected at the "Fully Successful" level. Agencies would be required to establish performance-related criteria for QSI eligibility consistent with this requirement. (See § 531.504.)

Appraisal System Transition

OPM is proposing a regulatory provision that would assist agencies as they develop and implement new appraisal systems and programs under new regulatory flexibilities. At the time that new regulatory requirements and provisions become effective, it is essential to support a smooth transition especially for agencies that might be pursuing a pending administrative action initiated under the systems that exist now. The regulatory provision would clarify that any appraisal system that had been reviewed and officially approved by OPM as of the effective date of the revised regulations would be considered an approved system under the revised regulations until such time as changes to the system are approved. This will permit agencies to pursue pending actions and to continue to operate their existing appraisal systems and initiate other actions based on appraisal results. (See § 430.201(b).)

Agencies should note that these regulatory changes establish no requirements or deadlines to make appraisal system changes. The flexibility the proposed regulations would achieve includes the flexibility to continue agency appraisal policies, procedures, and requirements that are already in use. OPM is proposing no regulatory provision that would create a regulatory conflict for any appraisal system already approved under current regulation.

OPM would provide guidance to agencies on requirements and procedures for submitting system descriptions to OPM for review and approval.

Major Proposed Changes to Performance Management Regulations

OPM also is proposing to amend its regulations in other ways to provide additional flexibilities, eliminate burdensome requirements, establish new provisions, and make conforming and editorial changes. The following list summarizes the substantive changes, including those discussed above.

Added Flexibilities and Reduced Requirements

- 1. Permits agencies to use as few as two performance levels for appraising elements.
- 2. Permits agencies to use as few as two levels for summary performance ratings.
- 3. Řemoves the requirement for OPM approval of plans for awards, quality step increases, and within-grade increases, but retains statutory requirement that OPM approve performance appraisal systems.
- 4. Permits recording of performance plans, ratings, etc., in formats other than paper.
- 5. Deletes the requirement for higher-level review of performance plans.
- 6. Replaces the requirement that agencies assist employees with performance below Fully Successful with the statutory requirement to assist with performance that is Unacceptable.
- 7. Replaces the total prohibition on forced distributions of summary ratings with prohibitions limited to summary ratings below Level 3 or situations where summary ratings are based solely on appraisal against pre-established performance standards.
- 8. Deletes the requirement that a rating of record under one pay system be used as the rating of record under a new system when there is no change in duties or responsibilities.
- 9. Deletes the requirement for agencies to prepare a summary rating when an employee changes position and