OFFICE OF PERSONNEL MANAGEMENT

Civilian Acquisition Workforce Personnel Demonstration Project; Department of Defense (DoD)

AGENCY: Office of Personnel Management (OPM).

ACTION: Notice of intent to amend this demonstration by changing the method for determining and translating retention service credit.

SUMMARY: The Department of Defense (DoD), with the approval of OPM, may conduct a personnel demonstration within DoD's civilian acquisition workforce and those supporting personnel assigned to work directly with it. (*See* section 4308 of the National Defense Authorization Act for Fiscal Year 1996 (Pub. L. 104–106; 10 U.S.C.A. 1701 note), as amended by section 845 of the National Defense Authorization Act for Fiscal Year 1998 (Pub. L. 105–85)). This notice proposes to amend the project plan for this demonstration to change the method for determining and translating retention service credit.

DATES: OPM and DoD will consider written comments if received no later than November 15, 2002.

ADDRESSES: Send written comments to Mary Lamary, U.S. Office of Personnel Management, 1900 E Street NW., Room 7460, Washington, DC 20415.

FOR FURTHER INFORMATION CONTACT: *DoD*: Anthony D. Echols, Civilian Acquisition Workforce Personnel Demonstration Project, 2001 North Beauregard Street, Suite 750, Alexandria, VA 22311, 703–681–3553. *OPM*: Mary Lamary, U.S. Office of Personnel Management, 1900 E Street NW., Room 7460, Washington, DC 20415, 202–606–2820.

SUPPLEMENTARY INFORMATION:

1. Background

OPM approved and published the project plan for the Civilian Acquisition Workforce Personnel Demonstration Project in the **Federal Register** on January 8, 1999 (Volume 64, Number 5, part VII). Since that time, three amendments have been published. The first amendment was published in the May 21, 2001, **Federal Register**, Volume 66, Number 98 to (1) correct discrepancies in the list of occupational series included in the project and (2) authorize managers to offer a buy-in to Federal employees entering the project after initial implementation. The second amendment was published in the April 24, 2002, **Federal Register**, Volume 67, Number 79 to (1) make employees in the top broadband level of their career path eligible to receive a ''very high'' overall contribution score and (2) reduce the minimum rating period under the Contribution-based Compensation and Appraisal System (CCAS) to 90 calendar days. Finally, the third amendment was published in the July 1, 2002, **Federal Register**, Volume 67, Number 126 to (1) list all organizations that are eligible to participate in the project and (2) make the resulting adjustments to the table that describes the project's workforce demographics and union representation. This demonstration project involves hiring and appointment authorities, broadbanding, simplified classification, a contribution-based compensation and appraisal system, revised reduction-in-force procedures, academic degree and certificate training, and sabbaticals.

2. Overview

The project plan links employees' overall contribution scores (OCSs) to retention service credit for reduction in force. Experience during the first three rating cycles showed that the method for linkage causes two unintended results.

The first unintended result adversely affects high contributors (that is, employees with a high OCS for the expected contribution range of their broadband level). High contributors can only receive high retention service credit if their positions are toward the top of the salary rate range for the broadband level.

Second, high contributors receive less credit than lower contributors in some cases. The structure of Table 7, Retention Service Credit Associated with Appraisal Results, allows such outcomes.

This notice proposes to amend the project plan for this demonstration to change the method for determining retention service credit based on Contribution-based Compensation and Appraisal System (CCAS) process results. For consistency, this notice also proposes to change Table 8, Translation of Retention Service Credit.

Dated: October 4, 2002.

Office of Personnel Management,

Kay Coles James,

Director.

I. Executive Summary

The project was designed by a Process Action Team (PAT) under the authority of the Under Secretary of Defense for Acquisition and Technology, with the participation of and review by DoD and the Office of Personnel Management (OPM). The purpose of the project is to enhance the quality, professionalism, and management of the DoD acquisition workforce through improvements in the human resources management system.

II. Introduction

This demonstration project provides managers, at the lowest practical level, the authority, control, and flexibility they need to achieve quality acquisition processes and quality products. This project not only provides a system that retains, recognizes, and rewards employees for their contribution, but also supports their personal and professional growth.

A. Purpose

The purpose of this notice is to propose to amend this demonstration by changing the method for determining and translating retention service credit. Other provisions of the approved plan are unaffected by this proposal. Pursuant to 5 CFR 470.315, changes are hereby proposed to the **Federal Register**, Civilian Acquisition Workforce Personnel Demonstration Project; Department of Defense; Notice, Friday, January 8, 1999, Volume 64, Number 5, Part VII, pages 1479–82 and 1484.

B. Employee Notification and Collective Bargaining Requirements

The demonstration project program office shall notify employees of this proposed amendment by posting it on the demonstration project's web page (*http://www.acq.osd.mil/acqdemo/new_site*). Participating organizations must fulfill any collective bargaining obligations to unions that represent employees covered by the demonstration.

III. Personnel System Changes

Retention Service Credit

The following are the proposed changes to the demonstration project plan.

Delete all of Section III. D. 9., including Table 7.

Throughout the project plan, re-number Tables 8, 9, and 10 as Tables 7, 8, and 9, respectively.

Delete the second and third rows of the re-designated Table 7, Translation of Retention Service Credit, as follows: ''20: Outstanding or equivalent, Level 5'' and ''16: Highly Successful or equivalent, Level 4.'' A copy of the revised re-designated Table 7 appears at the end of this amendment.

Delete the fourth paragraph of Section III. F. and insert the following:

Employees shall receive additional years of retention service credit in RIF, based on their CCAS process results. Refer to Figure 2, CCAS Compensation

Categories, which depicts the three categories: A, B, and C. To calculate the number of additional years of retention service credit, average the number of additional years received for the employees' three most recent annual placements in category A, B, or C during the 4-year period before the issuance of RIF notices. Use the following rules to determine the number of years for a given annual placement.

Rule 1—Employees whose annual OCS places them above the upper rail in category A shall not receive any additional years.

Exception to Rule 1—Category A employees on retained pay may have lacked the opportunity to contribute at the level of their retained pay. Therefore, they shall receive 12 additional years.

Rule 2—Employees whose OCS places them in categories B or C shall receive 12 additional years.

Rule 3—Substitute the annual performance rating of record under the previous performance management system for one or more CCAS process results if, before the issuance of RIF notices, (1) three complete CCAS cycles have not yet occurred or (2) an individual has not completed three cycles to obtain three CCAS process results. In such cases, consistent with the re-designated Table 7, Translation of Retention Service Credit, employees with ratings of record at or above Fully Successful or equivalent (Level 3) shall receive 12 additional years, while those with lower ratings of record shall not receive any additional years. After including both CCAS results and previous ratings of record, employees who still have only received one or two of these shall receive credit for performance on the basis of adding the value and dividing by the number of CCAS results and/or ratings of record actually received. Those who have no annual performance rating of record or CCAS results shall receive 12 additional years.

Change Section V. B. 4. to read:

The demonstration project does not use summary level designators. In this regard, the project differs from non-demonstration appraisal systems and programs established under 5 U.S.C. Chapter 43 and 5 CFR part 430. To accommodate this difference and to allow the CCAS contribution information to be used as equivalent ratings under 5 CFR part 430, translate retention service credit based on the employee's OCS for the 3 most recent years of the last 4 years while under the demonstration project to summary level designators for use by the gaining agency. The re-designated Table 7, Translation of Retention Service Credit, shows how to do this translation.

Retention service credit	Appraisal rating level
12	Fully Successful or equivalent, Level 3.
0	Unsuccessful, Level 1.

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34–46629; File No. SR–CBOE–2002–24]

Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change and Amendment Nos. 1 and 2 by Chicago Board Options Exchange, Incorporated Amending Listing Standards for Options on Narrow-Based and Broad-Based Security Indexes

October 9, 2002.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1034 (''Act'' or ''Exchange Act'') [1] and Rule 19b–4 thereunder,[2] notice is hereby given that on May 7, 2002, the Chicago Board Options Exchange, Incorporated (''CBOE'' or ''Exchange'') filed with the Securities and Exchange Commission (''Commission'') the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the CBOE. The CBOE filed Amendments No. 1 and 2 to the proposed rule change on August 6, 2002 [3] and August 29, 2002,[4] respectively. The Commission is publishing this notice to solicit comments on the proposed rule change, as amended, from interested persons.

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

The Exchange proposes to amend its rules regarding listing standards for options on narrow-based and broad-based security indexes. The text of the proposed rule change is set forth below. Additions are in italics; deletions are in brackets.

CHAPTER XXIV

Index Options

* * * * *

Rule 24.2 Designation of the Index

(a) The component securities of an index underlying an index option contract need not meet the requirements of Rule 5.3. Except as set forth in subparagraph (b) *and (c)* below, the listing of a class of index options on a new underlying index will be treated by the Exchange as a proposed rule change subject to filing with and approval by the Securities and Exchange Commission (''Commission'') under Section 19(b) of the Exchange Act.

(b) Notwithstanding paragraph (a) above, the Exchange may trade options on a narrow-based *security* index pursuant to Rule 19b–4(e) of the Securities Exchange Act of 1934, if each of the following conditions is satisfied:

(1) *The index is a security index.* [The options are designated as A.M.-settled index options:]

(i) that has 9 or fewer component securities; or

(ii) in which a component security comprises more than 30 percent of the index's weighting; or

(iii) in which the 5 highest weighted component securities in the aggregate comprise more than 60 percent of the index's weighting or

(iv) in which the lowest weighted component securities comprising, in the aggregate, 25 percent of the index's weighting have an aggregate dollar value of average daily trading volume of less than $50,000,000 (or in the case of an index with 15 or more component securities, $30,000,000), except that if there are two or more securities with equal weighting that could be included in the calculation of the lowest weighted component securities comprising, in the aggregate, 25 percent of the index's weighting, such securities shall be ranked from lowest to highest dollar value of average daily trading volume and shall be included in the calculation based on their ranking starting with the lowest ranked security;

[1] 15 U.S.C. 78s(b)(1).

[2] 17 CFR 240.19b–4.

[3] *See* Letter dated August 6, 2002 from Madge Hamilton, Legal Division, CBOE, to Kelly Riley, Senior Special Counsel, Division of Market Regulation (''Division''), Commission (''Amendment No. 1''). Amendment No. 1 makes certain technical corrections to the proposed rule change.

[4] *See* Letter dated August 29, 2002 from Madge Hamilton, Legal Division, CBOE, to Florence Harmon, Senior Special Counsel, Division, Commission (''Amendment No. 2''). Amendment No. 2 makes certain technical corrections to the proposed rule text and adds a requirement that component securities be registered under Section 12 of the Act. Amendment No. 2 also adds a requirement that the total number of securities in an index may not increase or decrease by more than 33⅓% from the number of component securities in the index at the time of its initial listing. Amendment No. 2 also adds a requirement that cash settled index options be designated as AM-settled index options. Finally, Amendment No. 2 adds a new index weighting methodology known as ''share weighting.''