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The fragile three-month cease fire with Iran...unraveled this past week.

It was triggered...by attacks on commercial ships, including a liquified natural gas tanker.

The U.S. responded...hitting more than 80 targets primarily along Iran's coast, which in turn was answered by their launching strikes on Bahrain & Kuwait, both of which host military bases.

At the heart of this...is Tehran's aggressive interpretation of language in paragraph 5 of the signed Memorandum of Understanding.

From their lead negotiator, parliament speaker Mohammad Ghalibaf - "The Strait of Hormuz will only open with 'Iranian arrangements' not American threats."

One official familiar with negotiations - the U.S. and Iran "are on different planets" concerning this insistence on future fees (tolls) for ship transits.

Prior to the war...the Strait of Hormuz was open to internat'l shipping with no constraints or payments - freedom of navigation.

The immediate question...how to force concessions on this crucial issue, in which Iran possesses demonstrated leverage? How to get back to square one?

As the United States...finds itself bogged down in the Middle East and its record-breaking $1.15 trillion defense appropriation request stalled, what developments are evolving with other adversaries?

For instance - China - which has been busy.

This past week...they launched a long-range ballistic missile carrying a *simulated* warhead - from a nuclear submarine.

Of note...this was a rare departure from normal testing undertaken within its own borders in western China. Is considered a "huge contrast" to that norm - one signaling a shift for the U.S. to ponder.

It covered over 4,350 miles...and landed in internat'l waters - specifically a treaty-protected area known as the South Pacific Nuclear Free Zone. Little warning was given to surrounding nations who expressed concerns.

Beijing...framed it as a routine training exercise but U.S. officials viewed the launch as a demonstration of its sea-based nuclear triad capability and 2nd strike know-how...underscoring its steadily growing proficiencies.

This follows on concerns...that China is in the initial phases of erecting a foothold on the much-contested Scarborough Shoal, a reef in the South China Sea.

The appearance of a 300 sq-foot buoy platform which could help plan future construction/dredging of the reef lying just 145 miles from the main Philippine island of Luzon...was described as a "precursor to a more permanent [malign] presence" by the nation's defense minister. Of note...a possible future military base could also pose a threat to U.S. forces in a battle over Taiwan.

According to analysts...any functional land reclamation at the reef has long been viewed as crossing a red line for the United States.

One "gray-zone" analyst - "What China appears to be doing here is 'salami-slicing' its way to eventual habitation."

Overall...with a distracted America, China probing possibilities, on the move.

OPM...in tandem with the Merit Systems Protection Board (MSPB) has submitted a proposed rule which would codify sweeping changes in how poor performers are handled.

Number one - the long-standing Douglas rules (45 years), a 12-item checklist MSPB has used to evaluate whether a punishment is fair - would disappear. Through the decades...agencies could potentially lose a case due to missing a single one of them, perhaps #12, “effectiveness of alternative sanctions” or maybe #7 - “consistency with the agency table of penalties.”

Instead...that whole process would be boiled down to a single question - “Considering everything about the situation, was the punishment reasonable?”

Number two...performance improvement plans (PIP)s, would be limited to 30 days vs the indefinite timeline of the past, which could stretch into months. For an “acceptable performance,” employees would need to demonstrate at least the Level 3 tier (fully successful) to avoid a performance-based action.

Under the proposed rule...if performance doesn’t improve after the PIP... removal - not a lesser penalty - “is established as the default penalty agencies must propose for unacceptable performance.” At the same time...the agency would have discretion in how far to take matters.

If so - an employee would have 7-10 days to respond, with a 10-day extension at the agency’s discretion to allow for the individual to consider a settlement or other terminating offer.

Moreover - “clear record” settlements would disappear. It would prohibit agencies from agreeing to erase/remove personnel records concerning performance or misconduct as part of a condition to resolve an adverse action. This would not apply to private sector inquiries which would be given a “neutral reference.”

As for misconduct - things move even quicker.

The standard (although w/o statute)...has been referring to a table of penalties, which would now be prohibited. No escalating warnings either - before someone could be removed. The new standard could entail that punishment on just a first offense if the facts warrant it.

The 24-page proposed rule...appears in the July 2 Federal Register (pg 40444). Comment period lasts for 30 days.

And in another sea-change moment...OPM has issued a final rule on performance ratings for non-SES employees...there are 1.2 million of them in the GS-categories.

Addressing “rating inflation” - OPM cites a GAO report some time back, that found 99% scored at or above “fully successful” - a ratio that sharply contrasts with between 40%-50% of federal workers...who believe their supervisors don’t meaningfully distinguish between performance when handing out ratings.

As such...new codified language gives OPM the authority to require agencies to limit the number of top ratings.

The rule...also removes all rating frameworks that include a “2” level between level 1 (unacceptable) and 3 (fully successful) - and eliminates the regulatory requirement of a higher-level review/approval of a level 1 rating.

It states...that the rating, will “not subject to negotiated grievance procedures or arbitration . . . regardless of collective bargaining coverage.”

To “ensure the integrity” of the new system...there will now be a mandatory supervisor critical element titled “Holding Employees Accountable.” This will be added to their *own* performance evaluations and be based on their ratings distribution geared toward a process-based framework such as addressing poor performance in a timely manner.

Check the Federal Register of July 7, (page 41521) - effective Aug 6.

Of note, this final rule and the proposed rule allow for agency discretion but clarify that such power rests solely with the agency not the employee.

Will likely face court challenges.

Nine months into FY 2026 - red ink has reached $1.37 trillion, a bit wider than a year ago - according to preliminary CBO estimates.

Here is a look, (in $ billions):

	FY 2025	FY 2026	Change
Receipts..........	4,008	4,151	142
Outlays...........	5,346	5,523	178
Deficit..........	-1,337	-1,373	-36

Amounts withheld from worker's paychecks are up 4% ($2.8T) - "a reflection of rising wages and salaries."

With your appropriations stalled in the Senate due to the GOP and Democrats not agreeing on parity for defense and non-defense funding, the impact of public debt payments comes into sharper focus.

At this point...it is $857B, which is $180B above DOD outlays. Put another way, so far it has risen $98B vs $30B for Dept of Defense, or more than 3-fold.

It is exerting pressure up and down the line on your discretionary monies - and by extension feeding the threat of a CR and possibly a partial shutdown in the face of the United States trying to rearm itself.

The ratio is stunning...far higher than last year's $112B gap at this point.

What will be the U.S. footprint in the Middle East...going forward?

The anchor to our naval operations - (NSA) Bahrain - is considered strategically vital to our presence there. It protects ships, aircraft and facilities - a key hub.

It was hit hard in the Feb-April fighting - exposing vulnerabilities, gaps.

How hard?

Satellite imagery - now makes clear the destruction.

Includes part of the Command HQ of the Fifth Fleet (no longer usable) and over 10 other buildings - such as its security training facility; drone repository; logistical warehouses; water tanks; barracks; the main dining hall (seating up to 450 personnel); piers; residential areas; two satellite communications terminals which enable real-time consultation; other bldgs.

There is also the psychological impact.

After 50+ years...it was still the only Middle East station where families could live. Indeed, it resembled a small American city in some respects with restaurants, athletic fields, schools, dance events, etc.

As it is...at least 20 other bases were hit to varying degrees, some being called "uninhabitable." Various ones may not be rebuilt - but instead, their military functions might be spread out in a less concentrated manner.

As for (NSA) Bahrain - it will likely undergo a revamping - reassessing a base that was built decades before Iran possessed the precision missiles/drones of today. Moving critical functions underground could be part of it.

In short...the U.S. is reevaluating bases in the region. Whether to rebuild, abandon, or a degree of pull back. These are new questions that Congress will face - and could define the coming years of our Middle East presence.

Your core TSP returns year-to-date thru June.

C (stock) fund eases a bit, now up $10.2%. L2055 thru L2075, all up 13.4%.
S (small cap) leapt 4.34% last month, now +18.41%.
I (internat'l) fund holds at +16.53%. L (income) at +5.24%, over 2x G fund.

Average pay of federal employees - $112,456 vs $73,226 in 2017. It is top heavy with older workers (avg 47 yrs) vs fewer younger ones, impacting the figure.

Where do you stand in the GS-grade distribution? Two most prevalent, GS-12 and GS-13 contain roughly ½ million, (269K and 234K). From there, GS-11 (174,111); GS-14 (120,043); GS-9 (100,635); GS-6 (79,572); GS-7 (76,748); GS-15 (50,055).

OMB...has issued follow-up guidance concerning the two recent executive orders (14412 & 14413) that dealt with post quantum cryptography (PQC).

It provides federal agencies with detailed implementation directives regarding the "accelerated" migration to that world - the operational plan involving goals/ timelines.

In a quick turnaround...it has been released far earlier by OMB than called for in the above orders, (which was 90 days).

In the overall...it covers five phases thru 2035 - the complex technical responsibilities regarding the transition to post-quantum cryptography.

Phase 1 (Strategy, Planning & Discovery, 2026-2027). Focus is to be on the inventory of high-value assets/systems; "awareness and training;" creating "governance frameworks;" assigning "accountable" officials. Think of it as laying the foundation for the long-term PQC migration.

Phase 2 (Pilots and Early Migration, 2027-2028). Focus should be on pilots (you can work with GSA on this, icam@gsa.com) - and early relocation of prioritized systems.

Phase III, IV and V follow - with the last being "full migration" by 2035.

First matter of business...is that every federal agency must develop/submit their initial PQC mitigation plan to OMB and the Ofc of the Nat'l Cyber Director, by late October.

To include nine requirements at a minimum - here are four of them.

- *A priority system framework - articulating risk-based justification.*
- *Timelines to hit all specific mitigation phases.*
- *A section defining governance roles/responsibilities.*
- *A plan for implementing a cryptographic agile architecture...enabling an organization "to switch its cryptographic algorithms with minimal disruption" which "is essential for responding to the quantum threat."*

Who is responsible for what?

OMB emphasizes - that it is *not only* the responsibility of the agency-level Chief Information Officer and Chief Information Security Officer, who are in fact responsible for prioritization & risk acceptance.

Beyond them...a number of others - both in the front office and within components of your agency, such as:

Program offices...to ensure specific vendor quantum requirements are met.

CFOs - to ensure agency budget requests, reflect what is needed.

PQC lead/program managers - to coordinate matters, ensure plan is on track.

PQC technical leads - to oversee inventory, algorithm selection, PQC testing.

Security architects - to integrate PQC into zero-based architecture (ZTA), whose core principle is "never trust, always verify."

Application owners - responsible for implementation of PQC-compatible technologies of their owned systems.

Moving forward from here - agencies must include PQC upgrades into planned cloud actions, software development lifecycles and hardware refresh schedules. Systems incapable of supporting PQC "must be identified and given priority for replacement or decommissioning."

The hardcore technical guidance can be daunting, as in the table of "quantum-vulnerable algorithms" presented.

Example - Elliptic Curve Diffie-Hellman Key Exchange whose function is as an asymmetric algorithm used for key establishment. NIST guidance is referenced.

Quantum is a different world. From Max Planck's original concept in 1900 - to now here in front of you.

OMB memorandum M-26-15...doesn't apply to nat'l security systems.