

PAY ADMINISTRATION

1. REASON FOR ISSUE: To implement provisions of the Federal Workforce Flexibility Act of 2004 (Public Law 108-311, October 2004) as it relates to the Department of Veterans Affairs (VA) policy regarding recruitment, relocation and retention incentives.

2. SUMMARY OF CONTENTS/MAJOR CHANGES: This handbook contains mandatory VA procedures on pay administration. The pages in this issuance replace the corresponding page numbers in VA Handbook 5007. Chapters 1 through 3 of part VI are replaced in their entirety. These changes will be incorporated into the electronic version of VA Handbook 5007 that is maintained on the [Office of Human Resources Management Web site](#). Significant changes include:

- a. Establishes new lump sum and installment payment options.
- b. Increases recruitment and relocation incentive payments up to a total of 100 percent of the annual rate of basic pay (25 percent per year) over a maximum 4-year service period.
- c. Requires that an incentive recipient maintain a rating of record of at least “Fully Successful” or equivalent for continued receipt of incentive.
- d. Adds locality comparability payments to the annual rate of basic pay used to calculate incentive payments.

3. RESPONSIBLE OFFICE: The Compensation and Classification Service (055), Office of the Deputy Assistant Secretary for Human Resources Management and Labor Relations.

4. RELATED DIRECTIVE: VA Directive 5007, Pay Administration.

5. RESCISSIONS: None.

CERTIFIED BY:

/s/
Robert N. McFarland
Assistant Secretary for
Information and Technology

**BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS:**

/s/
R. Allen Pittman
Assistant Secretary for
Human Resources and Administration

ELECTRONIC DISTRIBUTION ONLY

**PART II
CHAPTER 3**

(3) A pay rate approved under this paragraph is considered an "earned rate" and may subsequently be used in applying the highest previous rate rule. The highest previous rate is not an entitlement, however, and should be judiciously used in situations where employees move to positions which might not qualify for an appointment above the minimum rate of the grade. In addition, the following restrictions apply when making highest previous rate determinations:

(a) The rate must be based on prior full-time, part-time or intermittent service under an appointment or contractual agreement (38 U.S.C. 513), not limited to 90 days or less, or for a period of not less than 90 days under one or more appointments or contractual agreements without a break in service.

(b) It is generally inappropriate to use above-minimum entrance rates and special salary rate ranges as the highest previous rate when an employee voluntarily moves to a position where lower rates of pay apply. This is because approval of such rates is the result of recruitment or retention problems at a particular VA health care facility and higher non-Federal pay rates in a specific labor market.

(c) In view of subparagraph a(3)(b) above, above-minimum entrance rates or special salary rates may be used as the highest previous rate only with the prior approval of the facility director. A copy of this approval shall be filed on the right hand side of the employee's personnel folder and documented in the "Remarks" section of the Request for Personnel Action, or its electronic equivalent.

(4) A pay rate approved under this paragraph shall be used when determining an employee's pay upon promotion to a higher grade position.

(5) When setting rates under this paragraph, consideration shall be given to the locality comparability payment authorized for the geographic area and the fact that the employee will receive the locality comparability payment in addition to the basic rate of pay selected from the General Schedule.

b. Criteria for Pay Determinations

(1) Pay determinations under this paragraph may be made after considering a candidate's existing pay, higher or unique qualifications or special needs of VA. If an individual's pay rate is based on the recommendation of a professional or similar standards board, the approving official's action shall consider the recommendation of that board.

(2) Before using this authority, approving officials should consider such things as the number of on-duty personnel in the category under consideration and their pay rates, the number of vacancies and the availability of well-qualified candidates, as well as possible employee and/or community relations problems which may result from using this authority. Alternatives include a [recruitment incentive], a more comprehensive recruitment effort, job redesign, internal training, use of part-time employees, etc.

(3) This authority is intended to enhance VA's ability to meet its recruitment needs. Thus, it shall typically be used for new appointments (i.e., first appointment as an employee of the Federal Government). To be used for reinstatements, the candidate must have had a break in service of at least

PART II
CHAPTER 3

c. Office of Personnel Management regulations require that consideration must be given to a recruitment [incentive] before approval of an above-minimum rate under this authority (5 CFR, part 575). This requirement is predicated on the fact that an appointment with an above-minimum rate will be significantly more costly because it has a lasting effect on future pay entitlements and increases retirement, life insurance, and premium pay entitlements. []

d. The authority in this paragraph is to be used in individual cases of superior qualifications or special VA need. It is not to be used for occupational pay comparability or substituted for above-minimum entrance rates for an occupation or special salary rates for an occupation. Consideration is to be given to the effect approval may have on the morale of current employees and/or community relations.

e. Above-minimum rates are authorized only for individuals entering Federal civilian service for the first time or those returning after a break in service of 90 days or more. However, this authority may be used for appointment or conversion of certain cooperative work study employees, District of Columbia employees, members of Public Health Service Commissioned Corps, Intergovernmental Personnel Act participants, and experts or consultants as provided by 5 U.S.C. 531.203(b). An above-minimum rate must be approved before the candidate enters on duty; retroactive adjustment is not permitted.

f. An above-minimum rate may not exceed the rate for the tenth step of the grade.

g. See appendix II-D for information on requesting above-minimum entrance rates under this paragraph.

5. APPOINTMENT ABOVE THE MINIMUM RATE OF THE GRADE FOR FEDERAL WAGE SYSTEM PERSONNEL. Appointing officials may make a new appointment at any step rate of the appropriate grade in recognition of skills and experience of an exceptional or highly specialized nature in a particular trade or craft. Such appointments, however, may be made only when it is not possible to recruit an applicant at the minimum rate and VA has a specific need for the applicant's special qualifications. When an appointment above the minimum rate is made, the following statement will be placed in the "Remarks" section of the 50-B, Notification of Personnel Action: "Salary rate approved under FWS Operating Manual, section S8-3b(1)." Reasons for the determination will be recorded on the Request for Personnel Action, or its electronic equivalent.

APPENDIX D.

AUTHORIZING INDIVIDUAL APPOINTMENTS ABOVE MINIMUM RATE OF GRADE UNDER 5 U.S.C. 5333(A) AND PART II, CHAPTER 3, PARAGRAPH 4 OF THIS HANDBOOK

1. Requests for approval of an appointment above the minimum rate under this authority must meet all of the requirements of this paragraph and must also satisfy the provisions of 5 CFR 531.203(b).
2. Requests for centralized positions will be forwarded through organizational channels and the Office of Human Resources Management and Labor Relations (OHRM-LR) (055) for technical review and concurrence prior to submission to the approving official.
3. For Central Office positions, requests for approval will be submitted through organizational channels to the Central Office Human Resources Service (05HRS) for technical review and concurrence prior to submission to the approving official.
4. Justification for all appointments above the minimum rate of the grade will at a minimum, include:
 - a. A description of recruitment efforts used and/or the likelihood of finding candidates from additional recruiting;
 - b. A description of the candidate's superior qualifications or the special need for the candidate's skill and a comparison of the candidate's skills to those of other available applicants (e.g., the candidates educational attainment, specific training, extensive knowledge and experience directly related to the duties of the position which materially exceed the qualifications of other candidates or which other candidates lack);
 - c. Documentation of the candidate's existing pay or current job offers (e.g., copies of current pay voucher or written job offers);
 - d. Explanation of how the proposed rate was determined to be appropriate (e.g., whether based on candidate's unique qualifications for job, existing pay, or competing job offers);
 - e. The reasons for authorizing an advanced rate instead of, or in addition to, a recruitment [incentive]; and
 - f. A copy of the position description.
5. The facility HRMO or the Director, Central Office Human Resources Service (05HRS), as appropriate, shall maintain a case file for each action which will contain the information required in paragraph 4 above and a copy of the local or Central Office approval. Files will be retained for two years.
6. A copy of the approval shall be filed on the right side of the employee's personnel folder.

PAY ADMINISTRATION

PART VI. RECRUITMENT AND RETENTION INCENTIVES

CONTENTS

PARAGRAPH	PAGE
<u>CHAPTER 1. GENERAL</u>	
1. <u>PURPOSE</u>	VI-1
2. <u>RESPONSIBILITIES</u>	VI-1
<u>[CHAPTER 2. RECRUITMENT AND RELOCATION INCENTIVES</u>	
1. <u>GENERAL</u>	VI-3
2. <u>COVERAGE</u>	VI-3
3. <u>EXCLUSIONS</u>	VI-3
4. <u>RESPONSIBILITIES</u>	VI-4
5. <u>ELIGIBILITY REQUIREMENTS</u>	VI-5
6. <u>CRITERIA FOR THE AUTHORIZATION OF RECRUITMENT AND RELOCATION INCENTIVES</u>	VI-6
7. <u>RECRUITMENT AND RELOCATION INCENTIVE REQUESTS</u>	VI-7
8. <u>PAYMENT METHODS AND PROCEDURES</u>	VI-9
9. <u>AGGREGATE LIMIT ON COMPENSATION</u>	VI-10
10. <u>RECRUITMENT AND RELOCATION SERVICE AGREEMENT (RSA)</u>	VI-10
11. <u>SERVICE OBLIGATIONS</u>	VI-11
12. <u>TERMINATION OF A SERVICE AGREEMENT</u>	VI-12
13. <u>REPAYMENT REQUIREMENTS</u>	VI-13
14. <u>RECORDS</u>	VI-15
15. <u>REPORTS</u>	VI-15
16. <u>SERVICE AGREEMENTS IN EFFECT BEFORE MAY 1, 2005</u>	VI-15
17. <u>SELECTION OF EMPLOYEES WITH UNFULFILLED INCENTIVE OBLIGATIONS</u>	VI-15
18. <u>DEFINITIONS</u>	VI-16
<u>CHAPTER 3. RETENTION INCENTIVES</u>	
1. <u>GENERAL</u>	VI-17
2. <u>COVERAGE</u>	VI-17
3. <u>EXCLUSIONS</u>	VI-18
4. <u>RESPONSIBILITIES</u>	VI-18
5. <u>ELIGIBILITY REQUIREMENTS</u>	VI-19
6. <u>CRITERIA FOR THE AUTHORIZATION OF RETENTION INCENTIVES</u>	VI-19
7. <u>INCENTIVE REQUESTS</u>	VI-21
8. <u>PAYMENT PROCEDURES</u>	VI-23
9. <u>AGGREGATE LIMIT ON COMPENSATION</u>	VI-24
10. <u>RETENTION SERVICE AGREEMENT AND STATEMENT OF UNDERSTANDING</u>	VI-24

CONTENTS - CONTINUED

PARAGRAPH	PAGE
<u>CHAPTER 3. RETENTION INCENTIVES</u>	
11. <u>TERMINATION OF A SERVICE AGREEMENT</u>	VI-25
12. <u>ANNUAL REVIEW OF RETENTION INCENTIVES WITHOUT AN RSA</u>	VI-26
13. <u>RECORDS</u>	VI-27
14. <u>REPORTS</u>	VI-27
15. <u>RETENTION ALLOWANCES IN EFFECT BEFORE MAY 1, 2005.</u>	VI-27
16. <u>DEFINITIONS</u>	VI-27]
<u>CHAPTER 4. SUPERVISORY DIFFERENTIALS</u>	
1. <u>COVERAGE</u>	VI-25
2. <u>CRITERIA FOR AUTHORIZING AND PAYING A SUPERVISORY DIFFERENTIAL</u>	VI-25
3. <u>CALCULATION OF SUPERVISORY DIFFERENTIAL</u>	VI-27
4. <u>RESPONSIBILITIES</u>	VI-28
5. <u>DELEGATIONS OF AUTHORITY</u>	VI-29
6. <u>SUBMISSION PROCEDURES</u>	VI-30
7. <u>PROCESSING SUPERVISORY DIFFERENTIALS</u>	VI-31
8. <u>TERMINATION OR ADJUSTMENT OF SUPERVISORY DIFFERENTIALS</u>	VI-32
9. <u>REPAYMENT REQUIREMENTS</u>	VI-33
10. <u>RECORDS</u>	VI-33
<u>CHAPTER 5. ADVANCES IN PAY FOR NEW EMPLOYEES</u>	
1. <u>COVERAGE</u>	VI-35
2. <u>GENERAL</u>	VI-35
3. <u>CRITERIA</u>	VI-35
4. <u>RESPONSIBILITIES</u>	VI-36
5. <u>DELEGATIONS OF AUTHORITY</u>	VI-36
6. <u>REQUESTS FOR ADVANCES IN PAY</u>	VI-37
7. <u>EMPLOYEE STATEMENT OF UNDERSTANDING</u>	VI-37
8. <u>APPROVING ADVANCES IN BASIC PAY</u>	VI-38
9. <u>PAYMENT AND REPAYMENT PROCEDURES</u>	VI-38
10. <u>WAIVERS OF REPAYMENT</u>	VI-39
11. <u>RECORDS</u>	VI-39
12. <u>REFERENCES</u>	VI-39
13. <u>DEFINITIONS</u>	VI-39
<u>CHAPTER 6. SPECIAL SALARY RATES</u>	
1. <u>GENERAL</u>	VI-41
2. <u>APPROVAL OF SPECIAL SALARY RATES UNDER 38 U.S.C. 7455</u>	VI-42
3. <u>REQUESTS FOR SPECIAL SALARY RATES UNDER 38 U.S.C. 7455</u>	VI-48
4. <u>REQUESTS FOR SPECIAL SALARY RATES UNDER 5 U.S.C. 5305</u>	VI-50
5. <u>SURVEY INSTRUCTIONS</u>	VI-51

CONTENTS - CONTINUED

PARAGRAPH	PAGE
<u>CHAPTER 7. TRAVEL AND TRANSPORTATION EXPENSES FOR NEW APPOINTEES AND INTERVIEWS</u>	
1. <u>GENERAL</u>	VI-55
2. <u>APPROVAL</u>	VI-55
3. <u>AGENCY DISCRETION</u>	VI-55
4. <u>REFERENCES</u>	VI-55
<u>CHAPTER 8. REPAYMENT OF STUDENT LOANS</u>	
1. <u>GENERAL</u>	VI-57
2. <u>CRITERIA FOR THE AUTHORIZATION OF STUDENT LOAN REPAYMENTS</u>	VI-58
3. <u>STUDENT LOAN REPAYMENT REQUESTS</u>	VI-59
4. <u>EMPLOYEE SERVICE AGREEMENT</u>	VI-59
5. <u>RESPONSIBILITIES</u>	VI-59
6. <u>DELEGATION OF AUTHORITY</u>	VI-60
7. <u>DETERMINING THE AMOUNT OF STUDENT LOAN REPAYMENTS</u>	VI-61
8. <u>PROCEDURES FOR MAKING STUDENT LOAN REPAYMENTS</u>	VI-61
9. <u>LOSS OF ELIGIBILITY FOR STUDENT LOAN REPAYMENTS AND EMPLOYEE REIMBURSEMENT TO VA</u>	VI-62
10. <u>RECORDS MAINTENANCE</u>	VI-62
11. <u>REPORTS</u>	VI-63
12. <u>DEFINITIONS</u>	VI-63
13. <u>REFERENCES</u>	VI-63
APPENDICES	
[VI-A. <u>SAMPLE REQUEST FOR APPROVAL OF RECRUITMENT OR RELOCATION INCENTIVES</u>].....	VI-A-1
VI-B. <u>RECRUITMENT/RELOCATION SERVICE AGREEMENT (RSA)</u>	VI-B-1
VI-C. <u>SAMPLE REQUEST FOR APPROVAL OF RETENTION INCENTIVES</u>	VI-C-1
VI-D. <u>SAMPLE STATEMENT OF UNDERSTANDING/RETENTION INCENTIVE</u>	VI-D-1
VI-E. <u>SAMPLE SUPERVISORY CERTIFICATION/RETENTION INCENTIVE</u>	VI-E-1
VI-F. <u>SAMPLE ANNUAL REVIEW OF RETENTION INCENTIVE</u>	VI-F-1]
VI-G. <u>EXAMPLES OF CONTINUING PAY AND DIFFERENTIAL COMPUTATIONS/SUPERVISORY DIFFERENTIAL</u>	VI-G-1
VI-H. <u>SUPERVISORY DIFFERENTIAL COMPUTATION SHEET</u>	VI-H-1
VI-I. <u>SUBORDINATE PAY ABOVE GS-15/10</u>	VI-I-1
VI-J. <u>INSTRUCTIONS FOR COMPLETING SPECIAL RATES EVALUATION WORKSHEET</u>	VI-J-1
VI-K. <u>SAMPLE OF SPECIAL RATES EVALUATION WORKSHEET (VA FORM 10-0396)</u>	VI-K-1
VI-L. <u>INTERNAL ALIGNMENT OF SPECIAL SALARY RATES</u>	VI-L-1
VI-M. <u>SAMPLE SPECIAL SALARY RATE AUTHORIZATIONS</u>	VI-M-1
VI-N. <u>SAMPLE INITIAL STUDENT LOAN REPAYMENT RECOMMENDATION/APPROVAL</u>	VI-N-1
VI-O. <u>SAMPLE EMPLOYEE SERVICE AGREEMENT</u>	VI-O-1
[VI-P. <u>RETENTION SERVICE AGREEMENT (RSA)</u>	VI-P-1]

PART VI. RECRUITMENT AND RETENTION INCENTIVES

CHAPTER 1. GENERAL

1. PURPOSE. This part provides mandatory guidance and procedures for the authorization and implementation of pay authorities which may be used to help recruit and retain employees in [difficult] to fill positions. These include recruitment[, relocation, and retention incentives, special salary rates, student loan repayments], and advances in pay.

2. RESPONSIBILITIES

a. An official at a higher level than the one recommending the payment must approve recruitment[, relocation, and retention incentives]. For recruitment and relocation [incentives], this must happen before the employee enters on duty. Officials must carefully review and follow the mandatory procedures in this part before proceeding with [an incentive. Recruitment and relocation incentives] will not be approved retroactively after entry on duty.

b. The Secretary, or designee, is the approving official for [incentives] for employees occupying positions centralized to that office.

c. Administration Heads, Assistant Secretaries, Other Key Officials, and Deputy Assistant Secretaries, or their designees will recommend [incentives] for employees occupying positions in their organization which are centralized to the Secretary. They, or their designees, approve [incentives] for employees occupying VA Central Office positions in their organizations that are not centralized to the Secretary; and employees occupying field positions centralized to their offices.

d. Network directors, or their equivalents in VA, or their designees may approve [incentives] for employees in non-centralized positions under their jurisdiction [].

e. Facility directors may approve [incentives] for employees in non-centralized positions under their jurisdiction []. This authority may not be re-delegated.

g. Additional statements of responsibility may be included in separate chapters of this part, where appropriate.

CHAPTER 2. RECRUITMENT AND RELOCATION INCENTIVES

1. GENERAL

a. Recruitment and relocation incentives may be used to appoint high quality employees in positions that are likely difficult to fill without such incentives. These incentives are authorized under 5 U.S.C. 5753, extended to title 38 employees under the authority of 38 U.S.C. 7410, and are governed by regulations at 5 CFR part 575, subparts A and B, and the provisions of this chapter.

b. Incentives of up to 25 percent of an employee's annual rate of basic pay multiplied by the number of years in a service agreement (4-year maximum) may be authorized under the procedures contained in this chapter. Total incentive payments may not exceed 100 percent of an employee's annual rate of basic pay.

d. Approving officials must review and approve each recruitment or relocation incentive in writing before the employee enters on duty. Approvals may not be made on a retroactive basis.

2. COVERAGE. Recruitment and relocation incentives may be paid to employees in the following types of positions or appointments provided the eligibility requirements of paragraph 5 are met:

a. **Title 5 and Hybrid Positions.** General Schedule (GS) positions paid under 5 U.S.C. 5332 (including "hybrid" positions listed under 38 U.S.C. 7401(3)), 5 U.S.C. 5305 or 38 U.S.C. 7455; senior-level or scientific or professional positions paid under 5 U.S.C. 5376; Senior Executive Service positions paid under 5 U.S.C. 5383; law enforcement officer positions as defined by 5 CFR 550.103; Executive Schedule positions paid under 5 U.S.C. 5311-5317 or a position the rate of pay for which is fixed by law at a rate equal to a rate for the Executive Schedule; and Federal Wage System positions.

b. **Title 38 Positions.** Under the authority of 38 U.S.C. 7421 and 38 U.S.C. 7410, the Secretary has extended the provisions of 5 U.S.C. 5753 to physicians, dentists, podiatrists, optometrists, chiropractors, registered nurses, physician assistants, and expanded-function dental auxiliaries appointed under 38 U.S.C. 7401(1). Individuals appointed under 38 U.S.C. 7405(a)(1)(A), 7405(a)(1)(B), and 7306 for a minimum period of at least one year are also covered. This chapter constitutes VA's implementing regulations with respect to recruitment and relocation incentives applicable to Title 38 employees.

3. EXCLUSIONS

a. Recruitment and relocation incentives may not be paid to individuals to be appointed for less than a 1-year period; as experts and consultants; on a without compensation basis; as a Presidential appointee or in expectation of a Presidential appointment; as a non-career Senior Executive Service appointee as defined in 5 U.S.C. 3132(a)(7); or in a position which has been excepted from the competitive service by reason of its confidential, policy-determining, policy-making, or policy-advocating character. These incentives may also not be paid to those with scholarship obligations to VA resulting from education or training activities. Employees in the Veterans Canteen Service (VCS) appointed under 38 U.S.C. Chapter 78 are excluded from the provisions of this chapter but are covered under the provisions of VCS Directive 00-01, Recruitment and Relocation Bonuses and Retention Allowance for VCS Employees.

**PART VI
CHAPTER 2**

b. Recruitment incentives may not be paid to individuals with less than a 90-day break in Federal service unless the 90-day period immediately preceding the appointment was in one or more of the following:

- (1) A time-limited or non-permanent appointment in the competitive or excepted service;
- (2) Employment with the government of the District of Columbia (DC) when the candidate was first appointed by the DC government on or after October 1, 1987;
- (3) Appointment as an expert or consultant under 5 U.S.C. 3109 and 5 CFR part 304;
- (4) Service as an employee of a non-appropriated fund instrumentality of the Department of Defense or Coast Guard; or
- (5) A provisional appointment under 5 CFR 316.403.

c. Individuals in Federal service in a government controlled corporation, the Tennessee Valley Authority, the Virgin Island Corporation, the Atomic Energy Commission, the Central Intelligence Agency, the National Security Agency, the General Accounting Office, the Defense Intelligence Agency or the National Geospatial Agency must also have at least a 90-day break in service in order to be eligible for a recruitment incentive.

4. RESPONSIBILITIES

a. Administration Heads, Assistant Secretaries, Other Key Officials, Deputy Assistant Secretaries, and facility directors are responsible for the fair, equitable, and fiscally responsible administration of this policy and for ensuring that recruitment and relocation incentives, where recommended or approved, are determined in accordance with the criteria and procedures in this chapter.

b. The Office of Human Resources Management and Labor Relations (OHRM&LR) is responsible for advising management officials on the regulations and procedures in this chapter, conducting technical reviews of incentive requests submitted for centralized, OPM or Under Secretary for Health approval, and auditing incentive approvals for non-centralized positions.

c. Human Resources Management Officers (HRMOs) are responsible for advising management officials on the provisions in this chapter, providing technical advice and assistance on incentive percentages, length of service obligation requirements, definition of the geographic area (when appropriate), and other technical matters, and assuring the completeness of requests prepared or approved at the local level. They will maintain documentation adequate for reconstruction of each case, and prepare reports as required. They will ensure that records of those being considered for positions are screened to determine whether a service obligation remains unfulfilled and, if so, notify the recruiting office of that fact. When VA candidates and/or transfer candidates from other agencies are being considered for a relocation incentive, the HRM office at the recruiting facility must review the records of those under consideration to determine whether an unsatisfied incentive service obligation exists, notify the recommending official, and ensure that the recommendation for selection and/or overlapping incentive (see paragraph 18 for definition) is forwarded to the official authorized to act.

d. Supervisors will ensure each incentive recipient's rating of record is at least "Fully Successful" or equivalent. If a rating of record is lower than "Fully Successful" or equivalent, they will contact the approving official for immediate termination of the service agreement.

e. The Office of Financial Management will develop, in coordination with OHRM&LR, incentive payment, refund, and waiver procedures.

f. Employees are responsible for signing a service agreement to receive an incentive and for completing the required service in accordance with the terms of the Recruitment or Relocation Service Agreement (RSA). If they receive consideration for another position before the service obligation for an incentive has been satisfied, they must convey that fact to the recruiting office when they submit their application.

5. ELIGIBILITY REQUIREMENTS

a. **Recruitment Incentives.** Recruitment incentives may be authorized to individuals in their first appointment as a Federal employee or to a newly appointed former Federal employee with at least a 90-day break in service (except as provided in subparagraph 3b), when the approving official determines that it would be difficult to fill the position with a high quality candidate without the incentive. Recruitment incentives may be used in combination with certain other allowances and authorities, such as reimbursement of travel and transportation expenses, appointment at above-minimum rates, special salary rates, student loan repayments, and waivers of annuity offsets for retirees, to fill positions with high quality candidates. They are not, however, to be given as substitutes for payment of moving expenses.

b. Relocation Incentives

(1) Relocation incentives may be authorized to Federal employees who must change worksite and physically relocate to a different geographic area when the approving official determines that without the incentive, it would be difficult to fill the position with a high quality candidate. Relocation incentives may be authorized for permanent relocations or for temporary relocations of 120 days or more. An additional incentive may not be paid if a temporary assignment is extended beyond the initial proposed completion date. Relocation incentives may be used in combination with certain other allowances and authorities, such as reimbursement of travel and transportation expenses, special salary rates, student loan repayments, and waivers of annuity offsets for retirees, to fill positions with high quality candidates. They are not, however, to be given as substitutes for payment of moving expenses.

(2) A position is considered to be in different geographic area if the worksite of the new position is 50 or more miles from the worksite of the position held immediately before the move. If the worksite of the new position is less than 50 miles from the worksite of the position held immediately before the move, but the employee must relocate to accept the position, the approving official may waive the 50-mile requirement and pay the employee a relocation incentive. Any such waiver shall be documented in the relocation incentive approval document.

(3) A relocation incentive may be paid only when the employee's rating of record for the position held immediately before the move is at least "Fully Successful" or equivalent.

**PART VI
CHAPTER 2**

(4) Prior to receipt of a relocation incentive, employees must establish a residence in the new geographic area.

6. CRITERIA FOR THE AUTHORIZATION OF RECRUITMENT AND RELOCATION INCENTIVES

a. A recruitment or relocation incentive may be authorized if, without one, VA is likely to have difficulty recruiting candidates with the competencies required for the position. In determining whether a position is likely to be difficult to fill in the absence of a recruitment or relocation incentive as well as whether an incentive should be authorized and the incentive amount, the following factors will be considered. Evidence that these factors were considered must be fully documented in the request to pay an incentive (see paragraph 7) and retained as part of the record (see paragraph 14).

(1) The availability and quality of candidates possessing the competencies required for the position including the success of efforts within the previous six months to recruit candidates for similar positions using indicators such as job acceptance rates, the proportion of positions filled, and the length of time to fill similar positions;

(2) The salaries typically paid outside the Federal Government for similar positions;

(3) Turnover within the previous six months in similar positions;

(4) Employment trends and labor-market factors that may affect the ability to recruit candidates for similar positions;

(5) Special or unique competencies required for the position;

(6) Efforts to use non-pay authorities such as special training and work scheduling flexibilities, to resolve difficulties alone or in combination with a recruitment incentive;

(7) The desirability of the duties, work or organizational environment, or geographic location of the position; and

(8) Other supporting factors, such as historical information on the occupations or types of positions VA has experienced difficulty in filling with high quality candidates or geographic areas that traditionally have been considered less desirable.

b. Any decision to pay a recruitment or relocation incentive must be made in a fair and equitable manner on a case-by-case basis for each employee or groups of employees.

7. RECRUITMENT AND RELOCATION INCENTIVE REQUESTS

a. **Contents of Request.** Each incentive request must include the following. A sample request is contained in appendix VI-A.

(1) The employee's name, facility, duty station, appointment authority, proposed tenure, annual rate of basic pay, organization, and classification title, series, and grade of the position or assignment for which the incentive is being recommended;

(2) Whether the appointment is permanent or time limited (if time limited, may not be less than 1 year), or duration of a temporary change in duty station, if applicable;

(3) Annual rate of basic pay;

(4) Most recent rating of record (relocation incentive only). Rating must be at least "Fully Successful" or equivalent;

(5) Whether full-time or part-time (if part-time, the hours to be worked; e.g., 44 hours per pay period, 36 hours per pay period, etc.);

(6) Commencement and termination dates of the required service period;

(7) Proposed date of entrance on duty;

(8) Information addressing all the criteria listed in paragraph 6 of this chapter.

(9) Incentive dollar amount, the percentage of annual rate of basic pay rate which the incentive represents, length of service and a statement explaining how the percentage amount and length of service were determined;

(10) Timing and method of payment(s);

(11) An explanation of the decision, if any, made about use of an appointment at a rate above the minimum in lieu of, or in combination with, the proposed incentive;

(12) If for a relocation incentive, a statement that the worksite of the employee's position is not in the same geographic area as the worksite of the position held immediately before the move (or that a waiver was approved and that the employee established a residence in the new geographic area);

(13) A statement about the effect of the aggregate limit, if any, on the recruitment incentive and the employee's compensation (see paragraph 9);

(14) Whether there is an unsatisfied service obligation from a previous incentive, the length of the remaining obligation, and the amount of the original incentive;

**PART VI
CHAPTER 2**

(15) The recruitment or relocation agreement (RSA), signed and dated by the employee and requesting official (see appendix VI-B);

(16) A description of the critical need if request exceeds 25 percent of the annual rate of basic pay (see subparagraph 7d); and

(17) Any other considerations or information relevant to the case.

b. Determining Incentive Amounts

(1) The total amount of incentive payments paid to an employee in a service period may not exceed 25 percent of the employee's annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years (including fractions of a year) in the obligated service period (not to exceed 4 years). Amounts greater than 25 percent must be approved by OPM for title 5 employees and the Under Secretary for Health for title 38 employees (see subparagraph 7d).

NOTE: *For hourly rate employees, compute an annual rate of basic pay by multiplying the employee's hourly rate in effect at the beginning of the service period by 2,087.*

(2) To determine the factor for the number of years in a service period, divide the total number of calendar days in the service period by 365 and round the result to two decimal places. For example, a service period covering 39 biweekly pay periods equals 546 days. The total calendar days divided by 365 days equal 1.50 years. In this example, if the local approving official approves a 20 percent recruitment incentive and the employee's annual rate of basic pay in effect at the beginning of the service period is \$40,000, the total incentive payable is \$12,000 (\$40,000 times 20% times 1.5).

(3) The approved percentage and length of service selected should reasonably correlate to the difficulty experienced in obtaining high quality candidates. The highest percentage and maximum service lengths will be reserved for positions for which VA experiences the greatest difficulty in obtaining high quality candidates. The factors in paragraph 6 shall be considered when determining an appropriate percentage and required service period.

(4) Incentive amounts approved by local facilities may not exceed 25 percent of the annual rate of basic pay; therefore, calculation of incentives of 25 percent which result in a fraction of a dollar will be rounded down to the next whole dollar. Incentive amounts of less than 25 percent will be rounded up for \$.50 or more and down for \$0.49 or less to the nearest whole dollar.

c. Submission of Incentive Requests. Incentive requests will be reviewed on a case-by-case basis by the approving official. Requests for non-centralized positions will be submitted to the approving official in writing, through channels and the local HRM office for technical review and concurrence. Requests should be submitted early enough to permit approval of the incentive before the effective date of employment or before the employee relocates. Incentive requests for new appointments or relocations to centralized positions will be submitted as part of the appointment package through appropriate channels and will be referred to OHRM&LR (055) for technical review and concurrence prior to action by the approving official.

d. Requests to Exceed the 25-Percent Limitation on Incentives

(1) The Office of Personnel Management (OPM) may authorize recruitment and relocation incentives in excess of 25 percent, but not in excess of 50 percent, for title 5 employees based on a critical VA need. The Under Secretary for Health may take similar action for title 38 employees. In order for a request to exceed the 25 percent limitation to be considered, the recommending official must determine that the competencies required for the position are critical to the successful accomplishment of an important VA mission, project, or initiative, (e.g., program or project related to a national emergency, implementing a new law or critical management initiative, etc.).

(2) Under this subparagraph, the total amount of incentive payments requested may not exceed 50 percent of the employee's annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period. However, under no circumstances may incentive payments exceed 100 percent of the employee's annual rate of basic pay in effect at the beginning of the service period. For example, an employee who signs a 2 -year service agreement and whose annual rate of basic pay is \$75,000 can be paid a total incentive of \$75,000 (\$75,000 times 50 percent times 2). However, a 50 percent incentive could not be approved for this employee if the service agreement was longer than 2 years since this would result in an incentive amount greater than 100 percent of the employee's annual rate of basic pay.

(3) Requests to pay incentives greater than 25 percent must include the information required in subparagraph 7a. It is important that sufficient detail of the critical need that the increased incentive will address be provided. Requests must be submitted through appropriate channels to the Office of Human Resources Management and Labor Relations, Compensation and Classification Service (OHRM&LR/055) for technical review and recommendation. Only requests meeting the criteria in this chapter will be forwarded to OPM or the Under Secretary for Health for approval.

8. PAYMENT METHODS AND PROCEDURES

a. Incentive payments may be made as follows and shall not be considered part of an employee's rate of basic pay for any purpose:

(1) As an initial lump-sum payment at the commencement of the service period required by the service agreement.

(2) In installments, i.e., biweekly, quarterly, semi-annually, etc. throughout the service period required by the service agreement;

(3) As a final lump-sum payment upon the completion of the full service period required by the service agreement; or

(4) Any combination of these payment methods.

b. Payment of a relocation incentive may be made only after the incentive has been approved, the employee has signed an RSA, the effective date of the employment action has passed and the employee has actually relocated for the purpose of establishing a residence.

**PART VI
CHAPTER 2**

c. Payment of a recruitment incentive may be made prior to the effective date of employment only if the incentive has been approved and the employee has signed an RSA.

9. AGGREGATE LIMIT ON COMPENSATION. An employee may not receive any portion of an incentive that, when added to the annual rate of the employee's continuing payments and any lump sum payments received earlier in the calendar year, would exceed aggregate limits on pay. For payments to title 38 employees (except for of physicians and dentists) and title 5 employees, the aggregate limit on compensation is EL-I. The maximum limit on pay for title 38 physicians and dentists is the annual pay (excluding expenses) received by the President of the United States as specified in 3 U.S.C. 102. Any excess portion of the incentive may not be paid until the beginning of the next calendar year (see part VII, chapter 2, on aggregate limits.) HRM officials will inform an incentive recipient affected by an aggregate limitation and include an explanation in the RSA.

10. RECRUITMENT OR RELOCATION SERVICE AGREEMENT (RSA)

a. In order to receive an incentive, employees must sign an RSA and agree to complete a specified period of service in VA (if relocation incentive, service must be completed at a specific duty station) or with a successor agency in the event of transfer of function. A sample RSA is provided in appendix VI-B. The minimum service period required for a recruitment incentive is 6 months. The minimum service period required for a relocation incentive paid for a permanent relocation is 6 months and for a temporary relocation is 120 days. The maximum service period for both incentives is 4 years. Incentive recipients must complete the obligated service period or repay the incentive unless repayment is waived (see paragraph 13).

b. The RSA must include the commencement and termination dates of the required service period. Except as provided in paragraphs c and d below, the required service period must begin upon the commencement of service with VA. The service period must terminate on the last day of a pay period.

c. If service with the VA does not begin on the first day of a pay period, VA must delay the service period commencement date so that the required service period begins on the first day of the first pay period beginning on or after the commencement of service with VA.

d. An RSA commencement date may be delayed until after the employee completes an initial period of formal training or required probationary period when continued employment in the position is contingent on successful completion of the formal training or probationary period. However, the determination to pay a recruitment incentive must be made before the employee enters on duty in the position and the RSA must specify that if the employee does not successfully complete the training or probationary period before the service period commences, VA is not obligated to pay any portion of the recruitment incentive to the employee.

e. The RSA must specify the total amount of the incentive, the method of paying the incentive, and the timing and the amount of each incentive payment.

f. The RSA must include the conditions under which VA must terminate the RSA and the conditions under which the employee must repay an incentive. Generally, VA must terminate the RSA if an employee

is demoted or separated for cause, receives a rating of record of less than “Fully Successful” or equivalent, or otherwise fails to fulfill the terms of the RSA.

g. The RSA must include the conditions under which VA may terminate the service agreement. Examples include insufficient funds, management needs, or reassignment of the employee to another position.

h. The RSA must specify the effect of a termination, including the conditions under which VA will make an additional incentive payment for partially completed service.

i. The RSA may include any other terms or conditions that, if violated, will result in a termination of the service agreement. For example, the RSA may specify the employee’s work schedule, type of position, and the duties that are expected to be performed. In addition, the RSA may address the extent to which period of time on detail or in paid leave status are creditable toward the completion of the service period.

j. The RSA, signed by the employee and the requesting official, must be included in the request for approval of an incentive. After the request is approved, the signed and dated RSA will be filed on the left (temporary) side of the employee's personnel folder until the completion of the required service. Copies of the RSA will be given to the employee and the servicing fiscal office and one will be kept with the documentation file (see paragraph 14).

11. SERVICE OBLIGATIONS

a. Service in a non-pay status will not count toward satisfying the service obligation. Any time in a non-pay status will postpone the service obligation to VA and will extend the period of obligated service by an equal amount of time.

b. A service obligation may not be less than 6 months and may not exceed 4 years, except as noted in subparagraph f below. In some instances, a service obligation of 2 to 3 years may be appropriate. In determining the length of the service obligation, officials will consider such factors as the qualifications of the employee, the degree of difficulty in filling the position, the incentive percentage, and/or the dollar value of the incentive.

c. A service obligation resulting from VA payment of travel and moving expenses is distinct from a recruitment or relocation incentive service obligation and each obligation must be satisfied. However, the same period of service may be credited toward the satisfaction of both obligations.

d. In the event of transfer of function, the remainder of obligated service will be performed with the successor agency.

e. The service obligation must be completed at the location cited in the RSA, unless the approving official determines that the need for the employee's service at another duty station is more critical. The approving official's decision will be documented in writing and filed in the documentation file and on the left (temporary) side of the employee's personnel folder.

**PART VI
CHAPTER 2**

f. For temporary changes of duty station of less than 6 months, the service obligation will be the length of the assignment.

g. An increase in hours of work after receipt of an incentive, whether initiated by the employee or management, does not increase the incentive or accelerate repayment of the service obligation.

h. If an incentive recipient requests, and management approves, a decrease in hours of work before completing the service obligation, repayment of a prorated portion of the incentive is required. The unsatisfied portion of the service obligation remains. The amount of the incentive to be refunded will be computed as described in paragraph 13 below. If the hours of work are reduced at management's request, repayment of the prorated portion of the incentive will not be required. However, the unsatisfied portion of the service obligation remains.

12. TERMINATION OF A SERVICE AGREEMENT

a. The approving official may unilaterally terminate an RSA based solely on the management needs of the agency. For example, VA may terminate a service agreement when the employee's position is affected by a reduction in force, when there are insufficient funds to continue the planned incentive payments, or when VA assigns the employee to a different position (if the different position is not within the terms of the service agreement). If an RSA is terminated under this subparagraph, the employee is entitled to all incentive payments that are attributable to completed service and to retain any portion of an incentive payment already paid that is attributable to uncompleted service.

b. The approving official must terminate an RSA if an employee is demoted or separated for cause (i.e., for unacceptable performance or conduct), if the employee receives a rating of record of less than "Fully Successful" or equivalent, or if the employee otherwise fails to fulfill the terms of the service agreement. If an RSA is terminated under this subparagraph, the employee is entitled to retain incentive payments previously paid by VA that are attributable to the completed portion of the service period. If the employee received incentive payments that are less than the amount that would be attributable to the completed portion of the service period, VA is not obligated to pay the employee the amount attributable to completed service, unless VA agreed to such payment under the terms of the RSA. If the employee received incentive payments in excess of the amount that would be attributable to the completed portion of the service period, the employee must repay the excess amount.

c. The termination of a service agreement is not grievable or appealable.

d. If an employee fails to reimburse VA for the full amount owed under subparagraph b above, the amount outstanding must be recovered from the employee under VA regulations for collection by salary offset from an indebted Government employee under 5 U.S.C. 5514 and subpart K of 5 CFR, part 550, or through the appropriate debt collection provisions if the individual is no longer a Federal employee, unless a waiver is approved (see paragraph 13).

e. An employee must be notified in writing when an RSA is terminated.

13. REPAYMENT REQUIREMENTS

a. **General.** An employee who fails to complete a service obligation or otherwise fulfill the terms of an RSA shall be indebted to the U.S. Government for incentive payments received in excess of the amount that would be attributable to the completed portion of the service period, and must repay the excess amount of the incentive on a prorated basis, unless a waiver is approved. A repayment requirement also occurs when an RSA is terminated by the approving official under the conditions in subparagraph 12b.

b. Determining the Amount of Repayment Obligation

(1) Credit will be granted for each full biweekly pay period in the service period completed by the employee.

(2) If the incentive was paid in equal bi-weekly installments, a repayment obligation will not exist unless there is a reduction in the employee's work hours.

(3) For breached or terminated service agreements, determine the repayment obligation as follows:

(a) Divide the total incentive amount authorized by the total number of pay periods in the service obligation (e.g., \$12,000 incentive divided by 39-pay period obligation = \$307.69). This is the bi-weekly incentive amount.

(b) Multiply the resulting amount in subparagraph (a) above by the number of pay periods remaining in the service obligation (e.g., if the employee completed 28 pay periods of a 39-pay period obligation: \$307.69 times 11 pay periods remaining in the service obligation = \$3,384.59). This is the amount the employee must repay.

(c) Subtract the resulting amount in subparagraph (b) above from the total incentive amount authorized (e.g., \$12,000 minus \$3,384.59 = \$8,615.41). This is the amount the employee attributable to service completed under the RSA.

(d) Compare the resulting amount in subparagraph (c) above to the total of the incentive payments already paid to the employee under the RSA. The employee must repay any amount received in excess of the amount determined in subparagraph (c) above (e.g., if the employee received the \$12,000 incentive as a lump sum payment at the commencement of the service period, \$3,384.59 must be repaid to VA. If the employee received payments totaling less than the resulting amount in subparagraph (c) above, the employee is owed the difference (e.g., if the employee received one-third of the authorized incentive at the commencement of the service period and was to receive the remaining two-thirds upon completion of the service period, the employee is owed \$4,615.41: \$8,615.41 minus the \$4,000 initial installment).

(4) For reductions in the number of work hours, determine the repayment obligation as follows:

(a) Divide the total incentive amount authorized by the total number of pay periods in the service obligation (e.g., \$6,000 incentive divided by 26-pay period obligation = \$230.77 bi-weekly incentive amount). This is the bi-weekly incentive amount.

**PART VI
CHAPTER 2**

(b) Multiply the resulting amount in subparagraph (a) above by the number of pay periods remaining in the service obligation (e.g., if the employee completed 17 pay periods of the 26-pay period obligation before changing their work hours: $\$230.77$ times 9 pay periods remaining in the service obligation = $\$2,076.93$).

(c) Multiply the resulting amount in subparagraph (b) above by the amount of the reduction in hours to arrive at the repayment obligation (e.g., a full-time (8/8) employee reduces hours worked to 3/8. $8/8 - 3/8 = 5/8$. $5/8$ times $\$2,076.93 = \$1,298.08$. This is the amount the employee must repay.

(d) Compare the resulting amount in subparagraph (c) above to the total of the incentive payments already paid to the employee under the RSA. The employee must repay any amount received in excess of the amount determined in subparagraph (c) above (e.g., if the employee received the $\$6,000$ incentive as a lump sum payment at the commencement of the service period, $\$1,298.08$ must be repaid to VA. If the employee received payments totaling less than the total incentive amount reduced by the repayment amount determined in subparagraph (c) above, the employee is owed the difference (e.g., if the employee was to receive the incentive as a lump sum at the end of the required service period, the employee is owed $\$4,701.92$: $\$6,000$ minus the $\$1,298.08$ repayment amount).

(5) The local payroll office must take appropriate action to collect any amount received by the employee in excess of the amount attributable to the completed period of service. As appropriate, the local payroll office must pay any amounts due the employee.

(6) Unless a waiver is granted, amounts owed shall be recovered in accordance with VA's normal debt collection procedures as provided under 5 U.S.C. 5514 and subpart K of 5 CFR, part 550(b) or other appropriate authority.

c. Criteria for Approval of Waivers

(1) A request for waiver will be approved when an employee is involuntarily separated for other than cause, e.g., pursuant to a reorganization or reduction-in-force.

(2) Under certain circumstances, VA may waive all or part of its right of recovery of an employee's debt under the authority of 5 U.S.C. 5584, if there is a determination that recovery would be against equity or the public interest, for example, if the employee is unable to complete the service obligation due to an off-duty injury.

(3) A waiver will not be approved for an employee who is separated for cause, for example, on charges of misconduct or delinquency, before completion of the period of service required by the RSA. The incentive will be repaid on a prorated basis.

d. Requesting Waivers. Requests for waivers will be submitted, through channels, to the official or representative who authorized the incentive. All cases involving unsatisfied incentives which were approved in VACO will be routed through channels to OHRM-LR (055) for technical review prior to submission to the approving official. Decisions on waiver requests are final within VA. However, this does not lessen or eliminate any of the rights and remedies under subchapter II of chapter 12 of title

5 U.S.C. or any of the laws referred to in 5 U.S.C. 2302(d). Subchapter II of chapter 12 deals with the Office of the Special Counsel and, among other things, its authority to investigate and take corrective action in connection with prohibited personnel practices and prohibited political activity. The laws referred to in 5 U.S.C. 2302(d) relate to prohibited discrimination on the basis of race, color, religion, sex, national origin, age, disabling condition, marital status or political affiliation.

14. RECORDS. Records sufficient to reconstruct the action will be maintained at the approving level for a minimum of 3 years. In no instance will records be destroyed before completion of the service obligation. Each facility must keep a record of each determination to pay an incentive and make such records available for review upon request by OHRM&LR. Records on incentives approved in VACO will be maintained by OHRM&LR (055 for field positions, 05HRS for VACO positions). Other incentive documents will be retained at the employing facility. These records will include, at a minimum: the request, the RSA, supporting documentation described in paragraph 7, release from the RSA, waiver request and approval (if applicable). The union, upon request, will be provided copies of these records in accordance with governing laws, rules, and regulations.

15. REPORTS. Facilities are required to keep a record of each recruitment and relocation incentive authorized and shall make such records available for review upon request by OHRM&LR. OHRM&LR will notify facilities of additional reporting requirements established by OPM. Records shall also be made available to the union upon request.

16. SERVICE AGREEMENTS IN EFFECT BEFORE MAY 1, 2005. This chapter does not apply to recruitment or relocation bonus service agreements that were authorized before May 1, 2005. Such service agreements remain in effect until their expiration, subject to policies applicable to recruitment and relocation bonuses before May 1, 2005.

17. SELECTIONS OF EMPLOYEES WITH UNFULFILLED INCENTIVE OBLIGATIONS

a. In very unusual situations, an employee who has not yet completed the service obligation for a prior incentive may be considered for another assignment. This consideration may or may not involve overlapping incentives (see definition in paragraph 18).

b. The following officials may approve incentives for employees with unfulfilled incentive obligations:

(1) The Secretary, or designee, is the selecting official and the approving official for incentives for employees with unsatisfied service obligations who are being placed in, or being assigned from, positions centralized to that office and for all such actions involving placement between administrations and/or staff offices.

(2) Administration Heads, Assistant Secretaries, Other Key Officials, and Deputy Assistant Secretaries, or their VACO designees, are the recommending officials for actions described in this paragraph, which require the Secretary's approval. They are the selecting officials and the incentive approval officials for employees with unsatisfied service obligations who are moving between positions within their organizations not centralized to the Office of the Secretary, except as described below.

**PART VI
CHAPTER 2**

(3) Network directors, area directors, and the Director, Office of Field Operations, National Cemetery System, are the selecting officials and the incentive approval officials for employees with unsatisfied service obligations who are moving between non-centralized positions at different facilities under their respective jurisdictions. They recommend, through channels, movement of employees who are in centralized positions and have unfulfilled service obligations.

(4) Facility directors are the selecting officials for movement of employees with unfulfilled service obligations in non-centralized positions to other local non-centralized positions under their jurisdiction.

18. DEFINITIONS

a. **Competencies.** The knowledge, skills, abilities, behaviors, and other characteristics an individual needs to perform the duties of a position.

b. **High Quality Candidate.** A candidate whose competencies indicate that he or she is superior to other candidates who were recruited or who could reasonably be expected to respond to recruiting efforts or renewed recruiting efforts.

c. **Overlapping Incentives .** An incentive paid to an employee who has not yet completed the service obligation for a previously authorized recruitment or relocation incentive.

d. **Rate of Basic Pay.** The rate of pay fixed by law or administrative action for the position to which the employee is or will be appointed or relocated before deductions including any special rate under 5 U.S.C. 5305 or 38 U.S.C. 7455, any locality-based comparability payment under 5 U.S.C. 5304, but excluding additional pay of any other kind, such as night shift differential or environmental differential. For the purpose of this chapter, market pay for physicians and dentists under 38 U.S.C. 7431(c) will be included in basic pay.

e. **Recruitment or Relocation Service Agreement (RSA).** A written agreement between an employee and VA under which the employee agrees to serve a specified number of days of not less than 6 months or more than 4 years in return for payment of a recruitment or relocation incentive.

CHAPTER 3. RETENTION INCENTIVES**1. GENERAL**

a. Retention incentives may be used to retain employees with high or unique qualifications in positions that are likely difficult to fill or whose services are essential to a special VA need and are likely to leave Federal service without an incentive. These incentives are authorized under 5 U.S.C. 5754, extended to title 38 employees under the authority of 38 U.S.C. 7410, and are governed by regulations at 5 CFR part 575, subpart C, and the provisions of this chapter.

b. Individual retention incentives of up to 25 percent of an employee's rate of basic pay in an installment or service period may be authorized under the procedures contained in this chapter.

c. Group retention incentives of up to 10 percent of an employee's rate of basic pay in an installment or service period may be authorized under the procedures contained in this chapter.

d. Approving officials must review and approve each retention incentive in writing. Incentives will be effective the beginning of the first pay period after the appropriate official approves the request. Approvals may not be made on a retroactive basis.

2. COVERAGE

a. **Individual Retention Incentives.** Retention incentives may be authorized on an individual basis for employees who occupy the following types of positions or appointments provided the eligibility requirements of paragraph 5 are met:

(1) **Title 5 and Hybrid Positions.** General Schedule (GS) positions paid under 5 U.S.C. 5332 (including "hybrid" positions listed under 38 U.S.C. 7401(3)), 5 U.S.C. 5305 or 38 U.S.C. 7455; senior-level or scientific or professional positions paid under 5 U.S.C. 5376; Senior Executive Service positions paid under 5 U.S.C. 5383; law enforcement officer positions as defined by 5 CFR 550.103; Executive Schedule positions paid under 5 U.S.C. 5311-5317 or a position the rate of pay for which is fixed by law at a rate equal to a rate for the Executive Schedule; and Federal Wage System positions.

(2) **Title 38 Positions.** Under the authority of 38 U.S.C. 7421 and 38 U.S.C. 7410, the Secretary has extended the provisions of 5 U.S.C. 5754 to physicians, dentists, podiatrists, optometrists, chiropractors, registered nurses, physician assistants, and expanded-function dental auxiliaries appointed under 38 U.S.C. 7401(1). Individuals appointed under 38 U.S.C. 7405(a)(1)(A), 7405(a)(1)(B), and 7306 for a minimum period of at least one year are also covered. This chapter constitutes VA's implementing regulations with respect to retention incentives applicable to Title 38 employees.

b. **Group Retention Incentives.** Retention incentives may be authorized for a group or category of employees occupying the positions and appointments listed in subparagraph 2a above with the following exceptions: employees in senior-level or scientific or professional positions paid under 5 U.S.C. 5376; Senior Executive Service positions paid under 5 U.S.C. 5383; Executive Schedule positions paid under 5 U.S.C. 5311-5317 or a position the rate of pay for which is fixed by law at a rate equal to a rate for the

**PART VI
CHAPTER 3**

Executive Schedule may be paid individual retention incentives only; they are not eligible for group incentives.

3. EXCLUSIONS**a. General**

(1) Retention incentives may not be authorized for employees appointed on a time-limited basis of less than one year; as experts or consultants; on a without compensation basis; as Presidential appointees; in the Senior Executive Services as noncareer appointees as defined in 5 U.S.C. 3132(a)(7); in a position excepted from the competitive service by reason of its confidential, policy-determining, policy-making or policy-advocating character; as a resident or intern under 38 U.S.C. 7406; in the Veterans Canteen Service under 38 U.S.C. Chapter 78 (see VCS Directive 00.01, Recruitment and Relocation Bonuses and Retention Allowances for VCS Employees). They also are not authorized for employees with scholarship obligations to VA resulting from education or training activities.

(2) Retention incentives may not be authorized or paid to a VA employee who is likely to leave for employment in another Federal agency or a Government controlled corporation; the Tennessee Valley Authority; the Virgin Island Corporation; the Atomic Energy Commission; the Central Intelligence Agency; the National Security Agency, Department of Defense; the General Accounting Office; the Defense Intelligence Agency, Department of Defense; or the National Imagery and Mapping Agency, Department of Defense.

b. Group Incentive Exclusions. In addition to the general exclusions in subparagraph a above, retention incentives may not be authorized on a group or category basis for employees appointed: in senior-level or scientific or professional positions paid under 5 U.S.C. 5376; in Senior Executive Service positions paid under 5 U.S.C. 5383; in positions under the Executive Schedule paid under 5 U.S.C. 5311-5317 or positions the rate of pay for which is fixed by law at a rate equal to a rate for the Executive Schedule.

4. RESPONSIBILITIES

a. Administration Heads, Assistant Secretaries, Other Key Officials, Deputy Assistant Secretaries, and facility directors are responsible for the fair, equitable, and fiscally responsible administration of this policy and for ensuring that retention incentives, where recommended or approved, are determined in accordance with the criteria and procedures in this chapter.

b. The Office of Human Resources Management and Labor Relations (OHRM&LR) is responsible for advising management officials on the regulations and procedures in this chapter, conducting technical reviews of incentive requests submitted for centralized, OPM or Under Secretary for Health approval, and auditing retention incentive approvals for non-centralized positions.

c. Human Resource Management Officers (HRMOs) are responsible for advising management officials on the provisions in this chapter, providing technical advice and assistance on incentive percentages, length of service obligation requirements and other technical matters, and ensuring the completeness of requests prepared or approved at the local level. They will maintain documentation

adequate to reconstruct each case, coordinate annual reviews of incentives, and prepare reports as required. HRMOs will ensure that records of those being considered for a retention incentive are screened to determine whether a service obligation remains unfulfilled. They will also ensure that approving officials and employees being recommended for retention incentives are informed about the impact of aggregate limitations on pay.

d. Supervisors will ensure each incentive recipient's rating of record is at least "Fully Successful" or equivalent. If a rating of record is lower than "Fully Successful" or equivalent, they will contact the approving official for immediate termination of the service agreement.

e. The Office of Financial Management will develop, in coordination with OHRM&LR, incentive payment, refund, and waiver procedures.

f. Employees are responsible for providing accurate information about offers of employment which may be used in retention incentive determinations.

5. ELIGIBILITY REQUIREMENTS

a.. Retention incentives may be authorized for current employees serving in full-time or part-time appointments without time limit or for a minimum of 1 year who have no unfulfilled recruitment or relocation incentive service obligations and possess and maintain a rating of record of at least "Fully Successful" or equivalent.

b. If a retention incentive is to be paid on any basis other than bi-weekly (e.g., lump sum at end of period of obligated service or intervals other than bi-weekly), the employee must sign a Retention Service Agreement to complete a specified period of obligated service with VA prior to receipt of the incentive.

6. CRITERIA FOR THE AUTHORIZATION OF RETENTION INCENTIVES. A retention incentive may be authorized if, without one, VA would likely lose for any reason an employee or group of employees whose retention is essential because of unusually high or unique qualifications (i.e., competencies) or a special VA need. In determining whether an individual or group of employees have unusually high or unique qualifications that make it essential (or critical) to retain them or that there is a high probability that a significant number of employees in a targeted group would likely leave Federal service without an incentive, as well as whether an incentive should be authorized and the incentive amount, the following factors must be considered.

a. **General Criteria.** Evidence that these factors were considered must be fully documented in the request to pay an incentive (see paragraph 7) and retained as part of the record (see paragraph 13).

(1) Employment trends and labor market factors such as the availability and quality of candidates in the labor market possessing the competencies required for the position and who, with minimal training, cost, or disruption of service to the public, could perform the full range of duties and responsibilities of the employee's position at the level performed by the employee;

**PART VI
CHAPTER 3**

- (2) The success of efforts within the previous six months to recruit candidates and retain employees with competencies similar to those possessed by the employee for positions similar to the position held by the employee;
- (3) Special or unique competencies required for the position;
- (4) Efforts to use non-pay authorities to help retain the employee instead of or in addition to a retention incentive, such as special training and work scheduling flexibilities or improving working conditions;
- (5) The desirability of the duties, work or organizational environment, or geographic location of the position;
- (6) The extent to which the employee's departure would affect VA's ability to carry out an activity, perform a function, or complete a project that is essential (or critical) to VA's mission;
- (7) The salaries typically paid outside the Federal Government; and
- (8) Other supporting factors.

b. Likelihood of Leaving Federal Employment. Each supervisor shall make a separate certification that an employee, or for group authorizations, a significant number of employees in the group, is likely to leave Federal service in the absence of an incentive (see appendix VI-E). This certification will only be made when the supervisor is reasonably convinced that the employee is likely to leave Federal service. Such a certification may be based on:

- (1) Receipt by an employee, or for group authorizations, a significant number of employees, of one or more bona fide offers of employment, as evidenced by a formal written job offer or affidavit signed by the employee or employees providing the position and salary being offered, the name and location of the organization, and the prospective date of employment; or
- (2) Evidence of high demand in the private sector for the knowledge and skills possessed by the employee or group of employees and significant pay disparities between Federal and non-Federal salaries; or
- (3) A discussion with the employee of the employee's career plans.

c. Additional Criteria for Group Determinations. In addition to addressing the criteria in subparagraphs a and b above, requests to pay group retention incentives must narrowly define the targeted group or category of employees and address the following factors, as applicable:

- (1) Occupational series;
- (2) Grade level;
- (3) Distinctive job duties;

- (4) Unique competencies required for the position;
- (5) Required rating of record;
- (6) Minimum service requirement;
- (7) Organization or team designation;
- (8) Geographic location; and
- (9) Assignment to a special project.

7. INCENTIVE REQUESTS

a. Contents of Request

(1) Each incentive request must include the following. A sample worksheet is contained in appendix VI-C.

(a) The employee's name, facility, duty station, organization, appointment authority, annual rate of basic pay, classification title, series, and grade;

(b) The supervisory certification and basis that the employee (or group) is likely to leave Federal service (see sample in appendix VI-E);

(c) The proposed effective date and duration of the retention incentive;

(d) Whether the appointment is permanent or time-limited (if time-limited, it must be for one year or more);

(e) Whether the appointment is full-time or part-time and, if part-time, the number of hours to be worked per pay period;

(f) The factors in paragraph 6 (or other supporting factors) that were used to justify an incentive;

(g) The incentive rate expressed as a percentage of the annual basic pay rate, the estimated dollar amount, and a statement explaining why this amount is considered necessary;

(h) The proposed schedule (or frequency) of payments;

(i) A statement about the impact of the retention incentive on the aggregate limit on pay (see paragraph 9);

(j) Most recent rating of record (must be at least "Fully Successful" or equivalent") and

(k) Any other considerations or information relevant to the case.

**PART VI
CHAPTER 3**

(2) Requests for group incentives must also contain the following:

(a) The number of employees covered and a description of the group or category based on the factors in subparagraph 6c;

(b) The supervisory certification and basis that a significant number of employees in the group are likely to leave Federal service (see sample in appendix VI-E);

b. Determining Incentive Amounts

(1) A retention incentive rate must be expressed as a percentage of the employee's rate of basic pay. The incentive will be paid based on the actual basic pay earned by the employee during the installment period. Therefore, incentive payments will fluctuate (e.g., an incentive payment may be less than estimated due to use of leave without pay; an incentive payment may be more than estimated due to a within grade increase).

(2) A retention incentive rate may not exceed 25 percent if authorized for an individual or 10 percent if authorized for a group or category of employees. Higher amounts require the approval of OPM for title 5 employees and the Under Secretary for Health for title 38 employees (see subparagraph 7d below).

(3) The approved retention incentive rate should reasonably correlate to the difficulty experienced in retaining high quality candidates. The highest percentage will be reserved for positions for which VA experiences the greatest difficulty in retaining high quality candidates. The factors in paragraph 6 shall be considered when determining an appropriate percentage.

c. Submission of Incentive Requests. Incentive requests will be reviewed on a case-by-cases basis by the approving official. Requests for non-centralized positions will be submitted to the approving official in writing, through channels and the local HRM office for technical review and concurrence. Requests should be submitted in sufficient time for a decision to be made before the proposed effective date. Retention incentive requests for field positions requiring centralized approval will be submitted through channels to OHRM&LR (055) for technical review and concurrence prior to action by the approving official.

d. Requests to Exceed the Limitation on Individual or Group Retention Incentives

(1) OPM may authorize individual incentives in excess of 25 percent and group retention incentives in excess of 10 percent, but not in excess of 50 percent for title 5 employees based on a critical VA need. The Under Secretary for Health may take similar action for title 38 employees. In order for a request to exceed these limitation to be considered, the recommending official must determine that the competencies required for the position are critical to the successful accomplishment of an important VA mission, project, or initiative, (e.g., program or project related to a national emergency, implementing a new law or critical management initiative, etc.).

(2) Incentives authorized by OPM must include the information required in subparagraph 7a. It is important that sufficient detail of the critical need that the increased incentive will address be provided.

Requests must be submitted through appropriate channels to the Office of Human Resources Management and Labor Relations, Compensation and Classification Service (OHRM&LR/055) for technical review and recommendation. Only requests meeting the criteria in this chapter will be forwarded to OPM or the Under Secretary for Health for approval.

8. PAYMENT PROCEDURES

a. **Computation of Payments.** The amount of basic pay earned by an employee during an installment period or, if paid in lump sum, during the service period, will be multiplied by a percentage not to exceed the authorized incentive percentage rate established for the employee. For re-employed annuitants, the employee's reduced reemployment salary earned during the installment or service period will be used. A retention incentive is not considered basic pay and is not creditable for retirement, overtime or other purposes.

b. **Schedule of Payments.** Retention incentives may be paid to an employee in installments after completion of specified periods of service, e.g. biweekly, quarterly, semi-annually, etc. or in a single lump sum at the end of the full period of service required by the service agreement. Retention incentives may not be paid as an initial lump sum at the start of a service period or in advance of completing the service period for which the incentive is being paid.

(1) Installment Payments

(a) An installment payment is derived by multiplying the total basic pay the employee earned in the installment period by a percentage not to exceed the authorized incentive percentage rate. For example, an employee is authorized a retention incentive percentage rate of 10 percent and has a service agreement that provides for retention incentive installment payments every 2 pay periods for a total of 18 pay periods. The employee earns \$3,846 in basic pay during the first 2 pay periods and receives an accrued retention incentive installment payment of \$384.60 ($\$3,846 \times .10$) upon completion of those 2 pay periods of service. The employee receives a within grade increase during the second installment period and earns \$3,927 in basic pay during that installment period. The employee receives an accrued retention incentive payment of \$392.70 ($3,927 \times .10$) during the second installment period. The recalculation of the installment payment continues until the end of the service period.

(b) If the installment payment percentage is less than the full percentage rate, any accrued portion of the retention incentive that is not paid as an installment payment must be paid as part of a final installment payment after completion of the full service period under the terms of the service agreement. For example, an employee is authorized a retention incentive percentage rate of 10 percent. The employee's service agreement provides for a 7 percent retention incentive installment payment after completion of 6 pay periods of service. If the employee earns \$15,000 during the 6 pay periods of service, the employee accrues a retention incentive installment payment of \$1,500 ($\$15,000 \times .10$). However, under the terms of the service agreement, the employee will receive a \$1,050 retention incentive installment payment ($15,000 \times .07$). The employee will receive the accrued but unpaid portion of the retention incentive payment of \$450 ($\$1,500$ minus $\$1,050$) as a final lump-sum payment upon completion of the full service period required by the service agreement.

**PART VI
CHAPTER 3**

(3) **Lump Sum Payments.** A retention incentive payment paid as a single lump-sum payment upon completion of the full service period required by the service agreement is derived by multiplying the retention incentive percentage rate by the total basic pay the employee earned during the full service period. For example, an employee is authorized a retention percentage rate of 15 percent. The employee's service agreement provides for a lump sum payment after completion of 26 pay periods (1 year) of service. If the employee earned \$47,358 during the 26 pay periods of service, the employee will receive a \$7,103.70 retention incentive payment.

9. AGGREGATE LIMIT ON COMPENSATION. An employee may not receive any portion of an incentive that, when added to the annual rate of the employee's continuing payments and any lump sum payments received earlier in the calendar year, would exceed aggregate limits on pay. For payments to title 38 employees (except for of physicians and dentists) and title 5 employees, the aggregate limit on compensation is EL-I. The maximum limit on pay for title 38 physicians and dentists is the annual pay (excluding expenses) received by the President of the United States as specified in 3 U.S.C. 102. Any excess portion of the incentive may not be paid until the beginning of the next calendar year (see part VII, chapter 2, on aggregate limits.) HRM officials will inform an incentive recipient affected by an aggregate limitation and include an explanation in the RSA.

10. RETENTION SERVICE AGREEMENT (RSA) AND STATEMENT OF UNDERSTANDING

- a. Except as provided in subparagraph i, an employee must sign an RSA and agree to complete a specified period of service in VA (or successor agency in the event of a transfer of function) in order to receive a retention incentive. Service in a non-pay status will not count toward satisfying the service obligation. Any time in a non-pay status will postpone the service obligation to VA and will extend the period of obligated service by an equal amount of time. A sample RSA is provided in appendix VI-P.
- b. The RSA must include the length of the required service period and the commencement and termination dates of the required service period. The required service period must begin on the first day of a pay period and end on the last day of a pay period.
- c. The RSA must specify the retention incentive percentage rate approved under subparagraph 7b, whether the incentive will be paid in installments or in a lump-sum upon completion of the service period provided in the service agreement; whether any installment payments will be paid at less than the full retention incentive percentage rate with the accrued but unpaid incentive payment being paid in a lump sum upon completion of the full service period required by the service agreement, and the timing of incentive payments.
- d. The RSA must include the conditions under which VA must terminate the RSA before the employee completes the agreed-upon service period. Generally, VA must terminate the RSA if an employee is demoted or separated for cause, receives a rating of record of less than "Fully Successful" or equivalent, or otherwise fails to fulfill the terms of the RSA.
- e. The RSA must include the conditions under which VA may terminate the RSA. Examples include insufficient funds, management needs, or reassignment of the employee to another position.

f. The RSA must specify the effect of a termination, including the conditions under which VA will pay an additional retention incentive payment for partially completed service.

g. The RSA may include any other terms or conditions that, if violated, will result in a termination of the service agreement. For example, the RSA may specify the employee's work schedule, type of position, and the duties that are expected to be performed. In addition, the RSA may address the extent to which period of time on detail or in paid leave status are creditable toward the completion of the service period.

h. The RSA, signed by the employee and the requesting official, must be included in the request for approval of an incentive. After the request is approved, the signed and dated RSA will be filed on the left (temporary) side of the employee's personnel folder until the completion of the required service. Copies of the RSA will be given to the employee and the servicing fiscal office and one will be kept with the documentation file (see paragraph 13).

i. A written service agreement is not required if VA:

(1) Pays the retention incentive in biweekly installments and ;

(2) Sets each biweekly installment payment at the full retention incentive percentage rate established for the employee.

j. Employees who do not require a service agreement must acknowledge receipt of a retention incentive by signing a Statement of Understanding (see appendix VI-D). A service agreement is required for employees covered by a group authorization or whose authorized incentive exceeds 25 percent regardless if paid in biweekly installments.)

11. TERMINATION OF A SERVICE AGREEMENT

a. An approving official may unilaterally terminate an RSA based solely on the management needs of VA. For example, VA may terminate an RSA when the employee's position is affected by a reduction in force, when there are insufficient funds to continue the planned retention incentive payments, when conditions no longer warrant payment at the level originally approved or at all, or when VA assigns the employee to a different position (if the different position is not within the terms of the service agreement). If an authorized VA official terminates an RSA under this subparagraph, the employee is entitled to retain any retention incentive payments that are attributable to completed service and to receive any portion of a retention incentive payment owed by the agency for completed service.

b. An approving official must terminate an RSA if the employee is demoted or separated for cause (e.g. for unacceptable performance or misconduct), if the employee receives a rating of record of less than "Fully Successful" or equivalent, or if the employee otherwise fails to fulfill the terms of the RSA. If an authorized VA official terminates an RSA under this subparagraph, the employee is entitled to retain any retention incentive payments previously paid by VA that are attributable to the completed portion of the service period. If the employee received retention incentive payments that are less than the amount that would be attributable to the completed portion of the service period, VA is not obligated to pay the

**PART VI
CHAPTER 3**

employee the amount attributable to completed service, unless VA agreed to such payment under the terms of the RSA.

- c. The termination of a service agreement is not grievable or appealable.
- d. An employee must be notified in writing when an RSA is terminated.

12. ANNUAL REVIEW OF RETENTION INCENTIVES WITHOUT AN RSA

a. Each authorization without an RSA must be reviewed at least annually to determine whether continued payment is appropriate and, if so, whether the amount should be adjusted. The automated human resources and payroll system will generate a notice five months prior to the anniversary date of each incentive authorization. These notices will be used to evaluate the need to continue the incentive and whether the amount should be adjusted.

b. Not later than ten months after approval of an incentive and annually thereafter, recommending officials will submit to the appropriate approving officials requests to terminate, continue unchanged, or adjust incentives. Approving officials may approve, disapprove, or alter the recommendation as appropriate. Changes will be effective at the beginning of the first pay period after the approving official's decision. Justification from the original request that is still applicable to the case should be included in the annual renewal. Appendix VI-F contains a sample of the annual incentive review.

c. The approving official may continue paying a retention incentive to an employee when an RSA is not required as long as the conditions giving rise to the original determination to pay the incentive still exist.

d. The approving official must reduce or terminate a retention incentive authorization whenever payment at the level originally approved is no longer warranted. The following factors may be considered in determining whether to reduce or terminate a retention incentive:

- (1) Whether a lesser amount (or none at all) would be sufficient to retain the employee;
- (2) Whether labor-market factors make it more likely (or reasonably likely) to recruit a candidate with competencies similar to those possessed by the employee;
- (3) Whether the need for the services of the employee has been reduced to a level that makes it unnecessary to continue payment at the level originally approved (or at all);
- (4) Whether budgetary considerations make it difficult to continue payment at the level originally approved (or at all);
- (5) Other supporting factors.

e. The approving official must terminate a retention incentive authorization for employees with no RSA if the employee is demoted or separated for cause (i.e., for unacceptable performance or misconduct, the employee receives a rating of record of less than "Fully Successful" or equivalent, or VA assigns the employee to a different position.

f. The termination or reduction of a retention incentive is not grievable or appealable.

g. An employee must be notified in writing when a retention incentive is reduced or terminated under subparagraph 12d. The employee is entitled to receive any scheduled incentive payments through the end of the pay period in which the written notice is provided or until the date of separation, if sooner.

13. RECORDS. Records sufficient to reconstruct the action will be maintained at the approving level for a minimum of 3 years. In no instance will records be destroyed before completion of a service obligation. Each facility must keep a record of each determination to pay an incentive and make such records available for review upon request by OHRM&LR. Records on incentives approved in VACO will be maintained by OHRM&LR (055 for field positions, 05HRS for VACO positions). Other incentive documents will be retained at the employing facility. These records will include, at a minimum: the request, the RSA (if applicable), and supporting documentation described in paragraph 7. The union, upon request, will be provided copies of these records in accordance with governing laws, rules, and regulations.

14. REPORTS. Facilities are required to keep a record of each retention incentive authorized and shall make such records available for review upon request by OHRM&LR. OHRM&LR will notify facilities of additional reporting requirements established by OPM. Records shall also be made available to the union upon request.

15. RETENTION ALLOWANCES IN EFFECT BEFORE MAY 1, 2005. This chapter does not apply to retention allowances that were authorized before May 1, 2005. Such allowances must continue to be paid until the retention allowance is reauthorized or terminated or until April 30, 2006, whichever comes first, subject to the regulations applicable to retention allowances before May 1, 2005.

16. DEFINITIONS

a. **Competencies.** The knowledge, skills, abilities, behaviors, and other characteristics an individual needs to perform the duties of a position.

b. **Rate of Basic Pay.** The rate of pay fixed by law or administrative action for the position to which the employee is appointed before deductions including any special rate under 5 U.S.C. 5305 or 38 U.S.C. 7455, any locality-based comparability payment under 5 U.S.C. 5304 but excluding additional pay of any kind such as night differential or environmental. For the purpose of this chapter, market pay for physicians and dentists under 38 U.S.C. 7431(c) will be included in basic pay.

c. **Retention Service Agreement (RSA).** A written agreement between an employee and VA under which the employee agrees to serve a specified period of service in VA in return for payment of a retention incentive.

(3) A differential may only be authorized for a GS supervisor whose continuing pay is less than that of a non-GS subordinate. Only one supervisor may receive a differential based on a specific higher paid subordinate; a single subordinate will cause only one supervisor to receive a differential.

g. **Aggregate Limitation on Pay.** Payment of a supervisory differential is subject to the aggregate limitation on pay of not more than Level I of the Executive Schedule

3. CALCULATION OF SUPERVISORY DIFFERENTIAL

a. Limitation on Rate of Subordinate

(1) A differential may be paid to a supervisor whose continuing pay is less than the continuing pay of a non-GS subordinate whose rate of basic pay does not exceed GS-15/10, based on calculations described in subparagraphs b and c below. The amount of the differential will be set at an amount which does not cause the supervisor's adjusted continuing pay (e.g., the sum of basic pay and continuing payments, plus the supervisory differential payment) to exceed the continuing pay of the higher paid non-GS subordinate by more than 3 percent. (See appendix VI-G for sample calculations.)

(2) The differential may not cause the supervisor's continuing pay to exceed that of the subordinate by more than 3 percent. The subordinate's annual continuing pay is multiplied by the desired percentage (NTE 3 percent). Add the product of that calculation to the subordinate's annual continuing pay to determine the desired rate for the supervisor. The supervisor's continuing pay is then subtracted from that total for the dollar amount of differential. This differential is paid in the same manner and at the same time as the supervisor's basic pay, excluding overtime hours. Processing instructions are contained in paragraph 6 below. A sample computation sheet is included as appendix VI-H.

b. **Supervisor's Continuing Pay.** The following payments are included in the supervisor's continuing pay:

- (1) Basic pay, including a retained rate of pay;
- (2) A locality comparability payment;
- (3) A staffing differential; (if this authority is implemented by OPM)

[(4)] Premium pay paid on an annual basis; and

[(5)] Any other continuing payment, except night, Sunday, or holiday premium pay or a hazardous duty differential.

c. **Subordinate's Continuing Pay.** The following payments, except as noted here and in subparagraph d below, are included in the subordinate's continuing pay:

**PART VI
CHAPTER 4**

- (1) Basic pay not to exceed the maximum rate for the position and grade (retained rates are excluded);
- (2) A locality comparability payment extended by OPM to a non-GS pay system;
- (3) Premium pay paid on an annual basis; and
- (4) Any other continuing payment, except night or environmental differentials, Saturday, Sunday or holiday pay, [] similar payments under title 5, or special pay for physicians and dentists.

d. **Use of Annual Rates.** A multiplier of 2,087 will be used to calculate the annual equivalent for hourly rates for FWS and hourly rate Veterans Canteen Service employees. Salaries, which are stated as annual amounts, will be compared to the annual rate of the GS supervisor.

e. **Part-Time Employees.** Computation of basic pay and continuing payments for part-time supervisors and subordinates and the amount of the differential will be calculated as if both supervisor and subordinate were full-time. Payment of the differential, however, will be prorated according to the proportion that the supervisor's part-time employment bears to full-time employment.

f. **Rounding of Calculations.** A supervisory differential may not cause the continuing pay of the supervisor to exceed the subordinate's pay by more than 3 percent. Therefore, calculation of a 3 percent differential must always be rounded down to avoid exceeding the limit. Differentials of lesser percentages will be rounded to the nearest whole dollar (counting 50 cents or more as a whole dollar).

NOTE: See appendices VI-G and VI-H of this part for computation examples.

4. RESPONSIBILITIES

a. Administration Heads, Assistant Secretaries, Other Key Officials, Deputy Assistant Secretaries, and facility directors are responsible for the fair, equitable, and fiscally responsible administration of this policy and for ensuring that supervisory differentials are determined, calculated, adjusted, and terminated in accordance with the criteria and procedures contained in this chapter. Management officials are responsible for ensuring that these differentials are adjusted or terminated, as appropriate, whenever pay disparities change, whether due to staffing changes or within-grade, periodic step, or comparability increases.

b. The Office of Human Resources Management and Labor Relations (OHRM-LR) (055) is responsible for advising management officials on the procedures contained in this chapter, conducting technical reviews of requests submitted for centralized approval, auditing approvals for noncentralized positions, and for ensuring that approvals, adjustments, and terminations of differentials are included in the Department's regular submission to OPM's Central Personnel Data File.

b. Submission of Requests for Supervisors of Title 38 Employees

(1) For positions under this subparagraph, requests for supervisory differentials will be signed by the facility director and submitted through channels to OHRM&LR (055) for review and processing prior to referral to the approving official.

(2) For Central Office positions, requests for supervisory differentials will be made by the immediate supervisor of the candidate for the differential and submitted through channels to Central Office Human Resources Service (05HRS) for review and processing prior to referral to the approving official.

7. PROCESSING SUPERVISORY DIFFERENTIALS

a. **General.** An adjustment to the differential must be initiated and processed by the servicing human resources management office. There will be no advance notice from the PAID System or automatic adjustment to the differential. Therefore, whenever the basic pay or continuing payment of either the supervisor or subordinate changes, for whatever reason, or the supervisory relationship terminates due to staffing changes, the supervisory differential must be recalculated and adjusted or terminated, as appropriate. The differential must be reduced or terminated within 30 days or two pay periods of the pay change or staffing change which affects eligibility for the differential. Increases are discretionary and may not be effected until authorized by the approving official. Management is responsible for ensuring that staffing changes which affect eligibility for a differential are promptly brought to the attention of Human Resources Managers and Fiscal Officers, so that the differential may be adjusted or terminated, as appropriate, within the 30-day time limit. A copy of each personnel action and revised computation sheet will be filed in the personnel folder.

b. **Change in Supervisor's Continuing Pay.** Each time a supervisor's payment (basic pay, GAP, [], etc.) is adjusted or terminated, the differential must be manually recalculated to ensure that the continuing pay of the supervisor does not exceed the subordinate's continuing pay by more than the differential authorized or 3 percent, whichever is lower. Normally, the increase in a continuing payment will be offset by an equal reduction in the amount of the differential. If an increase in the continuing pay of the supervisor causes it to equal or exceed the continuing pay of the subordinate, even if only by one dollar, the differential must be terminated.

c. **Change in Subordinate's Continuing Pay.** Any adjustment to the rate of basic pay of the subordinate, such as a WGI or periodic step increase or general or comparability increase, or to a continuing payment, such as annual premium pay or GAP, will require a recalculation of the supervisor's differential to ensure that the continuing pay relationship remains within the authorized percentage. Any increase in the percentage of the differential requires a re-determination by the approving official.

d. **Staffing Change.** Any staffing change or any other action, such as a change in the supervisory relationship, reassignment of either employee, resignation or other separation, etc., will require an adjustment or termination of the differential. Any of these conditions affect the supervisor's eligibility for a differential and will require a re-computation of the differential and adjustment, if necessary, within 30 days of the action affecting eligibility for the differential or the amount payable.

**PART VI
CHAPTER 5**

(7) The amount that will be deducted from the employee's pay by payroll deductions or salary offset for each pay period;

(8) A statement that the employee may prepay all or part of the outstanding balance at any time before final payment is due and how and where these prepayments may be made;

(9) A statement that the employee understands that the unpaid balance is due and must be repaid to VA by the employee, unless waived by the approving official, upon transfer to another Federal agency or termination of VA employment for any reason;

(10) A statement that, upon transfer or termination of the employee for any reason, any unpaid balance must be recovered by salary offset or by any other method provided by law;

(11) Signature of employee and date; and

(12) Signature of witness and date.

8. APPROVING ADVANCES IN BASIC PAY

a. **General.** Approving officials must review and approve each advance in pay in writing (either on the request or by separate memorandum). Advances will be effective only after the appropriate official approves the request. Approvals may not be made on a retroactive basis.

b. **Notification.** The approving official will return the approved request for advance to the recommending official for transmittal to the employee and the servicing HRM office. The approval, recommendation, and supporting documentation, including the signed Employee Statement of Understanding, will be retained by HRM officials as required in paragraph 11 below. The HRM office will provide a copy to the servicing payroll office.

9. PAYMENT AND REPAYMENT PROCEDURES

a. The advance in pay will be calculated based on the new employee's basic pay for not more than two pay periods. Any allotments or deductions normally taken from that amount will be subtracted to yield the maximum amount of pay which may be advanced. A recruitment [incentive] (if authorized) is not part of the basic rate of pay and, therefore, is not included in the advance.

e. **Rate of Basic Pay.** The rate of pay fixed by law or administrative action for the position held by an employee, including annual premium pay under 5 U.S.C. 5545(c); night differential for prevailing rate employees under 5 U.S.C. 5343(f); market pay for physicians and dentists under 38 U.S.C. 7431(c); a special rate established under 5 U.S.C. 5305, 5 CFR 532.231, or other legal authority (such as 38 U.S.C. 7455); and locality-based comparability payments under 5 U.S.C. 5304, competitive pay for nurses and other health-care personnel established under 38 U.S.C. 7451, any applicable interim geographic adjustment, special rate of pay for law enforcement officers, or special pay adjustment for law enforcement officers under section 302, 403, or 404 of the Federal Employees Pay Comparability Act of 1990 (Pub. L. 101-509). Rate of basic pay does not include additional pay of any other kind, such as special pay for physicians and dentists, recruitment[, relocation, or retention incentives], or on-call pay.

(8) **Minimum Hiring Rate.** The lowest rate of basic pay that an establishment would offer a new hire for a corresponding position. This may be a higher rate than the published minimum rate.

(9) **Salary Data.** Information about pay practices in the local non-Federal labor market for comparable levels of work.

(10) **Special Salary Rate (SSR).** An increase in the rate of basic pay through a special salary rate range or an above-minimum entrance rate.

(11) **SSR Range.** An increase in the minimum, intermediate, and maximum rates of basic pay for a grade, i.e., an increase in all step rates for the grade.

c. Responsibilities

(1) Facility directors shall establish initial SSRs, adjust existing rates (upward or downward), move from AMERs to SSR ranges, or cancel SSRs when they are no longer appropriate. They are responsible for assuring that:

(a) SSRs are needed to recruit and retain well qualified health-care personnel;

(b) Appropriate consideration has been given to the use of recruitment [, relocation, and retention incentives], and/or appointments above the minimum step of the grade, to address staffing problems in lieu of establishing or adjusting special rates;

(c) Approved special rates comply with this chapter; and

(d) Local funds are available for any increased costs before implementing special rate authorizations.

(2) Human Resources Management (HRM) Officers

(a) HRM Officers will recommend the approval of SSRs when, in their best judgment, such rates are necessary to recruit and retain well-qualified health-care personnel.

(b) HRM Officers will recommend the use of recruitment[, relocation, and retention incentives], or appointments above the minimum step of the grade, when, in their judgment, the use of these authorities would be more appropriate to address recruitment and retention problems than special rates.

(c) HRM Officers will coordinate special rate authorizations with all concerned parties by:

1. Assuring that authorizations and cancellations of SSRs are closely coordinated with other VA facilities in the same labor market;

2. Advising officials of other Federal medical facilities that employ personnel in the same occupation in the local labor market of impending salary surveys and notifying them of any special rate authorizations approved under this chapter. HRM Officers may release salary data to officials from other Federal medical facilities upon request to avoid duplicate surveys. These officials will be required to maintain the data in strict confidence in accordance with paragraph 5c of this chapter;

3. Reporting special rate authorizations to the Human Resources Management Compensation and Classification Service, Office of Human Resources Management and Labor Relations (055) prior to effecting them; and

4. Notifying the appropriate Office of Personnel Management (OPM) Regional and Area Offices of approved authorizations.

(3) Human Resources Management Compensation & Classification Service, Office of Human Resources Management and Labor Relations (055) shall conduct post-audit reviews of adjustments made under this paragraph and advise management and operating officials in VHA on special rate policy and procedures.

(4) Network directors are responsible for designating a lead facility when necessary to coordinate special salary rate authorizations when more than one facility in the same labor market would be affected by such rates.

(5) Under Secretary for Health or designee may withdraw the authority to approve SSRs if the SSRs authorized are not consistent with law and policy or based on documented recruitment or retention problems.

(a) SSRs are needed to recruit and retain well qualified personnel

(b) Full consideration has been given to the use of recruitment[, relocation and, retention incentives], and/or appointments above the minimum step of the grade, to address staffing problems;

(c) Requests comply with the requirements of this chapter; and

(d) Local funds are available for any increased costs before submitting a request for special rates.

(5) Human Resources Management (HRM) Officers will:

(a) Recommend requesting SSRs when, in their best judgment, such rates are necessary to recruit and retain well-qualified personnel.

(b) Recommend the use of recruitment[, relocation and retention incentives], or appointments above the minimum step of the grade, when, in their judgment, the use of these authorities would be more appropriate to address recruitment and retention problems than special rates.

(c) Coordinate special rate requests with all concerned parties by:

1. Assuring that requests are closely coordinated with other VA facilities in the same labor market area. This includes taking the lead as appropriate to submit a consolidated request to Central Office that covers all affected VA facilities in the labor market.

2. Advising officials of other Federal agencies that employ personnel in the same occupation in the local labor market of impending salary surveys and special rate requests, including proposed salary rates. HRM Officers may release salary data to officials from other Federal medical facilities upon request to avoid duplicate surveys. These officials will be required to maintain the data in strict confidence in accordance with subparagraph 5c of this chapter.

c. SSR Requests

(1) SSRs may be requested when higher non-Federal rates of pay in the local labor market area are causing significant problems recruiting or retaining well-qualified personnel.

(2) SSRs may also be requested when recruitment or retention problems are anticipated due to higher non-Federal rates of pay in the community. For example, special rates may be appropriate when there are higher rates within the community and facility officials are unable to recruit well-qualified candidates for anticipated vacancies in hard-to-fill occupations, expect to lose employees in such occupations who are receiving bona-fide job offers, or cannot recruit for an occupation without appointments above the minimum step of the grade.

**PART VI
CHAPTER 8**

basis. The maximum **annual** gross amount (i.e., before taxes) payable in a calendar year that may be authorized is \$10,000. The total **lifetime** gross amount of student loan repayments that may be authorized on behalf of an employee is \$60,000. The approving official must assure that sound justification supports each authorization.

e. **Relationship to Other Payments.** A student loan repayment may be paid in addition to a [recruitment, relocation or retention incentive]. The periods of service required by a [recruitment, relocation or retention] Service Agreement are separate from the period of service required under a Student Loan Repayment Service Agreement. However, the specified period of service in a Student Loan Repayment Service Agreement may begin at the same time and run concurrently with other service agreements.

f. **Loss of Eligibility.** An employee may lose eligibility for student loan repayments and may be required to reimburse VA when conditions warrant. (See paragraph 9 in this chapter).

2. CRITERIA FOR THE AUTHORIZATION OF STUDENT LOAN REPAYMENTS

a. **Written Determination.** A student loan repayment must be based on a written determination that, in the absence of offering a student loan repayment, VA would encounter difficulty either in filling the position with a highly qualified candidate, or retaining a highly qualified employee in that position.

(1) **Written Determination for Recruitment Purposes.** Each written determination for recruitment purposes must be approved before the candidate enters on duty. The service agreement, including amounts to be paid and other optional terms, must be provided for the candidate's review prior to appointment. To authorize a student loan repayment for recruitment purposes, the approving official must assure that:

- (a) The recipient does not work for a Federal agency;
- (b) The recipient is highly qualified for the position being offered; and

(c) The organization would have difficulty filling the position with a highly qualified candidate without offering the student loan repayment incentive.

(2) **Written Determination for Retention Purposes.** Each written determination for retention purposes must be based on a description of the extent to which the employee's departure would affect VA's ability to carry out an activity or perform a function that is deemed essential to VA's mission. To authorize a student loan repayment for retention purposes, the approving official must certify that:

(a) The recipient is an employee of the organization and occupies a position requiring a highly qualified employee;

- (b) The recipient possesses high qualifications for the position;

(c) In the absence of offering a student loan repayment, the employee would likely leave for employment outside the Federal government; and

[APPENDIX A.

SAMPLE REQUEST FOR APPROVAL OF RECRUITMENT OR RELOCATION INCENTIVE

FROM: (title of recommending official)

SUBJ: Recruitment Incentive: (individual's name, position, organization name) or
Relocation Incentive: (individual's name, position, organization name)

TO: (approving official)

1. I request that you approve a recruitment /relocation incentive for (name), who has been (tentatively) selected for the position of (title), GS-(pay plan – series – grade), in (organization name), VA (facility), (city), (state).

2. The information required by VA policy (see paragraph 7 of chapter 2, this part) is as follows:

NAME: (Name)

APPOINTMENT AUTHORITY: (if temporary, state duration)

SALARY: (insert annual rate of basic pay to include locality pay, special rate, or market pay as applicable)

WORK SCHEDULE: (indicate whether full-time or part-time. If part-time, state hours to be worked; e.g., 48 hours per pay period)

PROPOSED SERVICE PERIOD: (commencement and termination dates – must begin on the first day of a pay period and end of the last day of a pay period. May not be less than 6 months or more than 4 years.)

INCENTIVE DOLLAR AMOUNT/PERCENTAGE OF BASIC PAY (include total incentive payment, percentage of annual rate of basic pay, and an explanation of how incentive will be paid, e.g., lump sum payment, number of installments/installment intervals)

JUSTIFICATION FOR PROPOSED SERVICE PERIOD AND PERCENTAGE OF BASIC PAY (include explanation as to how the length of service and percentage of annual rate of basic pay were determined)

PROPOSED EFFECTIVE DATE OF ENTRY ON DUTY: (date)

RATING OF RECORD: (for relocation incentive, attach most recent rating – must be at least “Fully Successful” or equivalent)

NARRATIVE JUSTIFICATION: (state the basis for authorizing the incentive. See criteria in paragraph 6 of chapter 2, this part)

ABOVE-MINIMUM-ENTRANCE-RATE: (explain the decision to use or not to use)

GEOGRAPHIC MOVE: (if relocation incentive, indicate former duty location and a statement that the employee has established a residence in the new geographic area)

ADDITIONAL INFORMATION: (e.g. if aggregate limit applies; how payment would be made; unsatisfied service obligation, waiver request to exceed 25 percent attached)

RECRUITMENT SERVICE AGREEMENT: (attach signed copy)

3. I certify that the justification contained in this request meets the criteria for approval contained in VA Handbook 5007, Part VI, Chapter 2.

(signature of recommending official) (date)
NAME AND TITLE OF RECOMMENDING OFFICIAL

Approved / Disapproved

(signature of approving official) (date)
NAME AND TITLE OF APPROVAL OFFICIAL]

[APPENDIX B.
RECRUITMENT/RELOCATION SERVICE AGREEMENT (RSA)]

1. GENERAL

A recruitment/relocation service agreement (RSA) is required for a recruitment/relocation incentive. It must include the commencement and termination dates of the service period, the total amount of the incentive, the method of paying the incentive, the timing and amount of each incentive payment, conditions under which the service agreement will be terminated, the conditions under which the employee must repay an incentive, and the effect of terminating a service agreement, including the conditions under which VA will pay an additional recruitment incentive payment for partially completed service. It must also include the effect of the aggregate limitation on pay. It must be signed by the employee and the requesting official and be included in the request for approval. The approving official's authorization certifies that payment of an incentive is needed to fill the position with a high quality candidate. An incentive may be paid only after approval. An incentive must be approved before an individual enters on duty.

2. INSTRUCTIONS FOR PREPARING THE RSA

Before preparing the RSA, HR officials should carefully review the employee's compensation and the policy on aggregate limit restrictions (see part VII of this handbook). Develop the RSA as follows:

- a. **Amount/Percentage.** Insert the total dollar amount and the percentage of annual rate of basic pay of the recruitment/relocation incentive.
- b. **Work Schedule.** State whether full time or part time. If part time, enter the normal hours (e.g. 48 hours per pay period).
- c. **Position.** Insert the title, series, and grade of the position.
- d. **VA Facility.** Name the facility where the employee will work.
- e. **Reporting Date.** Insert the date the employee enters on duty.
- f. **Total Service Period.** Insert total service period not to be less than 6 months and not to exceed 4 years. Include the number of pay periods in the service period.
- g. **Service Period Commencement Date.** Insert the beginning date of the service period (must be the first day of a pay period).
- h. **Service Period Termination Date** Insert the ending date of the service period (must be the last day of a pay period).
- i. **Delayed Service Period.** If service period is different from reporting date, give reason and if due to training or probationary period, insert mandatory termination statement (if the employee does not

**PART VI
APPENDIX B**

successfully complete the training or probationary period before the service period commences, VA is not obligated to pay any portion of the incentive to the employee).

j. **Method of Paying the Incentive.** Insert how the incentive will be paid (as an initial lump sum payment at the start of the service period, in installments during the service period, as a final lump sum payment at the end of the service period, or in a combination of methods).

k. **Timing and Amounts of Each Payment.** If initial or final lump sum payment only, insert payment date and amount. If equal biweekly payments; insert beginning and ending payment dates and installment amounts. If combined methods are used, insert the payment dates for lump sum payments, and the payment dates and amounts of installments.

l. **Employee Signature/Date and Requesting Official Signature/Date.** The RSA must be signed and dated by both. The names should be typed below the line.

m. **Approving Official Signature/Date.** The approving official must sign and date the RSA. The date must precede the effective date of appointment. The name should be typed below the line.

SAMPLE RECRUITMENT/RELOCATION SERVICE AGREEMENT

As a condition of being paid a recruitment/relocation incentive of (amount/percentage) in connection with my appointment on a (full time or part time and number of normal hours each bi-weekly pay period) basis, to the position of (position) at (VA facility) effective (month, day, and year), I agree to serve (number bi-weekly pay periods) of employment with the Department of Veterans Affairs (VA) and, in the event of transfer of function, to complete all remaining obligated service with the successor agency. Service in a non-pay status will not count towards satisfying this obligation. Any time in a non-pay status will merely postpone the service obligation to VA and will extend the period of obligated service by an equal number of days.

I understand that the incentive will be paid to me as (method of payment) on (timing and amount of each payment). My service period beginning date for this agreement is (must be first day of a pay period) and my service period ending date is (must be last day of a pay period). The commencement period of my service agreement is delayed until I successfully complete a 1-year probationary period. I understand that VA is not obligated to pay any portion of the incentive if I fail to successfully complete the probationary period.

I understand that VA may unilaterally terminate this agreement based solely on the management needs of VA. I will be entitled to all recruitment incentive payments that are attributable to completed service and to retain any portion of an incentive payment received that is attributable to uncompleted service.

I understand that this agreement will be terminated if I am demoted or separated for cause, receive a rating of record of less than "Fully Successful" or equivalent, or fail to fulfill other terms of this agreement (such as reducing my work hours or changing positions). I understand I am entitled to retain incentive payments previously paid by VA that are attributable to the completed portion of the service period. If I received incentive payments that are less than the amount that would be would be attributable to the completed portion of the service period, VA is not obligated to pay me the amount attributable to completed service. If I received incentive payments in excess of the amount that would be attributable to the completed portion of the service period, I must repay the excess amount. I further agree that any amount I am obligated to refund will be a debt due the United States, which I hereby agree to pay in full as directed by VA, unless the Secretary of Veterans Affairs or designee determines that failure to complete the obligated service was for reasons beyond my control or that repayment is against equity or is not in the interest of the Government.

(Add information for aggregate limit on pay if applicable; other terms as appropriate)

I understand that this agreement is valid only when signed by me, the recommending official, and the approving official.

(signature and name of employee) (date) (signature, name and title of requesting official) (date)

APPROVED: I certify that payment of an incentive is appropriate in order to fill the above position.

(signature, name and title of approving official) (date)]

[APPENDIX C.
SAMPLE REQUEST FOR APPROVAL OF RETENTION INCENTIVE

FROM: (title of recommending official)

SUBJ: Retention Incentive: (individual's name, position, organization name)

TO: (approving official)

1. I request that you approve a retention incentive for (name, position, organization name) based on my determination that the employee is likely to leave Federal service without this incentive and has unusually high or unique qualifications that make it essential to retain the employee.

2. The information required by VA policy (see paragraph 7 of chapter 3, this part) is as follows:

NAME: (name)

APPOINTMENT AUTHORITY: (if temporary, state duration)

SALARY: (insert annual rate of basic pay to include locality pay, special rate or market pay as applicable)

RATING OF RECORD: (attach most recent rating – must be at least “Fully Successful” or equivalent)

WORK SCHEDULE: (indicate whether full-time or part-time. If part-time, state hours to be worked; e.g., 48 hours per pay period)

PROPOSED SERVICE PERIOD: (commencement and termination dates – must begin on the first day of a pay period and end of the last day of a pay period. Maximum service period is 4 years.)

NOTE: *An obligated service period is not required if the incentive will be paid in bi-weekly installments of equal amounts*

INCENTIVE RATE/DOLLAR AMOUNT: (insert percentage of the annual rate of basic pay and the estimated dollar amount)

JUSTIFICATION FOR PROPOSED SERVICE PERIOD AND PERCENTAGE OF BASIC PAY
(include explanation as to how the length of service and percentage of basic pay were determined and why this amount is necessary)

EVIDENCE THAT THE EMPLOYEE IS LIKELY TO LEAVE FEDERAL SERVICE: (attach supervisor's certification. See sample in appendix VI-E)

**PART VI
APPENDIX C**

NARRATIVE JUSTIFICATION: (state the basis for authorizing the incentive. See criteria in paragraph 6 of chapter 3, this part)

ADDITIONAL INFORMATION: (e.g. if aggregate limit applies; how payment would be made; unsatisfied service obligation, waiver request to exceed 25 percent attached)

RETENTION SERVICE AGREEMENT: (If incentive is paid in other than equal bi-weekly installments, the employee must enter into a service agreement. Attach a signed copy, if applicable. If a retention service agreement is not applicable, a statement of understanding signed by the employee must be attached.)

3. I certify that the justification contained in this request meets the criteria for approval contained in VA Handbook 5007, Part VI, Chapter 3.

(signature of recommending official) _____ (date)
NAME AND TITLE OF RECOMMENDING OFFICIAL

Approved / Disapproved

(signature of approving official) _____ (date)
NAME AND TITLE OF APPROVAL OFFICIAL]

[APPENDIX D.
SAMPLE STATEMENT OF UNDERSTANDING/RETENTION INCENTIVE

I, _____ (name) _____, understand that the retention incentive that I am to receive as a _____ (title, series, grade, step) _____, earning _____ (\$) _____ per year in _____ (service, division, or office) _____ at _____ (facility), city _____, _____ state, is being paid in order to retain my services.

I understand that the incentive:

- will be (X %) of my basic rate of pay (excluding any additional pay) in each bi-weekly pay period;
- will not be paid for overtime or periods in a non-pay status and that such periods will reduce the incentive amount received;
- may be reduced or terminated at any time and that this is not an adverse action.
- must be terminated if my rating of record is at less than ‘Fully Successful’ or equivalent.

_____ (employee's signature) _____

_____ (date) _____

NOTE: *A statement of understanding is required only if the retention incentive is to be paid in bi-weekly installments of equal amounts. If the retention incentive is paid in any other method, the employee must enter into a retention service agreement (see sample in appendix VI-P).]*

[APPENDIX E.
SAMPLE SUPERVISORY CERTIFICATION/RETENTION INCENTIVE

1. This is to certify that I have determined that (employee name) is likely to leave Federal service for the purpose of authorizing a retention incentive.

2. This certification is based on (check one or more, as applicable):

- _____ receipt by the employee(s) of a bona fide offer of employment from:

Name and Address of Employer: _____

Position Title: _____

Annual Salary: _____

- _____ High demand in the private sector for the employee's/group's knowledge and skills with significant pay disparities between Federal and non-Federal salaries.

Describe labor market trend/information to document high demand for employee's/group's knowledge and skills: _____

Salary of VA position: \$_____; private sector salary for comparable position: \$_____

Source of private sector salary: _____

- _____ Discussion of employee's career plans (summarize below)

(supervisor's signature)

(date)]

[APPENDIX P.
RETENTION SERVICE AGREEMENT (RSA)]

1. GENERAL

A retention service agreement (RSA) is required for a retention incentive unless paid in biweekly installments at the full percentage rate of 25% or less. An agreement is always required for employees paid under a group authorization. The agreement must include the commencement and termination dates of the service period, the total amount of the incentive, the method of paying the incentive, the timing and amounts of each incentive payment, conditions under which the service agreement will be terminated, the conditions under which the employee must repay an incentive, the effect of terminating a service agreement including the conditions under which VA will pay an additional retention incentive payment for partially completed service. It must also include the effect of the aggregate limitation on pay. It must be signed by the employee and the requesting official and be included in the request for approval. The approving official's authorization certifies that payment of an incentive is needed to retain an employee that is likely to leave Federal service without the incentive and has unusually high or unique qualifications that make it essential to retain the employee. An incentive is effective the beginning of the first pay period after approval.

2. INSTRUCTIONS FOR PREPARING THE RSA

Before preparing the RSA, HR officials should carefully review the employee's compensation and the policy on aggregate limit restrictions (see part VII of this handbook). Develop the RSA as follows:

- a. **Percentage.** Insert the percentage of the retention incentive.
- b. **Work Schedule.** State whether full time or part time. If part time, enter the normal hours (e.g., 48 hours per pay period).
- c. **Position.** Insert the title, series, and grade of the position.
- d. **VA Facility.** Name the facility where the employee will work.
- e. **Total Service Period.** Insert total service period. Maximum service period is 4 years..
- f. **Service Period Commencement Date.** Insert the beginning date of the service period (must be the first day of a pay period.).
- g. **Service Period Termination Date.** Insert the ending date of the service period (must be the last day of a pay period).
- h. **Method of Paying the Incentive.** Insert how the incentive will be paid (in installments after completion of specified periods of service at the full percentage rate, in installments after completion of specified periods of service at less than full percentage rate with a final payment at the completion of a specified period, in a lump sum at the end of the full period of service).

- i. **Timing and Amounts of Each Payment.** Enter dates and installment amounts.

NOTE: *If a retention incentive is paid in equal biweekly installments at the full percentage, a service agreement is not required.*

- j. **Employee Signature/Date and Requesting Official Signature/Date.** The RSA must be signed and dated by both. The names should be typed below the signature line.

- k. **Approving Official Signature/Date.** The approving official must sign and date the RSA. The name should be typed below the signature line.

SAMPLE RETENTION SERVICE AGREEMENT

As a condition of being paid a retention incentive of (percentage) in connection with my service on a (full or part time basis and number of normal hours each bi-weekly pay period) basis, in the position of (position) at (VA facility), I agree to serve (number of bi-weekly pay periods) of employment with the Department of Veterans Affairs (VA). Service in a non-pay status will not count towards satisfying this obligation. Any portion of a pay period in a non-pay status will merely postpone the service obligation to VA and will extend the period of obligated service by an equal number of pay periods.

I understand that the incentive will be paid to me as (method of payment) on (timing and amount of each payment). My service period beginning date for this agreement is (must be first day of a pay period) and my service period ending date is (must be last day of a pay period).

I understand VA may unilaterally terminate this agreement based solely on the management needs of VA. I will be entitled to all recruitment incentive payments that are attributable to completed service.

I understand that this agreement will be terminated if I am demoted or separated for cause, receive a rating of record of less than "Fully Successful" or equivalent, or fail to fulfill other terms of this agreement (such as reducing my work hours or changing positions). I understand that I am entitled to retain incentive payments previously paid by VA that are attributable to the completed portion of the service period. If I received incentive payments that are less than the amount that would be attributable to the completed portion of the service period, VA is not obligated to pay me the amount attributable to completed service.

I understand that I will be notified in writing of the reduction or termination of my retention incentive and will be entitled to receive incentive payments through the end of the pay period I which the written notice is provided or until I separate from VA employment, whichever is sooner.

(Add information for aggregate limit on pay; other terms as appropriate)

I understand that this agreement is valid only when signed by me, the recommending official, and the approving official.

(signature and name of employee) (date) (signature, name and title of requesting official) (date)

APPROVED: I certify that payment of an incentive is appropriate in order to retain this employee.

(signature, name and title of approving official) (date)

Payments counted towards the limit	Payment not counted towards the limit
Basic Pay	Back pay due to an unjustified personnel action under 5 U.S.C. 5596
Locality-based comparability pay and interim geographic adjustments	Premium pay under title 5 and sections 532.503, 532.507, and 532.509 for prevailing rate employees
Incentive awards and performance-based cash awards	Overtime pay under the Fair Labor Standards Act, as amended, and 5 C.F.R. 551
Recruitment and relocation [incentives]	Severance pay under 5 U.S.C. 5595
Retention [incentives]	Lump sum payments for accumulated and accrued annual leave on separation under 5 U.S.C. 5551 or 5552
Supervisory differentials	Administratively uncontrollable overtime (non-discretionary entitlement in 5 U.S.C. 5545(2))
Allowances and differentials under chapter 59, title 5 U.S.C.; cost-of-living allowances; post differentials, physicians comparability allowances	
For title 38 physicians and dentists, fee basis and all other compensation paid under title 38 authority.	

c. **Pay Limitations**

(1) **Maximum Pay Limitation.** In no case may the total annual pay (basic pay plus special pay and other payments under title 38) of a VHA physician or dentist exceed the amount of annual pay (excluding expenses) received by the President of the United States as specified in 3 U.S.C. 102.

(2) **Total Salary Pay Limitation**

(a) Special pay agreements that would result in a physician or dentist receiving total pay under title 38 in excess of \$190,000 require separate approval if the physician or dentist is to receive pay above that limitation. Facility directors (for all field positions other than the Chief of Staff) or network directors (for chiefs of staff and network staff) are delegated authority to approve agreements and total pay for individuals up to and including \$190,000. The Under Secretary for Health retains authority to approve increases in pay for any individual above \$190,000.

(b) The total salary limitation also applies to increases in pay that occur after a special pay agreement is approved. Any change in pay (e.g., periodic step increase, promotion, tenure increase, retention [incentive], etc.) which would cause total pay to exceed the \$190,000 limitation for the first time or above the amount previously authorized over \$190,000, must be separately approved. **NOTE:** *If the increase is the result of a change in assignment, a new special pay agreement, a new special pay computation form, and a covering memorandum explaining the reasons for the increase are required. If the increase does not involve a change in assignment, only a new special pay computation form and cover memorandum are required (see paragraphs 12 and 13 of this part)*

d. **Special Pay.** Special pay is pay that physicians and dentists may receive for meeting the conditions under this part. It is paid only after executing a special pay agreement. Per annum special pay is based upon the individual components of special pay an eligible physician or dentist may receive.

e. **Special Pay as Basic Pay.** Special pay is basic pay for life insurance purposes for eligible full-time and part-time physicians and dentists (see par. 20c of this part). Special pay is basic pay for civil service retirement purposes for full-time and part-time physicians and dentists meeting applicable criteria (see subparagraphs. 20a and b of this part). Special pay is basic pay for lump-sum leave payments and work injury compensation claims. It shall included in any continuation of pay (COP) authorized under chapter 81 of title 5 U.S.C. Special pay is subject to income tax withholding. Special pay is not basic pay for purposes of severance pay or computing continued geographic adjustment pay (GAP).

f. **Initial Special Pay Agreement.** This is the first special pay agreement approved for a physician or dentist under the provisions of 38 U.S.C. 7432.

g. **Subsequent Special Pay Agreement.** Any other special pay agreement approved for a physician or dentist under the provisions of 38 U.S.C. 7432 after the first agreement under 38 U.S.C. 7432.

h. **Misconduct.** The failure to comply with standards of employee conduct as contained in VA regulations, Federal laws, Government-wide regulations, and Executive orders.

PART X
APPENDIX B

d. What was the average duration of vacancies for positions paid from *Nxxx auto-fill during the past year?

_ _ months

e. Please check all of the following pay incentives that have been offered within the occupation or specialty in the past year by indicating the frequency used.

- | | | | | | | |
|---|--------------------------|------------|--------------------------|--------------|--------------------------|--------|
| Recruitment [Incentive] | <input type="checkbox"/> | Frequently | <input type="checkbox"/> | Occasionally | <input type="checkbox"/> | Rarely |
| Relocation [Incentive] | <input type="checkbox"/> | Frequently | <input type="checkbox"/> | Occasionally | <input type="checkbox"/> | Rarely |
| Retention [Incentive] | <input type="checkbox"/> | Frequently | <input type="checkbox"/> | Occasionally | <input type="checkbox"/> | Rarely |
| Higher Rates for
Specialized Skills: | <input type="checkbox"/> | Frequently | <input type="checkbox"/> | Occasionally | <input type="checkbox"/> | Rarely |

2. DIRECTOR'S FINDINGS CONCERNING THE STAFFING SITUATION for *Nxxx auto-fill

a. Positions in the occupation or specialty that meet at least three of the following criteria are considered to be experiencing, or likely to experience, a significant pay-related staffing problem for the purpose of determining whether a salary survey must be conducted. Please check all that apply to the occupation or specialty:

- A 5 percent increase* in turnover since June 30 of the prior year.
- A significant number of losses since June 30 of the prior year were quits for pay.
- A 10 percent increase* in the vacancy rate since June 30 of the prior year.
- Positions remain vacant for 6 months or more despite active recruitment.
- Positions have been abolished due to recruitment difficulty.
- Any other criteria deemed appropriate by the facility Director. Define the criteria in the narrative section at the end of this report.

***NOTE:** The increase in turnover and vacancy rates will be calculated by subtracting the previous rate from the current rate (e.g., a change from 10% to 12% is a 2% increase; a change from 8% to 13% is a 5% increase).

b. Based on the criteria in 2a above, is there currently, or is there likely to be a significant pay-related staffing problem for the occupation or specialty? (If 3 or more boxes in 2a are checked, you MUST answer Yes)

- YES NO