

**CONTENTS**  
**CHAPTER 575. RECRUITMENT BONUSES, RELOCATION BONUSES,**  
**RETENTION ALLOWANCES, AND SUPERVISORY DIFFERENTIALS**  
**SECTION A. RECRUITMENT BONUSES**

<b>PARAGRAPH</b>	<b>PAGE</b>
1. Scope and Exclusions.....	A-1
2. References .....	A-2
3. Policy.....	A-2
4. Definitions .....	A-2
5. Criteria.....	A-3
6. Responsibilities.....	A-4
7. Delegations of Authority.....	A-4
8. Bonus Requests.....	A-5
9. Recruitment Service Agreement (RSA).....	A-7
10. Payment Procedures.....	A-7
11. Service Obligations .....	A-7
12. Repayment Requirements.....	A-8
13. Records.....	A-9
14. Annual Review and Reports.....	A-9

**APPENDIXES**

A. Recruitment Service Agreement (RSA).....	A-App. A-1
B. Sample Request for Approval of Recruitment Bonus.....	A-App. B-1

**SECTION B. RELOCATION BONUSES**

1. Scope and Exclusions.....	B-1
2. References .....	B-1
3. Policy.....	B-1
4. Definitions .....	B-2
5. Criteria.....	B-2
6. Responsibilities.....	B-3
7. Delegations of Authority.....	B-4
8. Bonus Requests.....	B-5
9. Relocation Service Agreement (RSA).....	B-6
10. Payment Procedures.....	B-6
11. Service Obligations .....	B-6
12. Repayment Requirements.....	B-7
13. Records.....	B-8
14. Annual Review and Reports.....	B-8

**APPENDIXES**

A. Relocation Service Agreement (RSA).....	B-App. A-1
B. Sample Format for Requesting Approval of a Relocation Bonus.....	B-App. B-1

**SECTION C. RETENTION ALLOWANCES**

(Replaced by [VA Directive 5575.3/1](#) and [VA Handbook 5575.3/1](#))

**SECTION D. SUPERVISORY DIFFERENTIALS**

1. Scope and Exclusions.....	D-1
2. References .....	D-1
3. Policy.....	D-1
4. Definitions .....	D-3
5. Responsibilities .....	D-3
6. Delegations of Authority .....	D-4
7. Criteria.....	D-5
8. Calculation of Supervisory Differential .....	D-7
9. Submission Procedures .....	D-8
10. Processing .....	D-9
11. Termination or Adjustment of Supervisory Differential.....	D-10
12. Repayment Requirements.....	D-12
13. Records.....	D-12

**APPENDIXES**

A. Examples of Continuing Pay and Differential Computations .....	D-App. A-1
B. Supervisory Differential Computation Sheet.....	D-App. B-1
C. Subordinate Pay Above GS-15/10 .....	D-App. C-1

**CHAPTER 575. RECRUITMENT BONUSES, RELOCATION BONUSES,  
RETENTION ALLOWANCES, AND SUPERVISORY DIFFERENTIALS  
(To Be Used with Federal Personnel Manual (FPM) Ch. 575)**

**SECTION A. RECRUITMENT BONUSES**

**1. SCOPE AND EXCLUSIONS**

a. **Scope.** This section establishes Department of Veterans Affairs (VA) policies and procedures for authorizing recruitment bonuses for candidates selected for appointment (including former Federal employees with at least a current 1-year break in service) without time limit or for a minimum of 2 years (or for those who have received a written VA offer of such employment) to the following types of positions or assignments:

(1) **Title 5 positions.** General Schedule (GS) positions paid under 5 U.S.C. 5332, (including "hybrid" positions such as pharmacist and occupational therapist); positions covered under the Performance Management and Recognition System; 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 U.S.C. 8331(20) or 8401(17) whether or not under the GS; Executive Schedule positions established under 5 U.S.C., chapter 53, subchapter II; positions for which pay is fixed by law at a rate equal to an Executive Schedule rate; or certain positions filled by Presidential appointment.

(2) **Title 38 assignments.** Service under 38 U.S.C. 7401(1) or as Under Secretary for Health.

**b. Exclusions**

(1) Recruitment bonuses may not be paid to individuals to be appointed: for less than a 2-year period; as experts and consultants; on a without compensation basis; to excepted service positions in Veterans Canteen Service; to Federal Wage System positions; as Secretary of Veterans Affairs or to a position in the expectation of appointment as Secretary; or under authority of 38 U.S.C. 7306 to assignments in the Office of the Under Secretary for Health, such as Deputy Under Secretary for Health. They also may not be paid to those with scholarship obligations to VA resulting from education or training activities.

(2) Although the following organizations are not Federal agencies as defined in 5 U.S.C. 5102, they are Federal entities and their employees may not be offered a recruitment bonus unless there has been a break in service of at least 1 year: a Government controlled corporation, the Tennessee Valley Authority, the Central Intelligence Agency, the Panama Canal Commission, the National Security Agency, the General Accounting Office, or the Defense Intelligence Agency.

(3) Employees who have already entered on duty may not be offered a recruitment bonus.

(4) Except for those receiving their first permanent appointments after prior Federal employment under cooperative work study programs, as former students during school vacations, or as law clerk

trainees, former employees with less than a 1-year break in service may not be offered a recruitment bonus. This 1-year break in service restriction would not apply to those who have been serving on non-permanent appointments, such as title 38 residents, and are receiving their first permanent appointments to staff positions.

## 2. REFERENCES

- a. Title 5 U.S.C. 5307, 5514, and 5753.
- b. Title 38 U.S.C. 7401(1) and 7410.
- c. Title 5 CFR part 550, subpart K; and part 575, subpart A.
- d. FPM chapters 300 and 752.
- e. MP-5, part I, chapters 300 and 752.

## 3. POLICY

a. **General.** A recruitment bonus of up to 25 percent of the rate of basic pay may be authorized for a candidate selected for appointment without time limit or for a minimum of 2 years (or for one who has received a written VA offer of such employment), provided the approving official determines that without the bonus, it would not be possible to fill the position with a high quality candidate. Recruitment bonuses 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, and waivers of dual compensation restrictions for retirees, to fill positions with high quality candidates. They are not, however, to be given as substitutes for payment of moving expenses.

b. **Approvals.** Each bonus shall be reviewed and approved by an official higher than the recommending official, unless there is no higher official in the Department. Approvals will be documented in writing and will be based on criteria established in this section.

c. **Employee Obligations.** Before appointment and receipt of a bonus, selectees must agree to complete a service obligation with VA. Proposed bonus recipients must be informed if the payment of a bonus would cause their pay to exceed the aggregate limit on compensation (see par. 10d below). For most employees, the limit is EL-I (\$151,800 as of January 4, 1998); for physicians and dentists, the limit is the annual pay (excluding expenses) of the President of the United States as specified in 3 U.S.C. 102 (\$200,000 as of January 4, 1998).

## 4. DEFINITIONS

a. **Employee.** For purposes of this section, employee means a person who is newly appointed without time limitation or for a minimum period of 2 years or more, or an individual who has received a written offer of employment without time limitation or for a minimum period of 2 years or more.

b. **Involuntary Separation.** A separation that is not voluntary and not for misconduct or delinquency.

c. **Newly Appointed**

(1) Placed in the first Federal civilian appointment, or an appointment following a break in Federal civilian service (including retirement) of at least 1 year; or

(2) Receiving an initial permanent appointment within 1 year after completing Federal employment under cooperative work study programs, as former students during school vacations, or as law clerk trainees.

d. **Rate of Basic Pay.** The rate of pay fixed by law or administrative action for the position to which the employee is being appointed, before deductions and exclusive of additional pay of any kind, such as locality-based comparability payments under 5 U.S.C. 5304, interim geographic adjustments in pay (GAP) under 5 CFR part 531, or special pay for physicians and dentists under 38 U.S.C. 7431.

e. **Recruitment Service Agreement (RSA).** A written agreement between the employee and VA under which the employee agrees to serve a specified number of months in VA in return for payment of a recruitment bonus.

f. **High Quality Candidate.** A candidate whose qualifications indicate that he or she would be better able to perform the work than other candidates who were recruited or who could reasonably be expected to respond to renewed recruiting efforts.

**5. CRITERIA**

a. A recruitment bonus may be authorized if, without one, VA is unable to attract the kind or quality of applicant needed for the position. In determining whether a recruitment bonus should be authorized and the bonus amount, the following factors will be considered:

(1) Staffing information, including recruitment history (most recent efforts); the success in filling the same or similar positions at the facility, in the region, or nationwide (all efforts to fill the position must be fully described); turnover in the position within the preceding 3 years; and the reasons previous incumbents left. If the position is new or has existed for less than 3 years, provide information as appropriate;

(2) Cost-of-living disparities, significant differences between Federal and community pay for the position, and exceptional cost factors which make moving to the area unattractive to the candidate;

(3) Special considerations in filling the position, such as work environment or remote location;

(4) Unique or distinguishing experience or qualifications which are desirable or relevant to the position, would enhance the incumbent's performance, or are not generally available among likely candidates;

(5) Any other labor market factors that may affect VA's ability to attract high quality applicants; and

(6) Competing recruitment incentives and inducements, whether in VA, other Federal agencies, the community, or for the occupation or profession.

b. Determinations may take into consideration historical VA difficulties in recruiting for an occupation or a type of position, or geographic areas that traditionally have been considered to be less desirable. However, any decision to pay a recruitment bonus must be made on a case-by-case basis for each employee.

## 6. 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 bonuses, where recommended or approved, are determined in accordance with the criteria and procedures in this section.

b. **The Office of Human Resources Management (OHRM)** is responsible for advising management officials on the regulations and procedures in this section, conducting technical reviews of bonus requests submitted for centralized approval, tracking the number of bonuses approved under this section, auditing recruitment bonus approvals for noncentralized positions, and for compiling annual reports required by the Office of Personnel Management (OPM).

c. **Chiefs, Human Resources Management (HRM)** are responsible for advising management officials on the regulations and procedures in this section, providing technical advice and assistance on bonus percentages, length of service obligation requirements, 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, conduct annual reviews, and prepare reports as required. They will ensure that records of those being considered for positions are screened to determine whether a recruitment bonus service obligation remains unfulfilled and, if so, notify the recruiting office of that fact.

d. **The Office of Financial Management** will develop, in coordination with OHRM, recruitment bonus payment, refund, and waiver procedures.

e. **Employees** are responsible for signing a recruitment service agreement to receive a bonus and for completing the required service. If they receive consideration for another position before the service obligation for a recruitment bonus has been satisfied, they must convey that fact to the recruiting office when they submit their applications.

## 7. DELEGATIONS OF AUTHORITY

a. **General.** Recruitment bonuses must be approved by an official higher than the one recommending payment before the new employee enters on duty. Bonuses will not be approved retroactively after entry on duty. The authorizing official's approval signifies concurrence with the

determination that a bonus is needed to place a high quality candidate and authorization of the bonus percentage and amount.

**b. Approval of Recruitment Bonuses**

(1) The Secretary, or designee, is the approving official for recruitment bonuses for employees to be appointed to positions centralized to that office.

(2) Administration heads, Assistant Secretaries, other key officials, and Deputy Assistant Secretaries, or their designees, recommend recruitment bonuses for employees being appointed to positions in their organization which are centralized to the Secretary. They, or their designees, approve recruitment bonuses for employees to be appointed to Central Office (CO) positions in their organizations which are not centralized to the Secretary and for employees to be appointed to field positions centralized to their offices.

(3) Facility directors approve recruitment bonuses for employees to be appointed to noncentralized positions under their jurisdiction.

(4) In order to expedite recruitment for centralized positions when it is apparent that the criteria in paragraph 5 of this section will be met, the possibility of a recruitment bonus may be discussed with a candidate; however, there may be no final offer and it must be made clear that a bonus proposal must be submitted through channels to the approving official for final action.

c. **Waivers of Service and Bonus Repayment Obligations.** The official who has bonus approval authority acts on waivers of service or repayment obligations related to that position.

**8. BONUS REQUESTS**

a. **Determining the Amount of the Bonus.** Bonuses of up to 25 percent of the per annum rate of basic pay for the position to which appointed may be authorized. The bonus percentage shall reasonably correlate to the difficulty experienced in obtaining a high quality candidate. The highest percentage of bonus will be reserved for positions for which VA is experiencing the greatest difficulty in finding high quality candidates. The factors in paragraph 5 of this section will be used to determine the appropriate amount of bonus.

**b. Calculating the Bonus**

(1) Bonuses for full-time employees are based on the per annum rate of basic pay. Bonuses for reemployed Civil Service annuitants are calculated on the annuitant's reduced reemployment salary. For GS law enforcement officers described in paragraph 1a(1) of this section who are subject to early retirement, a recruitment bonus may not exceed the greater of \$15,000 or 25 percent of the rate of basic pay. Bonuses for part-time employees are based on the per annum rate of basic pay prorated according to the proportion of time the part-time employment bears to full-time employment. That figure is then multiplied by the approved bonus percentage to obtain the dollar amount of the bonus.

(2) Bonus amounts may not exceed 25 percent of the basic rate of pay; therefore, calculations of bonuses of 25 percent which result in a fraction of a dollar will be rounded down to the next whole dollar. All other bonus percentages will be rounded up for \$.50 or more and down for \$0.49 or less to the nearest whole dollar.

c. **Contents of Request.** Each recruitment bonus request must include the following:

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

(2) The proposed effective date of appointment;

(3) Whether the appointment is permanent or time limited (if time limited, may not be less than 2 years);

(4) 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.);

(5) Documentation which includes, as a minimum, the following information:

(a) Information addressing all the criteria listed in paragraph 5a of this section (NOTE: If the position is a new position, only current recruitment efforts must be documented);

(b) The recruitment bonus dollar amount, the percentage of basic pay rate which the bonus represents, and a statement explaining how the amount was determined;

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

(d) A statement about the effect of the aggregate limit, if any, on the recruitment bonus and the employee's compensation (see par. 10d below);

(e) The RSA, signed and dated by the employee and requesting official (App. A); and

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

d. **Procedures.** Bonus requests will be reviewed on a case-by-case basis by the approving official. Requests for noncentralized positions will be submitted in writing, through channels and the local HRM office (Headquarters & Executive Resources Team (HQ&ER) for CO positions) for technical review and concurrence, to the approving official early enough to permit approval of the bonus before the effective date of employment. Bonus requests for appointments to centralized positions will be submitted as part of the appointment package through appropriate channels and will be referred to OHRM (051) for technical review and concurrence prior to action by the approving official.

## 9. RECRUITMENT SERVICE AGREEMENT (RSA)

To receive a bonus, employees must sign an RSA and agree to complete a specified period of service in VA or with a successor agency in the event of transfer of function (additional information and sample RSA provided in appendix A). Bonus recipients must complete obligated service or repay the bonus, unless a waiver (see par. 12 below) is approved. The RSA, signed by the employee and the requesting official, must be included in the request for approval of a bonus. After approval, the signed and dated RSA will be filed on the left (temporary) side of the employee's Official Personnel Folder (OPF) 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 par. 13 below).

## 10. PAYMENT PROCEDURES

a. **General.** A recruitment bonus will be paid as a lump sum and shall not be considered part of an employee's rate of basic pay for any purpose.

b. **Timing of Payment.** Payment of a bonus may be made only after the bonus has been approved, the employee has signed an RSA, and the effective date of the employment action has passed. The lump sum payment normally will be made within two pay periods after the employee has reported for duty, unless a later date is required because of the aggregate limitation on compensation (see par. d below).

c. **Personnel and Accounting Integrated Data (PAID) System Coding.** Separate coding instructions will be provided to servicing personnel offices for their use and coordination with fiscal offices.

d. **Aggregate Limit on Compensation.** An employee may not receive any portion of a recruitment bonus 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 physicians and dentists) and title 5 employees, the aggregate limit on compensation is EL-I (\$51,800 as of January 4, 1998). 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 (\$200,000 as of January 4, 1998). Any excess portion of the bonus may not be paid until the beginning of the next calendar year (see chapter 530, this part). HRM officials will inform a bonus recipient affected by an aggregate limitation and include an explanation in the RSA.

## 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 merely postpone the service obligation to VA and will extend the period of obligated service by an equal number of days.

b. There is no maximum limit on service obligations; however, they cannot be less than 12 months. 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 bonus percentage, and/or the dollar value of the bonus.

c. A service obligation resulting from VA payment of travel and moving expenses is distinct from a recruitment bonus service obligation and each obligation must be satisfied. However, the same period of service will 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.

## 12. REPAYMENT REQUIREMENTS

a. **General.** Failure to complete a service obligation occurs when the employee, whether voluntarily or for cause, leaves VA before completing the period of employment specified in the RSA. An employee who fails to complete this service obligation shall be indebted to the U.S. Government and must repay the recruitment bonus on a prorated basis, unless a waiver is approved.

b. **Circumstances Under Which a Waiver Will be Approved.** 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.

c. **Circumstances Under Which a Waiver May be Approved.** Regulations provide that, under certain circumstances, VA may waive all or part of its right of recovery of an employee's debt under 5 U.S.C. 5514 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.

d. **Circumstances Under Which a Waiver Will Not be Approved.** 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 will repay the bonus on a prorated basis (see par. 12f below).

e. **Requesting Waivers.** Requests for waivers will be submitted, through channels, to the official who authorized the bonus. All cases involving unsatisfied bonuses which were approved in CO will be routed through channels to OHRM (051) for technical review prior to submission to the approving official. OHRM (051) staff is available to discuss cases which will be handled locally. 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, handicapping condition, marital status or political affiliation.

f. **Determining the Amount of Repayment Obligation.** The amount to be repaid shall be determined by providing credit for each full month of VA employment completed by the employee.

Amounts owed shall be recovered under VA regulations for collection by offset from an indebted Government employee under 5 U.S.C. 5514 and subpart K of 5 CFR part 550.

**g. Changes in Hours of Work**

(1) **Increase in Hours.** An increase in hours of work after receipt of a bonus, whether initiated by the employee or management, does not increase the bonus or accelerate repayment of the service obligation.

(2) **Decrease in Hours.**

(a) If a bonus recipient requests, and management approves, a decrease in hours of work before completing the service obligation, repayment of a prorated portion of the bonus is required. The unsatisfied portion of the service obligation remains. The amount of the bonus to be refunded will be computed as described in paragraph 12g(3) below.

(b) If the hours of work are reduced at management's request, repayment of the prorated portion of the bonus will not be required. However, the unsatisfied portion of the service obligation remains.

(3) **Credit for VA Employment.** Credit will be granted for each full month of VA employment completed by the employee under the RSA. The total bonus will be divided by the number of months of service obligation (e.g., \$12,000 bonus divided by 12-month obligation = \$1,000 monthly bonus amount). The monthly bonus amount will be multiplied by the number of obligated months remaining at the time of the reduction in hours worked (e.g., 6 months obligation remaining times \$1,000 monthly bonus amount = \$6,000). The resulting amount will be multiplied 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 \$6,000 = \$3,750 repayment obligation). Amounts owed shall be recovered under VA regulations for collection by offset from an indebted Government employee.

## 13. RECORDS

Records sufficient to reconstruct the action will be maintained at the approving level for 3 years. In no instance will records be destroyed before completion of the service obligation. Records on bonuses approved in CO will be maintained by OHRM (051 for field positions, 052 for CO positions). Other bonus documents will be retained at the employing facility. These records will include, at a minimum: the request, the RSA, supporting documentation described in paragraph 8 of this section, release from the RSA, waiver request and approval (if applicable).

## 14. ANNUAL REVIEW AND REPORTS

**a. Periodic Facility Reports**

(1) For each bonus approved at the facility level, the Chief, HRM will submit to OHRM (051) a copy of the signed request for approval and a copy of the signed, approved RSA within 1 week of the employee's entry on duty.

(2) On an annual basis (no later than November 15 of each year), the Chief, HRM will submit through channels to OHRM (051) an Annual Recruitment Bonus Report, Reports Control Symbol 05-0869, containing cumulative information on the number of bonuses offered under this section during the preceding fiscal year, the number of employees who received bonuses, the percentage of the facility's total salary dollars paid out as recruitment bonuses, and an evaluation of the effect of each bonus on the facility's ability to fill critical positions with high quality candidates. The report will be in memorandum format and will be signed by the facility Director. Negative reports are required.

b. **Annual Department Report.** No later than December 31 of each year, OHRM (051) will prepare a report of VA use of recruitment bonuses during the previous fiscal year. It will include the number of bonuses offered during the fiscal year, the number of employees who received bonuses, the percentage of salary received as a bonus by each employee, and an evaluation of the overall effect of the payment of recruitment bonuses on VA's ability to fill key positions with high quality candidates. The report will be made available to OPM upon request.

**APPENDIX A. RECRUITMENT SERVICE AGREEMENT (RSA)**

**1. GENERAL**

A relocation service agreement (RSA) is required for a recruitment bonus. It must include the dollar amount of the bonus and the length of the service obligation in VA. It states the bonus payment conditions, including 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 a bonus is needed to fill the position with a high quality candidate. A bonus may be paid only after approval and after the effective date of the personnel action.

**2. INSTRUCTIONS FOR PREPARING THE RSA**

Before preparing the RSA, personnel officials should carefully review the employee's compensation and the policy on aggregate limit restrictions (see par. 10d of Section A). See Figure 1 for sample RSA format. Develop the RSA as follows:

- a. Amount. Insert the dollar amount of the recruitment bonus.
- b. X time. Enter the fraction for the hours of work (e.g., 8/8, 5/8).
- c. Position. Insert the title, series, and grade of the position.
- d. VA facility. Name the facility where the employee will work.
- e. Date. Insert the date the employee is to report to duty.
- f. Months. Insert the number of full months of obligated service due.
- g. Pay Periods. Enter the number of pay periods within which payment will be made.
- h. Employee/Date and Requesting Official/Date. The RSA must be signed and dated by both. The names should be typed below the line.
- i. Approving Official/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 SERVICE AGREEMENT**

As a condition of being paid a recruitment bonus of (amount) in connection with my appointment on a X time basis, to the position of (position) at (VA facility) on (month, day, year), I agree to complete (number) full consecutive months of employment starting on the above date with the Department of Veterans Affairs (VA) and, in the event of transfer of function, to complete all remaining months of obligated service with the successor agency. I understand that if I fail to complete this period of employment with VA or reduce my hours of work, I may be required to repay the recruitment bonus in accordance with prescribed regulations, 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. 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. I understand that the bonus will be paid to me within x pay periods of the above date on which I will report for duty in the new position, unless compliance with aggregate limit on compensation regulations requires otherwise. If I apply for another position before fulfillment of the service obligation resulting from this bonus, I will notify the recruiting office of that fact at the time of application. I understand that this agreement is valid only when signed by me, the requesting official, and the approving official." (Add information for aggregate limit on pay, other.)

(employee name) (date) (requesting official) (date)

**APPROVED: I certify that payment of a bonus is appropriate in order to fill the above position.**

(approving official) (date)

Figure 1. Sample of Recruitment Service Agreement

**APPENDIX B. SAMPLE REQUEST FOR APPROVAL OF RECRUITMENT BONUS**

FROM: (title of recommending official)

SUBJ: Recruitment Bonus - (position), (organization name)

TO: (approving official)

1. I request that you approve a recruitment bonus for (name), who has been (tentatively) selected for the position of (title), GS-xxx-x, in (organization name), VA (facility), (city), (state).

2. The information required by VA policy and justification for this request are as follows:

NAME: (name)

APPOINTMENT: (if temporary, state duration)

SALARY: (insert salary)

PROPOSED EFFECTIVE DATE OF APPOINTMENT: (date)

PROPOSED EFFECTIVE DATE OF ENTRY ON DUTY: (date)

DOCUMENTATION: (narrative - recruitment history, success in filling same or similar positions, turnover in position, cost-of-living disparities, and all other criteria in par. 5a of this section)

BONUS DOLLAR AMOUNT AND PERCENT OF BASIC PAY: (include explanation of how the amount was determined)

APPLICABILITY OF AGGREGATE LIMIT: (if limit applies, how payment would be made)

RECRUITMENT SERVICE AGREEMENT: (attach signed copy)

3. I recommend that you approve this recruitment bonus based on the above justification.

(recommending official) (date)  
Approved                      Disapproved

(approving official) (date)

**CHAPTER 575. RECRUITMENT BONUSES, RELOCATION BONUSES,  
RETENTION ALLOWANCES, AND SUPERVISORY DIFFERENTIALS  
(To Be Used with Federal Personnel Manual (FPM) Ch. 575)**

**SECTION B. RELOCATION BONUSES**

**1. SCOPE AND EXCLUSIONS**

a. **Scope.** This section establishes Department of Veterans Affairs (VA) policies and procedures for payment of relocation bonuses to individuals who are relocating from employment with VA, other Federal agencies, a Government-controlled corporation, the Tennessee Valley Authority, the Central Intelligence Agency, the Panama Canal Commission, the National Security Agency, the General Accounting Office, or the Defense Intelligence Agency. Such individuals must be serving on appointments without time limit or for a minimum of 2 years and relocate, without a break in service, to a different commuting area on a permanent or temporary basis to the following types of positions or assignments:

(1) **Title 5 positions.** General Schedule (GS) positions paid under 5 U.S.C. 5332 (including "hybrid" positions such as pharmacist and occupational therapist); positions covered under the Performance Management and Recognition System; 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 U.S.C. 8331(20) or 8401(17) whether or not under the GS; Executive Schedule positions established under 5 U.S.C., chapter 53, subchapter II; positions for which pay is fixed by law at a rate equal to an Executive Schedule rate; or positions filled by Presidential appointment.

(2) **Title 38 assignments.** Service under 38 U.S.C. 7401(1) or as Under Secretary for Health.

b. **Exclusions.** Relocation bonuses may not be paid to individuals appointed: for less than two years; as experts and consultants; on a without compensation basis; to nonappropriated fund excepted service positions in Veterans Canteen Service; to Federal Wage System positions; as Secretary of Veterans Affairs or to a position in the expectation of appointment as Secretary; or under authority of 38 U.S.C. 7306 to assignments in the Office of the Under Secretary for Health, such as Deputy Under Secretary for Health. They also may not be paid to those with scholarship obligations to VA resulting from education or training activities.

**2. REFERENCES**

- a. Title 5 U.S.C 5307, 5514, 5753.
- b. Title 38 U.S.C. 7401(1), and 7410.
- c. Title 5 CFR part 530, subpart B; 550, subpart K; and 575, subpart B.
- d. FPM chapters 300, 335, and 752.
- e. MP-5, part I, chapters 300, 335, and 752.

### 3. POLICY

a. **General.** A relocation bonus of up to 25 percent of the rate of basic pay may be authorized for an eligible Federal employee who must physically relocate and change duty stations to accept a position in a different commuting area provided that the approving official determines that without the bonus, it would not be possible to fill the position with a high quality candidate. Bonuses may be authorized for permanent relocations or for temporary relocations to a new duty station of 120 days or more. Relocation bonuses may be used in combination with certain other allowances and authorities, such as reimbursement of travel and transportation expenses, special salary rates, and waivers of dual compensation restrictions for retirees, to fill positions with high quality candidates. They are not, however, to be given as substitutes for payment of moving expenses.

b. **Approvals.** Each bonus shall be reviewed and approved by a VA official higher than the recommending official, unless there is no higher official in the Department. Approvals will be documented in writing and will be based on criteria established in this section.

c. **Employee Obligations.** Before they may receive a bonus, employees must agree to complete a service obligation with VA at the new location. Employees must be informed if the payment of a bonus would cause their compensation to exceed the aggregate limit on compensation (see par. 10d below). For most employees, the limit is EL-I (\$151,800 as of January 4, 1998); for physicians and dentists, the limit is the annual pay (excluding expenses) of the President of the United States as specified in 3 U.S.C. 102 (\$200,000 as of January 4, 1998).

d. **Recruitment.** All vacancy announcements and other methods of soliciting candidates must contain a statement that applicants with recruitment or relocation bonus service obligations must notify the recruiting office of that fact when they submit their applications.

### 4. DEFINITIONS

a. **Commuting Area.** The geographic area that normally is considered one area for employment. It includes any population center (or two or more neighboring ones) and the surrounding localities where people live and reasonably can be expected to travel back and forth daily to work.

b. **Overlapping Bonus.** A bonus for an employee who has not yet completed the service obligation for a previously authorized recruitment or relocation bonus.

c. **Employee.** For purposes of this section, an employee is defined in paragraph 1a of this section.

d. **Involuntary Separation.** A separation which is not voluntary and not for misconduct or delinquency.

e. **Rate of Basic Pay.** The rate of pay fixed by law or administrative action for the position to which the employee is being relocated, before deductions and exclusive of additional pay of any

kind, such as locality-based comparability payments under 5 U.S.C. 5304 beginning in January 1994, interim geographic adjustments in pay (GAP) under 5 CFR part 531, or special pay for physicians and dentists under 38 U.S.C. 7431.

f. **Relocation Service Agreement (RSA).** A written agreement between an employee and VA under which the employee agrees to serve a specified number of months at a new VA duty station in return for payment of a relocation bonus.

g. **High Quality Candidate.** A candidate whose overall qualifications, experience, and past performance indicate that he or she is superior to other candidates who responded to recruiting efforts or who could reasonably be expected to respond to renewed recruiting efforts.

## 5. CRITERIA

a. A relocation bonus may be authorized if VA is unable to attract the kind of candidate or quality of employee needed for the position without one. In determining whether a relocation bonus should be authorized and in determining the amount of the bonus, the following factors will be considered:

(1) Staffing information, including recruitment history (most recent efforts); the success in filling the same or similar positions at the facility, in the region, or nationwide (all efforts to fill the position must be fully described); and turnover in the position within the preceding three years and the reasons for the departure of previous incumbent(s). If the position is newly established or has been in existence for less than 3 years, provide information as appropriate;

(2) Cost-of-living disparities, significant differences between Federal and community pay for the position, and exceptional cost factors which make relocation to the area unattractive to the candidate;

(3) Special considerations in filling the position, such as work environment or remote location;

(4) Unique or distinguishing experience or qualifications which are desirable or relevant to the position, which would enhance the incumbent's performance, or which are not generally available among likely candidates for the position;

(5) Any other labor market factors which may affect the Department's ability to attract high quality applicants; and

(6) Competing recruitment incentives and inducements, whether in VA, other Federal agencies, the community, or for the occupation or profession.

b. Determinations to pay these bonuses may take into consideration the occupation or type of position for which VA historically has experienced difficulty filling, or geographic areas that traditionally have been considered to be less desirable. However, any decision to pay a relocation bonus must be made in a fair and equitable manner on a case-by-case basis for each employee.

## 6. 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 relocation bonuses, where recommended or approved, are determined in accordance with the criteria and procedures contained in this section.

b. The Office of Human Resources Management (OHRM) is responsible for advising management officials on the regulations and procedures contained in this section, conducting technical review of bonus requests submitted for centralized approval, auditing relocation bonus approvals for noncentralized positions, and for compiling annual reports required by the Office of Personnel Management (OPM).

c. Chiefs, Human Resources Management (HRM) are responsible for advising facility management on the regulations and procedures contained in this section, providing technical advice and assistance on bonus percentages, length of service obligation requirements, definition of the commuting area, and other technical matters, and assuring the completeness of requests prepared at the local level or approved locally. They will maintain documentation adequate for reconstruction of each case, conduct annual reviews, and prepare reports as required.

d. The HRM office at the applicant's facility must review the records of each local employee who applies for another VA position to determine whether there is an unsatisfied bonus obligation and, if so, notify the recruiting facility.

e. When VA and/or transfer candidates from other agencies are being considered, the HRM office at the recruiting facility must review the records of those under consideration to determine whether an unsatisfied bonus service obligation exists, notify the recommending official, and ensure that the recommendation for selection and/or overlapping bonus (see par. 4b of this section for definition) is forwarded to the official authorized by this policy to act.

f. The Office of Financial Management will develop, in coordination with OHRM, relocation bonus payment, refund, and waiver procedures.

g. Employees are responsible for signing a relocation service agreement to receive a bonus and for completing the required service. If they receive consideration for another position before the service obligation for a relocation bonus has been satisfied, they must notify the recruiting office of that fact at the time of application.

## 7. DELEGATIONS OF AUTHORITY

a. **General.** Relocation bonuses must be approved by an official higher than the one recommending payment. The approving official must approve the bonus request before the employee enters on duty at the new location. Relocation bonuses cannot be approved retroactively after the employee enters on duty at the new location. This approval is indicated by

signing the RSA. By signing the RSA, the approving official concurs with the determination that a bonus is needed to place a high quality candidate and authorizes the bonus percentage and amount.

**b. Approval of Relocation Bonuses.**

(1) The Secretary, or designee, is the approving official for relocation bonuses for employees being placed on a permanent or temporary basis in positions centralized to that office.

(2) Administration heads, Assistant Secretaries, other key officials, and Deputy Assistant Secretaries, or their designees, recommend relocation bonuses for positions in their organizations which are centralized to the Secretary. They, or their designees, approve relocation bonuses for employees being placed on a permanent or temporary basis in Central Office (CO) positions in their organizations which are not centralized to the Secretary and in field positions centralized to their offices.

(3) Facility Directors approve relocation bonuses for employees being placed on a permanent or temporary basis in noncentralized positions under their jurisdiction.

**c. Selections of Employees with Unfulfilled Bonus Obligations.** In very unusual situations, an employee who has not yet completed the service obligation for a prior bonus may be considered for another assignment. This consideration may or may not involve an overlapping bonus (see par. 4b of this section for definition).

(1) The Secretary, or designee, is the selecting official and the approving official for bonuses 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 CO designees, are the recommending officials for actions described in the preceding paragraph which require the Secretary's approval. They are the selecting officials and the bonus 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.

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

(4) Facility Directors are the selecting officials for movements of employees with unfulfilled service obligations in noncentralized positions to other local noncentralized positions under their jurisdiction.

**d. Waivers of Service and/or Bonus Repayment Obligations.**

(1) The official who has approval authority for the bonus approves a waiver of service and/or repayment obligation related to that position.

(2) Approval of an overlapping bonus (see pars. 4b and 7c of this section) automatically waives the service and repayment obligation of a preceding bonus.

(3) If an employee who has an unfulfilled service obligation is selected without an overlapping bonus for another position, the remaining service will be performed in the successor position.

**8. BONUS REQUESTS**

a. **Determining the Amount of the Bonus.** Bonuses of up to 25 percent of the per annum rate of basic pay for the position to which relocated may be authorized. The bonus percentage selected shall reasonably correlate to the difficulty experienced in obtaining a high quality candidate. The highest percentage of bonus will be reserved for positions for which VA is experiencing the greatest difficulty in finding high quality candidates. The factors in paragraph 5 of this section will be used to determine the appropriate amount of bonus.

**b. Calculating the Bonus**

(1) Bonuses for full-time employees will be based on the per annum rate of basic pay. Bonuses for employees on grade or pay retention are calculated on the employee's per annum retained rate of basic pay. For GS law enforcement officers described in paragraph 1a(1) of this section who are subject to early retirement, the amount of a relocation bonus may not exceed the greater of \$15,000 or 25 percent of the rate of basic pay. Bonuses for part-time employees are based on the per annum rate of basic pay prorated according to the proportion of time the part-time employment bears to full-time employment. That figure is then multiplied by the approved bonus percentage to obtain the dollar amount of the bonus. For temporary relocations of less than 1 year, the ratio of the length of the change in duty station to 1 year times the per annum rate of basic pay will yield the amount to be multiplied by the approved bonus percentage.

(2) Bonus amounts may not exceed 25 percent of the basic rate of pay; therefore, calculation of bonuses of 25 percent which result in a fraction of a dollar will be rounded down to the next whole dollar. All other bonus percentages will be rounded to the nearest whole dollar (i.e., round up for \$.50 or more; down for \$.49 or less).

**c. Contents of Request.** Each bonus request must include the following:

(1) The employee's name, current facility, duty station (if different from the current facility), tenure, appointment authority, rate of basic pay, and current organizational and classification titles, series, and grade;

(2) The position or duties for which the bonus is being recommended, facility, duty station, appointment authority, tenure, rate of basic pay, and organizational and classification titles, series, and grade;

(3) The proposed effective date of the placement;

(4) Duration of the temporary change in duty station, if applicable; and

(5) Documentation which includes, at a minimum, the following information:

(a) Information addressing all the criteria listed in paragraph 5a of this section (NOTE: If the position is a new position, only current recruitment efforts must be documented);

(b) The relocation bonus dollar amount, the percentage of basic pay rate which the bonus represents, and a statement explaining how the amount was determined;

(c) A statement describing the effect of the aggregate limit, if any, on the relocation bonus and the employee's compensation (see par. 10d below);

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

(e) The RSA, signed and dated by the employee and requesting official (see App. B); and

(f) Any other considerations or information believed to be relevant to the case.

d. **Procedures.** To facilitate the approval process, requests for noncentralized positions will be submitted to the approving official in writing, through channels and the local HRM office (Headquarters & Executive Resources for CO positions) for technical review and concurrence, early enough to permit approval of the bonus before the employee relocates. Bonus requests for employees relocating to centralized positions will be routed through OHRM (051) for technical review and concurrence prior to action by the approving official.

e. **Extensions of Temporary Changes in Duty Station.** An additional bonus may not be paid if a temporary assignment is extended beyond the initial proposed completion date.

## 9. RELOCATION SERVICE AGREEMENT (RSA)

To receive a bonus, employees must sign an RSA agreeing to complete a specified period of service with VA at a duty station or with a successor agency in the event of transfer of function (additional information and sample RSA provided in appendix A). Those who receive bonuses must complete obligated service or repay the bonus, unless a waiver (see par. 12 below) is approved. The RSA, signed by the employee and the requesting official, must be included in the request for approval of a bonus. After the request is approved, the signed and dated RSA will be filed on the left (temporary) side of the employee's Official Personnel Folder (OPF) until the completion of the required service. Copies of the RSA will be provided to the employee and servicing fiscal office and another will be kept with the documentation file (see par. 13 below).

## 10. PAYMENT PROCEDURES

a. **General.** A relocation bonus will be paid as a lump sum and shall not be considered part of an employee's rate of basic pay for any purpose.

b. **Timing of Payment.** The relocation bonus may be paid only after the employee has signed the RSA for a specified number of months of employment with VA at the new duty station. The lump sum payment normally will be made within two pay periods after the employee has reported to the new location, unless a later date is required because of the aggregate limitation on compensation (see par. d below).

c. **Personnel and Accounting Integrated Data (PAID) System Coding.** Separate coding instructions will be provided to servicing personnel offices for their use and coordination with fiscal offices.

d. **Aggregate Limit on Compensation.** When a relocation bonus is approved, the employee may not receive any portion of it 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 physicians and dentists) and title 5 employees, the aggregate limit on compensation is EL-I (\$151,800 as of January 4, 1998). 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 (\$200,000 as of January 4, 1998). The excess portion of the bonus may not be paid until the beginning of the next calendar year (see chapter 530, this part). Human resources officials will inform a bonus recipient affected by an aggregate limitation and include an explanation in the RSA.

## 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 merely postpone the service obligation to VA and will extend the period of obligated service by an equal number of days.

b. There is no maximum limit on service obligations; however, they cannot be less than 12 months for permanent relocations. In some instances, a service obligation of two to three 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 bonus percentage, and/or the dollar value of the bonus.

c. For temporary changes of duty station of less than 12 months, the service obligation will be the length of the assignment.

d. A service obligation resulting from VA payment of travel and relocation expenses is distinct from a relocation bonus service obligation and each obligation must be satisfied. However, the same period of service will be credited toward the satisfaction of both obligations.

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 (see par. 13, below) and on the left (temporary) side of the employee's OPF.

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

## 12. REPAYMENT REQUIREMENTS

a. **General.** Failure to complete a service obligation occurs when the employee, whether voluntarily or for cause, leaves the VA facility before completing the period of employment specified in the RSA. An employee who fails to complete this service obligation shall be indebted to the U.S. Government and must repay the relocation bonus on a prorated basis, unless a waiver is approved.

b. **Circumstances Under Which a Waiver Will be Approved.** 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.

c. **Circumstances Under Which a Waiver May be Approved.** Regulations provide that, under certain circumstances, VA may waive all or part of its right of recovery of an employee's debt under 5 U.S.C. 5514 if there is a determination that recovery would be against equity or the public interest, for instance, if the employee is unable to complete the service obligation due to an off-duty injury.

d. **Circumstances Under Which a Waiver Will Not be Approved.** An employee who is separated for cause, e.g., on charges of misconduct or delinquency, before completion of the period of service required by the RSA will repay the bonus on a prorated basis (see par. e below).

e. **Requesting Waivers.** Requests for waivers will be submitted, through channels, to the official who authorized the bonus. All cases involving unsatisfied service obligations for bonuses which were approved in CO will be routed through channels to OHRM (051) for technical review prior to submission to the approving official. OHRM (051) staff is available to discuss cases which will be handled locally. Decisions on waiver requests are final within the Department. 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) related to prohibited discrimination on the basis of race, color, religion, sex, national origin, age, handicapping condition, marital status or political affiliation.

f. **Determining the Amount of Repayment Obligation.** The amount to be repaid shall be determined by providing credit for each full month of VA employment completed by the

employee at the location. Amounts owed shall be recovered under VA regulations for collection by offset from an indebted Government employee under 5 U.S.C. 5514 and subpart K of 5 CFR part 550.

**g. Changes in Hours of Work**

(1) **Increase in Hours.** An increase in hours of work after receipt of a bonus, whether initiated by the employee or management, does not increase the bonus or accelerate repayment of the service obligation.

(2) **Decrease in Hours**

(a) If a bonus recipient requests, and management approves, a decrease in hours of work before completing the service obligation, repayment of a prorated portion of the bonus is required. In addition, the remaining portion of the service obligation remains. The amount of the bonus to be refunded will be computed as described in paragraph (3) below.

(b) If the hours of work are reduced at management's request, repayment of the prorated portion of the bonus will not be required. However, the remaining portion of the service obligation remains.

(3) **Credit for VA Employment.** Credit will be granted for each full month of VA employment completed by the employee under the service agreement. The total bonus will be divided by the number of months of service obligation (e.g., \$12,000 bonus divided by 12 month obligation = \$1,000 monthly bonus amount). The monthly bonus amount will be multiplied by the number of obligated months remaining at the time of the reduction in hours (e.g., 6 months obligation remaining times \$1,000 monthly bonus amount = \$6,000). The resulting amount will be multiplied by the amount of the reduction in hours to arrive at the repayment obligation (e.g., a FT (8/8) employee reduces hours worked to 3/8.  $8/8 - 3/8 = 5/8$ .  $5/8$  times \$6,000 = \$3,750 repayment obligation). Amounts owed shall be recovered under VA regulations for collection by offset from an indebted Government employee.

### 13. RECORDS

Records sufficient to reconstruct the action will be maintained at the approving level for three years. In no instance will records be destroyed before completion of the service obligation. Records on bonuses approved in CO will be maintained by OHRM (051 for field positions, 052 for CO positions). Other bonus documents will be retained at the gaining facility. These records will include, at a minimum: the request, the RSA, supporting documentation described in paragraph 8 of this section, 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.

#### 14. ANNUAL REVIEW AND REPORTS

##### a. Periodic Reports

(1) For each bonus approved at the facility level, the Chief, HRM will submit to OHRM (051) a copy of the signed, approved Request for Approval and a copy of the signed, approved RSA within one pay period of the employee's entry on duty at the gaining facility.

(2) On an annual basis (no later than November 15 of each year) the Chief, HRM will submit through channels to OHRM (051) an Annual Relocation Bonus Report, Reports Control Symbol 05-0870, containing cumulative information on the number of bonuses offered under this section during the preceding fiscal year, the number of employees who received bonuses, the percentage of the facility's total salary dollars paid out as relocation bonuses, and an evaluation of the effect of each bonus on the facility's ability to fill critical positions with high quality candidates. The report will be in memorandum format and will be signed by the facility director. Negative reports are required.

b. **Annual Department Report.** No later than December 31 of each year, OHRM (051) will prepare a report of VA use of relocation bonuses during the previous fiscal year. It will include the number of bonuses offered during the fiscal year, the number of employees who received bonuses, the percentage of salary received as a bonus by each employee, and an evaluation of the overall effect of the payment of relocation bonuses on VA's ability to fill key positions with, and foster geographic mobility among, high quality candidates. The report will be made available to OPM, or the union, upon request.

**APPENDIX A. RELOCATION SERVICE AGREEMENT (RSA)**

**1. GENERAL**

An RSA is required for a relocation bonus. It must include the dollar amount of the bonus and the length of the service obligation in VA at the new location. It states the bonus payment conditions, including the effect of the aggregate limitation on pay. It must be signed by the employee and the requesting official and included in the request for approval. The approving official's authorization certifies that payment of a bonus is needed to fill the position with a high quality candidate. A bonus may be paid only after approval and after the effective date of the personnel action.

**2. INSTRUCTIONS FOR PREPARING THE RSA**

Before preparing the RSA, personnel officials should carefully review the employee's compensation and the policy on aggregate limit restrictions (see par. 10d of this section). See Figure 1 for sample RSA format. Develop the RSA as follows:

- a. Amount. Insert the dollar amount of the relocation bonus.
- b. X time. Enter the fraction for the hours of work (e.g., 8/8, 5/8).
- c. Position. Insert the title, series, and grade of the position at the new location.
- d. VA facility. Name the facility to which the employee will be relocated.
- e. Date. Insert the date the employee is to report to duty.
- f. Months. Insert the number of full months of obligated service due.
- g. Pay Period. Enter the number of pay periods within which payment will be made.
- h. Employee/Date and Requesting Official/Date. The RSA must be signed and dated by both. The names should be typed below the line.
- i. Approving Official/Date. The approving official must sign and date the RSA. The date must precede the effective date of relocation. The name should be typed below the line.

**SAMPLE RELOCATION SERVICE AGREEMENT**

As a condition of being paid a relocation bonus of (amount) in connection with my relocation, on a X time basis, to the position of (position) at (VA facility) on (month, day, year), I agree to complete (number) full consecutive months of employment starting on the above date with the Department of Veterans Affairs at the above named facility. I understand that if I fail to complete this period of employment with VA in the position at the facility or reduce my hours of work, I may be required to repay the relocation bonus in accordance with prescribed regulations, 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. 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 the Department of Veterans Affairs. I understand that the bonus will be paid to me within x pay periods of the above date on which I will report for duty in the new position, unless compliance with aggregate limit on compensation regulations requires otherwise. If I apply for another position before fulfillment of the service obligation resulting from this bonus, I will notify the recruiting office of that fact at the time of application. I understand that this agreement is valid only when signed by me, the requesting official, and the approving official." (Add information for aggregate limit on pay, possible extension of temporary change of duty station, other.)

(employee name) (date) (requesting official) (date)

**APPROVED: I certify that payment of a bonus is appropriate in order to fill the above position.**

(approving official) (date)

**Figure 1. Sample of Relocation Service Agreement**

**APPENDIX B. SAMPLE FORMAT FOR REQUESTING APPROVAL  
OF A RELOCATION BONUS**

FROM: (title of recommending official)

SUBJ: Relocation Bonus - (position), (organization name)

TO: (approving official)

1. I request that you approve a relocation bonus for (name), who has been (tentatively) selected for the position of (title), GS-xxx-x, in (organization name), VA (facility), (city), (state).

2. The information required by VA policy and justification for this request are as follows:

NAME: (name)

CURRENT FACILITY & DUTY STATION: VA (facility), (city), (state)

APPOINTMENT: (permanent or temporary change of duty station; if temporary, state duration)

CURRENT POSITION: (title and grade), (salary)

PROPOSED DATE OF RELOCATION: (date)

DOCUMENTATION: (narrative - recruitment history, success in filling same or similar positions, turnover in position, cost-of-living disparities, and all other criteria in par. 5a of this section)

BONUS DOLLAR AMOUNT AND PERCENT OF BASIC PAY: (include explanation of how the amount was determined)

APPLICABILITY OF AGGREGATE LIMIT: (if limit applies, how payment would be made)

RELOCATION SERVICE AGREEMENT: (attach signed copy)

3. I recommend that you approve this relocation bonus based on the above justification.

(recommending official) (date)

Approved            Disapproved

(approving official) (date)

**CHAPTER 575. RECRUITMENT BONUSES, RELOCATION BONUSES,  
RETENTION ALLOWANCES, AND SUPERVISORY DIFFERENTIALS  
(To Be Used with Federal Personnel Manual (FPM) Ch. 575)**

**SECTION D. SUPERVISORY DIFFERENTIALS**

**1. SCOPE AND EXCLUSIONS**

**a. Scope.** This section applies to first level supervisory employees occupying General Schedule (GS) positions, including (GM) positions which are covered for pay purposes by 5 U.S.C. 5332. A supervisory differential may be paid to a GS supervisor who is regularly responsible for providing direct technical and administrative supervision of the work of one or more non-GS employees if any of the subordinates would, in the absence of a supervisory differential, be paid more than the supervisor. GS employees competitively promoted or reassigned on a temporary basis to supervisory positions with higher paid subordinates for more than 120 days are eligible for a supervisory differential.

**b. Exclusions**

(1) Senior Executive Service (SES) employees, title 38 employees, supervisors of "hybrid" occupations, second level or higher supervisors, and individuals receiving temporary promotions or reassignments of less than 120 days are not eligible for a differential.

(2) Employees on details, whether supervisors or subordinates, will not be eligible for, or trigger the payment of, supervisory differentials in the positions to which detailed. This is because the employees have not been formally placed in those positions, but rather continue to hold their regular positions.

**2. REFERENCES**

a. 5 U.S.C. 5755 and 7103(a)(10)

b. 5 CFR Part 575

**3. POLICY**

**a. Discretionary Payment.** The payment of a supervisory differential is discretionary. When deciding to use this authority and determining the amount of a supervisory differential, consideration will be given to whether the supervisor is at the full performance level, the relationship in pay among GS supervisors in the same organizational unit, and the relationship in pay between the supervisor and the subordinate(s). A differential may be paid only to an individual who provides both technical and administrative supervision to higher paid non-GS subordinates. The provisions of this section should be consistently applied within a facility.

**b. Special Considerations.** Before approving a supervisory differential, consideration should be given to the recency of the supervisor's assignment to the position, earning potential in

the supervisory and subordinate positions, and any unique situation affecting the subordinate's rate of pay. Particular attention should be given to the following:

(1) **The Career Path of a Supervisor.** A supervisor who is in a developmental position at less than the full performance level should receive a differential only in unusual situations. A reasonable connection between the supervisor's experience, developmental assignments and career progression, and responsibility, and the subordinate's pay should be maintained. If, on promotion, the supervisor's pay exceeds the subordinate's, the differential must be terminated, even if the supervisor's pay exceeds the subordinate's by only a small amount. For instance, a GS supervisor is receiving a differential of 3 percent above the subordinate. If, on promotion, the supervisor's rate of basic pay is equal to or greater than the subordinate's, then the differential, which may have been quite sizable, would have to be stopped. This could result in a reduction in total pay for the supervisor. Therefore, a differential should be set so as to provide a financial incentive for promotion.

(2) **The Effect of Supervisory Differentials on Continuing Pay Among Supervisors at the Same Grade Level.** Equity and pay alignment among supervisors should be considered in deciding to request a differential and determining the amount. It may not be appropriate for one supervisor's continuing pay to exceed that of equivalent supervisors only because of a higher paid non-GS subordinate if the duties performed by all the supervisors are of equal difficulty and complexity.

(3) **Alignment of Total Pay Between Supervisory Levels.** A differential should not cause the pay of the first level supervisor to exceed his or her superior's pay.

**c. Significant Pay Disparity.** A supervisory differential should be based on a significant pay disparity between the supervisor and subordinate which will persist for a significant period of time. A significant pay disparity is normally a gap of at least 5 percent between the supervisor and subordinate which will last for at least one year. A differential should not be approved for pay disparities which will soon disappear, so as to avoid frequent adjustments to the differential.

**d. Other Than Full-Time Subordinates.** A supervisor of a part-time subordinate should **not** receive a differential, except in the most unusual and rare of situations. However, in cases where it is being considered, the subordinate's full-time equivalent salary is used to calculate the differential, even though the subordinate's actual continuing pay is less. Supervision of intermittent employees will **not** establish eligibility for a supervisory differential because the supervisor is not responsible for regular, ongoing supervision of the intermittent employee.

**e. Supervisory Limitation.** No supervisor may receive a differential simply to assure pay alignment with another supervisor at the same or lower level who is receiving a differential under this section. All supervisory differentials will be based only on the direct supervision of a higher paid non-GS subordinate.

#### 4. DEFINITIONS

**a. Basic Pay.** The rate of pay fixed by law or administrative action for the position held by the employee, before deductions and exclusive of additional pay of any kind, such as interim

geographic adjustments to pay (GAP) under 5 U.S.C. 5304 or any GS locality-based comparability payments which may be initiated by the Office of Personnel Management (OPM) on or after January 1, 1994. A special salary rate established under 5 U.S.C. 5305, 38 U.S.C. 7455, or similar authority such as the Federal Wage System, and rates established under the Locality Pay System (LPS) are also basic pay. (See par. 8 for payments used in calculating differentials.)

**b. Continuing Payment.** Basic pay and any other form of pay that is paid in the same manner and at the same time as basic pay, i.e., for periods during which an employee receives basic pay. Examples include retention allowances, GAP and GS locality payments, and premium pay paid on an annual basis. (See par. 8 for payments used in calculating differentials.)

**c. Continuing Pay.** The total of all continuing payments.

**d. Supervisor** has the meaning given to it in labor-management relations (see 5 U.S.C. 7103(a)(10)), i.e., an individual with technical and administrative responsibility over the subordinate, including the personnel management functions of planning, scheduling, assigning, and reviewing work; interviewing candidates and recommending selections; effecting disciplinary actions; and evaluating the performance of subordinates.

**e. Staffing Differential.** An optional differential which may be approved by the President under Section 209 of Public Law 101-509 for positions in grade GS-5 or GS-7 or a 2-grade interval occupational series.

## 5. 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 section. 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 (OHRM)** is responsible for advising management officials on the regulations and procedures contained in this section, 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.

**c. Human Resources Managers (HRM)** are responsible for advising facility management on the regulations and procedures contained in this section, providing technical advice and assistance on differential eligibility and calculation, ensuring that requests and records of locally approved differentials are complete, and, upon notification, adjusting or terminating differentials in a timely manner as prescribed in paragraph 10, below. Because supervisory differentials must be calculated and adjusted manually, care must be exercised to monitor changes in staffing and

pay of both the non-GS subordinates whose pay establish eligibility for a differential and the supervisors receiving these differentials. For these reasons, periodic reviews of each differential should be scheduled.

**d. Employees** receiving differentials are responsible for notifying management officials of staffing changes and pay adjustments for the subordinates whose pay establish eligibility for the differentials which affect the amount of, and their eligibility for, supervisory differentials.

## **6. DELEGATIONS OF AUTHORITY**

**a. Higher Level Review.** The decision to approve or change a differential must be made by a management official who is at a higher level than the official recommending the action.

### **b. Differentials Based on Supervision of Federal Wage System (FWS) Employees**

(1) Approval authority for differentials for VA Central Office GS supervisors of FWS employees is delegated to Under Secretaries; the Director, National Cemetery System (NCS); Assistant Secretaries; other key officials; and Deputy Assistant Secretaries, who may redelegate it to lower level Central Office management officials in their organizations, subject to the provisions of paragraph 6a, above.

(2) The Director, National Cemetery System, or designee, is the approving official for supervisory differentials recommended by subordinate managers.

(3) Other field facility Directors are delegated authority to approve differentials for centralized and noncentralized GS supervisors of FWS subordinates under their jurisdiction.

### **c. Differentials Based on Supervision of Title 38 Employees**

(1) The Secretary, or designee, approves supervisory differentials for employees in positions centralized to that office.

(2) Except as noted below, the Under Secretary for Health is the approving official for all other differentials based on supervision of Veterans Health Administration (VHA) title 38 employees. Approval authority for differentials and all increases in the percentage of differentials for Central Office VHA title 5 supervisors of title 38 employees may not be further delegated. Authority to approve differentials and all increases in the percentage of differentials based on supervision of title 38 employees for VHA title 5 employees in field positions may be delegated no lower than the appropriate Network Director.

(3) The immediate supervisors of VHA Central Office employees who are receiving differentials based on supervision of title 38 employees may approve decreases in percentage and dollar amount.

(4) The Director, Veterans Canteen Service (VCS) is the approving official for all supervisory differentials for VCS title 5 supervisors of title 38 employees (e.g., Canteen Chiefs). VCS Regional Directors, for their respective jurisdictions, recommend differentials for VCS

District Managers based on supervision of title 38 subordinates and are authorized to approve decreases in the percentage and dollar amount of such differentials.

(5) Field facility Directors may approve decreases in the percentage and dollar amount of differentials based on supervision of title 38 employees at their facilities regardless of where the differential was approved.

## 7. CRITERIA

**a. Supervisory Differential is Not Basic Pay.** A supervisory differential is not considered part of the supervisor's rate of basic pay for any purpose. Therefore, a differential under this authority is not an equivalent increase because it does not change the rate of basic pay. For this same reason, the reduction or termination of a differential is not an adverse action; it is not used to calculate promotions; nor is it used for retirement calculation purposes. This is a change from the previous authority, which provided for permanent increases to pay for supervisors of FWS employees.

### **b. Limitations on Subordinate's Pay**

(1) A subordinate's retained rate of pay may not be used to calculate a differential. Only the maximum rate of basic pay established for the grade of the subordinate's position may be used.

(2) Special pay paid to a physician or dentist under 38 U.S.C. 4118 or 7432 may not be used to calculate a differential. However, the rate of basic pay will be considered in determining eligibility for and the amount of a supervisory differential.

**c. Subordinate's Basic Pay Above GS-15/10.** A supervisory differential will not be paid when the subordinate's rate of basic pay, exclusive of additional payments of any kind, exceeds the maximum rate of basic pay for grade GS-15 of the General Schedule (GS-15/10). The following criteria will be used to determine whether the subordinate's rate of basic pay exceeds the rate for GS-15/10:

(1) In areas where the supervisor is paid from the nationwide General Schedule, a differential may not be paid if the subordinate's pay exceeds the rate for GS-15/10 on the nationwide schedule (\$94,287 on January 4, 1998).

(2) In areas where the supervisor receives GAP or GS locality payments, a differential may not be paid if the subordinate's pay exceeds the rate for GS-15/10 including GAP or locality payments. If the subordinate and supervisor are not located in the same area, the rate for GS-15/10 at the supervisor's location will be used.

(3) If there is a special salary rate range at the GS-15 level for the supervisor's position, a differential may not be paid if the subordinate's pay exceeds the rate for GS-15/10 on the special salary rate range. If the subordinate and supervisor are not located in the same area, the special salary rate for GS-15/10 at the supervisor's location will be used.

(4) Appendix C provides examples of how the above provisions are to be applied.

**d. Effect of Details on Eligibility for Differentials.** A supervisor who is receiving a differential and is detailed to another work unit may continue to receive the differential not to exceed (NTE) 30 days from the beginning of the detail. A supervisor receiving a differential whose higher paid subordinate is detailed to another work unit may continue to receive the differential NTE 30 days from the beginning of the detail. While such differentials may be terminated earlier, they must cease 30 days from the effective date of such details because the supervisor is no longer providing day-to-day technical supervision to the higher paid subordinate as required by regulation. A supervisor detailed into a work unit with a higher paid subordinate does not become eligible for a differential.

**e. Effect of Temporary Promotions on Eligibility for Supervisory Differentials**

(1) A supervisor who is receiving a differential and is temporarily promoted to another position loses the differential for the period of the temporary promotion. The differential may be reinstated upon return to the former position if a pay disparity exists.

(2) A person who is temporarily promoted for more than 120 days into a position with a higher paid subordinate may be given a supervisory differential in the new organization.

(3) If a subordinate is temporarily promoted to a position outside the unit, a supervisory differential based on that employee's pay may continue for no more than 30 days.

(4) If a subordinate is temporarily promoted for more than 120 days to another position under the same supervisor, a new differential based on the subordinate's higher salary may be approved for the period of time the new supervisory/subordinate relationship lasts. Normally, the determination will be made at the time of selection of the subordinate for temporary promotion. It may, however, be made later as long as the subordinate's total service on temporary promotion has exceeded or will exceed 120 days. In any case, the higher rate is to be paid only on a prospective basis from the date of decision.

**f. Paying the Differential**

(1) The differential is to be paid for hours during which the supervisor receives basic pay, exclusive of overtime hours. For full-time supervisors, the differential will be paid for not more than 80 hours per pay period; for part-time employees, the differential will be paid only for non-overtime hours in a pay status.

(2) The decision to pay a supervisory differential is discretionary; therefore, no differential may be paid until approved by the appropriate management official. In no instance may a differential be paid retroactively.

(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 differential may be paid as a result of a higher paid 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.

(4) 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 10 below. Coding instructions for initiating, adjusting, or terminating differentials will be provided separately to servicing personnel offices for their use and coordination with fiscal offices.

**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 (\$151,800 as of January 4, 1998). See section B of chapter 530, this part for additional information.

## **8. CALCULATION OF SUPERVISORY DIFFERENTIAL**

**a. Limitation on Rate of Subordinate.** 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 A for sample calculations.)

**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 (see par. 4a of this section) or GAP;
- (3) A staffing differential, if implemented by OPM (see par. 4e of this section).
- (4) A retention allowance under Section C of chapter 575;
- (5) Premium pay paid on an annual basis; and
- (6) 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:

- (1) Basic pay not to exceed the maximum rate for the position and grade (retained rates are excluded);

- (2) A locality comparability payment or GAP 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, Sunday or holiday pay, a retention allowance under Section C of chapter 575, 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 employees. Title 38 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. (See par. 3d, this section, for guidance on approval of a differential for a full-time supervisor of a part-time subordinate.)

**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 appendixes A and B, this section, for computation examples.)

## 9. SUBMISSION PROCEDURES

**a. Contents of Recommendations.** Regardless of the approval level or types of employee supervised, recommendations to pay a supervisory differential must contain the following:

- (1) The supervisor's position description;
- (2) The subordinate's position description or functional statement;
- (3) Signed and dated organizational chart showing all positions and the supervisory chain of command;
- (4) Recommended amount or percentage of differential;
- (5) Work sheet comparing continuing pay of the supervisor and subordinate, including approximate dates and amounts of anticipated pay changes for both (See Appendix B, this section, for format);
- (6) Reason for paying the differential, including an evaluation of the relationship in pay among GS supervisors in the unit and other units;

(7) Certification that the supervisor is responsible for the personnel management functions outlined in paragraph 4d, this section; and

(8) Any other supporting documentation, such as relative position in a rate range, earning potential in each position, etc.

**b. Submission of Requests for Supervisors of Title 38 Employees**

(1) For all centralized and noncentralized field positions, requests for supervisory differentials will be signed by the facility Director and submitted through channels to OHRM (051) 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 OHRM (052) for review and processing prior to referral to the approving official.

**10. PROCESSING**

**a. Responsibilities.** An adjustment to the differential must be initiated and processed by the servicing personnel office. There will be no advance notice from the Personnel and Accounting Integrated Data 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 Official Personnel Folder (OPF).

**b. Change in Supervisor's Continuing Pay.** Adjustments, such as a within-grade increase (WGI), general or comparability increase, or merit increase for a PMRS employee, which affect the rate of basic pay of a supervisor who is receiving a differential, will normally be processed automatically. However, each time a continuing payment (basic pay, GAP, retention allowance, etc.) is adjusted or terminated, the differential must be 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 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 change in the percentage of the differential, except as provided in paragraph 6, this section, requires a redetermination 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., may require an adjustment or termination of the differential. Any of these conditions may affect the supervisor's eligibility for a differential and will require a recomputation of the differential and adjustment, if necessary, within 30 days of the action affecting eligibility for the differential or the amount payable.

## 11. TERMINATION OR ADJUSTMENT OF SUPERVISORY DIFFERENTIALS

**a. Responsibility.** The primary responsibility for ensuring that supervisory differentials are properly adjusted or terminated rests with the immediate supervisor of the recipient of a differential. However, since there is currently no way in the Pay and Accounting Integrated Data System to link the non-GS subordinate's pay actions to the employee receiving the differential, the recipient is responsible for notifying his/her immediate supervisor when there is a staffing change or change in the subordinate's pay so the differential may be adjusted or terminated, as appropriate (see par. 5 of this section). Human Resources Management Offices will provide technical advice and assistance regarding terminations and adjustments. They and Fiscal Offices are responsible for processing the adjustment or termination of the differential within 30 days of the effective date of any staffing or pay change which changes eligibility for a differential, as specified below.

### **b. Required Termination**

(1) The supervisory differential must be terminated under either of the following circumstances:

(a) When the continuing pay of the supervisor, excluding the differential, exceeds the continuing pay of the highest paid non-GS subordinate. This may be due to changes in either the supervisor's or subordinate's pay.

(b) When a supervisor is no longer responsible for providing direct, technical and administrative supervision over a higher paid non-GS employee, whether due to retirements, reorganizations, temporary assignments or details of more than 30 days, changes in continuing pay, etc., of either the supervisor or subordinate.

(2) Required terminations do not need higher level approval.

**c. Required Adjustment.** The supervisory differential must be reduced or terminated, as appropriate, when the continuing pay of the supervisor, including the differential, exceeds the continuing pay of the highest paid non-GS subordinate, calculated according to the instructions in paragraph 8, this section, by more than 3 percent. Required adjustments do not need higher level approval.

**d. Discretionary Termination.** Only the approving official may authorize the discretionary termination of a differential. Requests for termination of a differential will be submitted in the same manner and to the same approving official as the initial request. The differential may be terminated at any time, but requires a written determination and justification.

**e. Discretionary Adjustment.** Supervisory differentials may be adjusted by the appointing official to any amount which does not exceed either the authorized percentage of the differential or 3 percent above the subordinate's pay, whichever is lower. A written record of the adjustment and reason for it must be prepared and maintained with the initial approval documents.

**f. Effective Date.** The reduction or termination of a differential must be effective no later than 30 calendar days after the event which triggers the required reduction or termination, or the discretionary decision to reduce or terminate the differential. Making reductions or terminations effective at the beginning of a pay period will simplify matters for personnel and payroll staffs. Failure to adjust or terminate a differential will result in salary overpayments, which entail repayment obligations. Increases in differentials are discretionary and may not be effected until authorized by the approving official.

**g. Appeals.** The reduction or termination of a differential may not be grieved through the agency grievance procedure, nor may such actions be appealed. However, this does not lessen or eliminate any of the employee rights and remedies authorized by subchapter II of chapter 12 of title 5 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, handicapping condition, marital status or political affiliation.

## 12. REPAYMENT REQUIREMENTS

**a. General.** An overpayment occurs whenever a differential is not terminated within 30 days of the date the supervisor became ineligible for the differential or the date the differential was required to be adjusted. The employee is obliged to notify human resources managers of staffing changes which affect eligibility for the differential. Therefore, an employee who receives an overpayment shall be indebted to the U.S. Government and must repay the overpayment, unless a waiver is approved.

**b. Waiver Procedures.** When an overpayment occurs, a Bill of Collection will be prepared by Fiscal Service notifying the employee of the overpayment. The employee will be advised how to request a waiver of repayment liability. Requests will be processed through the VA Committee for Waivers and Compromises (VA Directive 4060 and related Handbooks). Amounts owed shall be recovered under VA regulations for collection by offset from an indebted Government employee under 5 U.S.C. 5514 and subpart K of 5 CFR part 550.

### 13. RECORDS

**a. To be Maintained by Servicing Personnel Office.** A record of each supervisory differential approval will be maintained by the servicing personnel office for at least two years after its termination. The information retained will include:

- (1) Name, position, grade, and step of the supervisor;
- (2) Name, position, grade, step, and applicable pay schedule of the subordinate;
- (3) Justification and information specified in paragraph 9a, this section;
- (4) A signed, dated copy of the approval document;
- (5) Information on all discretionary adjustments, including the reasons; and
- (6) Information on the termination of the differential, including the reason and the effective date.

**b. To be Filed in OPF.** A copy of the approval and the most recent computation sheet showing the amount of differential currently being paid shall be maintained on the temporary (left) side of the OPF.

**Appendix A - Examples of Continuing Pay and Differential Computations**

NOTE: GS rates in examples are as of January 1998

Example 1: GS-11/3 supervisor over WS-10/5 subordinate at \$20.43 per hour.

A. Subord. basic pay	\$42,637	Supr. basic pay (GS-11/3)	\$39,049
(\$20.43 x 2,087)			
Continuing payments	None	Continuing payments	None
Subord. cont. pay	\$42,637	Supr. continuing pay	\$39,049
B. Recommended Differential: 3 percent		Target rate: \$43,916 (Round down)	
(Desired percentage x Subord. continuing pay)			
C. Amount of Differential	\$ 4,867		
(Target rate - Supr. continuing pay)			

Supervisor will receive \$2.33 (\$4,867/2,087, rounded down) for every straight-time hour during which basic pay is paid.

**Note** that the computation does not change if one or both employees are part-time. However, as stated in paragraph 3d, section D, a differential for a supervisor of a part-time subordinate would be appropriate only under the most unusual circumstances.

Example 2: GM-13 supervisor over Nurse III subordinate nurse earning \$70,490 per annum; both employed in New York, NY.

A. Subord. basic pay	\$70,490	Supr. basic pay (GM-13)	\$58,114
Continuing payments	None	Continuing payments	\$ 5,672
		(9.76 percent LCP)	
Subord. continuing pay	\$70,490	Supr. continuing pay	\$63,786
B. Recommended Differential: 1 percent		Target rate: \$71,195 (Standard rounding)	
(Desired percentage x Subord. continuing pay)			
C. Amount of Differential	\$ 7,409		
(Target rate - Supr. continuing pay)			

Supervisor will receive \$3.55 (\$7,409/2,087, standard rounding) for every hour during which basic pay is paid, exclusive of overtime. Because the approved differential is for less than 3 percent, standard rounding is used; if the differential in this case were 3 percent, the hourly rate would have to be rounded down.

Example 3: GS-12/3 supervisor over WS-11/5 subordinate on pay retention (retained rate of \$24.06, scheduled rate for WS-11/5 is 21.95)

A. Subord. basic pay	\$45,810	Supr. basic pay (GS-12/3)	\$46,802
(Scheduled maximum of grade - \$21.95 x 2,087)			
Continuing payments	\$ 4,581	Continuing payments	\$ 2,537
(10 percent night shift)			
Subord. continuing pay	\$50,391	Supr. continuing pay	\$49,339
B. Recommended Differential: 3 percent Target rate: \$51,902 (Round down)			
(Desired percentage x Subord. continuing pay)			
C. Amount of Differential	\$ 2,563		
(Target rate - Supr. continuing pay)			

Supervisor will receive \$1.22 (\$2,563/2,087, rounded down) for every hour of basic pay, exclusive of overtime hours.

NOTE: The maximum rate for the subordinate's grade, *not the retained rate*, is used as basic pay. Even though this rate is lower than the supervisor's, continuing payments make the subordinate's continuing pay higher than the supervisor's, and a differential may be paid. If there were no continuing payments, the subordinate's continuing pay would be lower than the supervisor's, and then no differential could be paid. Note also that the differential **must be terminated** when the supervisor receives a WGI to step 4. This will result in a reduction to the supervisor's continuing pay. In this instance, a differential may not be appropriate because the pay inversion will not be long-lasting.

Example 4: GM-13 employee on special salary rate supervises Nurse III subordinate earning \$59,666.

A. Subord. basic pay	\$69,666	Supr. basic pay (GM-13)	
	\$65,450		
Continuing payments	None	(Special salary rate)	
		Continuing payments	
			(10 percent retention allowance)
Subord continuing pay	\$69,666	Supr. continuing pay	
	\$71,995		

Although the supervisor's basic pay is lower than the subordinate's, the supervisor's continuing pay is higher than the subordinate's; therefore, no differential may be paid.

**Note: See Appendix C for special guidance on subordinate pay above GS-15/10.**

**Appendix B - Supervisory Differential Computation Sheet**

1. Name of Subordinate and Basic Pay: (annual salary)  
(EXCLUDE retained rate. For FWS employees, multiply the hourly rate by 2,087 and use conventional rounding.)

2. Additional Continuing Payments: (annual amounts)  
(IMPORTANT: Refer to paragraph 8c of Section D for information on continuing payments for subordinate.)

3. Total Subordinate's Continuing Pay: (sum of #1 and #2)

4. Recommended Differential: (percentage)  
(Multiply subordinate's continuing pay in #3 by recommended percentage (not more than 3 percent) to determine target rate for the supervisor.) (NOTE: If differential is 3 percent, always round down; if less than 3 percent, use conventional rounding.)

5. Name of Supervisor and Basic Pay: (annual salary)  
(INCLUDE retained rate.)

6. Additional Continuing Payments: (annual amounts)  
(IMPORTANT: Refer to paragraph 8b of Section D for information on continuing payments for supervisor.)

7. Total Supervisor's Continuing Pay: (sum of #5 and #6)

8. Recommended Differential: (annual dollar amount)  
(Subtract supervisor's continuing pay in #7 from the target rate calculated in #4 - this is the amount of differential. The sum of #7 and #8 cannot be more than three percent above the amount in #3.)

9. To determine the hourly amount of the supervisor's differential, divide the recommended differential by 2087. Carry to four decimal places. If the recommended differential is 3 percent, always round down; otherwise, use conventional rounding.

10. For both supervisor and subordinate, provide:

Date of next schedule adjustment: (date for supr.) (date for subord.)

Date of next WGI or PSI: (date for supr.) (date for subord.)

IMPORTANT: These dates show when the amount of the differential must be recomputed and adjusted or terminated, as necessary. The differential must be recalculated whenever there is a staffing change or pay adjustment affecting either the subordinate or the supervisor.

**Appendix C - Subordinate Pay Above GS-15/10**

These examples illustrate situations when a differential may not be paid because the subordinate's pay is above the rate for GS-15/10, as specified in paragraph 7c of section D of this chapter. The rates used in the examples are based on General Schedule rates effective January 4, 1998.

A. When the supervisor is paid from the nationwide GS schedule, then a differential may be paid only for subordinates earning not more than the rate for GS-15/10 on the nationwide schedule (\$94,287 as of January 4, 1998).

B. When the supervisor is paid from a locality schedule, then a differential may be paid only for subordinates earning not more than the rate for GS-15/10 on the locality schedule.

C. When the supervisor is paid from a special salary rate schedule which includes higher rates for GS-15, then a differential may be paid only for subordinates earning not more than the special salary rate for GS-15/10.

D. These rules are applied according to the supervisor's location.

Question: May a differential be paid if:

a. The higher paid non-GS subordinate earns \$20.42 per hour as a WS-10 General Foreman?

Answer: Multiply \$20.42 x 2,087 for annual salary = \$42,617

Yes; the subordinate's rate of basic pay is less than the rate for GS-15/10, so a differential may be paid.

b. The higher paid subordinate is a Nurse III nurse earning \$62,047 per annum?

Answer: Yes; the subordinate's rate of basic pay is less than the rate for GS-15/10, so a differential may be paid.

Question: What is the limit on the non-GS subordinate's pay, above which no differential may be paid, when the supervisor is receiving a locality payment of 5.42 percent?

Answer: The limit is the rate of pay for GS-15/10 plus the locality payment. So, multiply GS-15/10 by the percentage of locality pay. A supervisor in a locality area receiving 5.42 percent LCP may not receive a differential if the subordinate earns more than \$99,397 (GS-15/10 x 5.42 percent).

Question: What is the limit on the non-GS subordinate's pay, above which no differential may be paid, when the supervisor is a title 5 employee paid worldwide special salary rates (SSR)?

Answer: The limit is the rate of pay for GS-15/10 on the SSR schedule, if there is a SSR established at GS-15 for the supervisor's occupation.

**December 31, 1998**

**MP-5, Part I  
Chapter 575  
Appendix C**

EXAMPLE: If the beginning SSR at GS-15 is equivalent to GS-15/3 on the regular schedule, then the limit on the non-GS subordinate's pay, above which no differential could be paid, would be \$99,123. The GS-15/10 SSR for this occupation would be equivalent to a step 12, or GS-15/10 + 2 WGIs (\$94,287 + 2,418 + 2,418).