

PAY ADMINISTRATION

1. REASON FOR ISSUE: To revise Department of Veterans Affairs (VA) policy regarding pay administration.

2. SUMMARY OF CONTENTS/MAJOR CHANGES: This handbook contains mandatory VA procedures on pay administration. The pages in this issuance replace the corresponding page numbers in VA Handbook 5007. Due to the significant number of changes in part VI, the entire chapters 1, 2 and 3 regarding recruitment, relocation, and retention incentives and related appendices are replaced in their entirety. These changes will be incorporated into the electronic version of VA Handbook 5007 that is maintained on the [Office of Human Resources Management Web site](#). Significant changes include:

- a. Revises approval levels for all incentives.
- b. Requires mandatory review and reauthorization of all retention incentives.
- c. Establishes annual certification and reporting requirements for all incentives.
- d. Revises and limits payment options and methods.
- e. Requires advertisement of incentives on vacancy announcements.
- f. Automatically terminates retention incentives lacking an annual review.
- g. Adds authorization forms.
- h. Clarifies that for re-employed annuitants, the employee's salary before any offset for annuity will be used to compute incentive amount.

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

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

5. RESCISSIONS: None

CERTIFIED BY:

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

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[PAY ADMINISTRATION

PART VI. RECRUITMENT AND RETENTION INCENTIVES

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[PART VI. RECRUITMENT AND RETENTION INCENTIVES**CHAPTER 1. GENERAL**

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

2. OVERALL

a. Each of the pay flexibilities and incentives contained in this part are important tools when strategically and prudently used to address human capital needs. These flexibilities and incentives facilitate the staffing of difficult to fill positions with highly qualified candidates who possess unique skills and competencies and the retention of employees whose services are essential to the Department and who would otherwise leave Federal service. The effective use of these flexibilities requires a proper assessment of the Department's needs, fully justified authorization documents, periodic and annual reviews to determine the need for continued use, and the consideration of other staffing flexibilities where appropriate. Recommending and approving officials are responsible for ensuring that authorized pay flexibilities and incentives support the organization's workforce plan and strategic goals and meet Government-wide regulations and Department policies.

b. Successful workforce and succession planning efforts do not rely on pay flexibilities alone. Organizations must consider the recruitment and development of highly qualified employees as an ongoing process, continually reviewing and analyzing workforce data to determine trends, identifying gaps in competencies, and developing strategies to address current and future staffing needs. In conjunction with pay flexibilities and incentives, organizations must consider and use, as appropriate, career development programs, mentoring, job reengineering, knowledge transfer, telework arrangements, alternate work schedules and other options in order to build and maintain a quality high-performing workforce with essential skills and competencies to accomplish the Department's mission and goals.

3. RESPONSIBILITIES

a. Subject to the approval criteria for each pay flexibility, an official at a level higher than the recommending official must serve as the approving official. Officials must carefully review and follow the mandatory procedures in this part before proceeding with the recommendation and approval of pay flexibilities. Since pay flexibilities are discretionary, approval may not be made on a retroactive basis. For recruitment and relocation incentives, approval must occur before the employee enters on duty.

b. The Secretary, or designee, is the approving official for employees occupying positions centralized to the Office of the Secretary. This includes employees in the Senior Executive Service (SES), title 38 SES-equivalents, Senior Level (SL) employees, and GS-15 employees in centralized positions.

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c. Under Secretaries, Assistant Secretaries, Other Key Officials, and Deputy Assistant Secretaries, or their designees, are the recommending officials for employees in their organization occupying positions centralized to the Office of the Secretary. They or their designees are the approving officials for employees occupying VA Central Office positions in their organizations that are not centralized to the Office of the Secretary and for employees occupying field positions centralized to their respective offices.

d. Network Directors in the Veterans Health Administration (VHA) and National Cemetery Administration (NCA), and Area Directors in the Veterans Benefits Administration (VBA) are the approving officials for employees in non-centralized positions under their jurisdiction.

e. Subject to approval limits in this part, Medical Center, Regional Office, Cemetery Directors and Regional Counsels in the Office of General Counsel (OGC) are the approving officials for employees in non-centralized positions under their jurisdiction. This approval authority may not be re-delegated.

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

CHAPTER 2. RECRUITMENT AND RELOCATION INCENTIVES**1. GENERAL**

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

b. Subject to the approval requirements in paragraph 5 and the procedures contained in this chapter, recruitment and relocation incentives of up to 25 percent of an employee's annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years in a service agreement (four-year maximum) may be authorized to high quality employees in positions that are likely difficult to fill without such incentives. Total incentive payments may not exceed 100 percent of an employee's annual rate of basic pay. Incentives are not considered basic pay for any purpose. When calculating a recruitment or relocation incentive, an employee's rate of basic pay includes any locality-based comparability payment under 5 CFR part 531, subpart F, or any special rate under 5 CFR part 530, subpart C or 38 U.S.C. 7455 but excludes additional pay of any kind such as night shift differential or environmental differential. For the purposes of this chapter, market pay for physicians and dentists under 38 U.S.C. 7431(c) will be included in basic pay. For the purposes of this chapter, special pay for pharmacist executives and nurse executives will be included in basic pay.

c. Prior to authorizing a recruitment or relocation incentive, organizations must first fully justify the need for the incentive. Appendix VI-A contains VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives, which must be used in both the justification and subsequent authorization of incentives. Section A, Justification of Incentive, should be completed as soon as an organization considers the use of an incentive in order to determine if it is justified. Section A must be completed and signed by all appropriate officials prior to advertising incentives on a vacancy announcement. Once an incentive is justified for a vacant position, the vacancy announcement must contain a statement that the incentive may be authorized. Paragraph 7 contains factors that must be addressed to justify incentives and Appendix VI-A contains guidance for addressing each factor and instructions for completing VA Form 10016.

d. Once a candidate is selected to receive an incentive, organizations must complete Section B, Authorization of Incentive, of VA Form 10016. Section B contains information on the candidate's qualifications, the authorized percentage, payment method, service obligation length and other information specific to the individual. This phase of the authorization process must also include a completed service agreement signed by the candidate and the approving official specifying the terms and conditions for which the incentive is payable. VA Form 10016 and the service agreement must be approved before a candidate enters on duty. Approvals may not be made on a retroactive basis. Appendix VI-B contains a sample recruitment/relocation service agreement and instructions for completion.

e. Except for positions centralized to the Office of the Secretary, approving officials may delegate to an official at a level no lower than a candidate's potential supervisor the authority to offer a recruitment incentive when necessary to make a timely offer of employment. Section A of VA Form 10016 must be

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completed prior to or at the time of such delegation. The delegation must be in writing and specify the conditions under which an incentive may be offered, including payment range and time period in which the delegation is in effect. The delegation may also include a candidate's necessary qualifications, skill level, service agreement requirements and other conditions specified by the approving official. A copy of the delegation will be filed in the servicing human resources office and ultimately maintained with the completed VA Form 10016 and employee service agreement. The approving official, not the delegated official, must ultimately sign VA Form 10016.

2. COVERAGE

a. Recruitment incentives may be paid to full-time and part-time employees; recruitment incentives may not be paid to intermittent employees except when approved at the Network Director, Area Director, or Deputy Assistant Secretary levels or higher.

b. Relocation incentives may be paid to full-time employees only; relocation incentives may not be paid to part-time or intermittent employees.

c. Subject to the employment status above and the eligibility requirements in paragraph 6 below, incentives may be offered to employees in the following positions or appointments:

(1) **Title 5 and Hybrid Positions.** General Schedule (GS) positions paid under 5 U.S.C. 5332 (including "hybrid" positions listed under 38 U.S.C. 7401(3) or approved for 38 U.S.C. 7401(3) hybrid status by the Assistant Secretary for Human Resources and Administration in accordance with VA Handbook 5005, Part II, Chapter 3, Section A, paragraph 2), 5 U.S.C. 5305 or 38 U.S.C. 7455; senior-level or scientific and professional positions paid under 5 U.S.C. 5376; Senior Executive Service (SES) positions paid under 5 U.S.C. 5383; law enforcement officer positions as defined by 5 CFR 550.103; Executive Schedule positions paid under 5 U.S.C. 5311-5317 or a position the rate of pay for which is fixed by law at a rate equal to a rate for the Executive Schedule; and Federal Wage System positions.

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

3. EXCLUSIONS

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

excluded from the provisions of this chapter but are covered under the provisions of VCS Directive 08-02, Recruitment, Relocation and Retention Incentives.

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

- (1) A time-limited appointment in the competitive or excepted service;
- (2) Employment with the Government of the District of Columbia (DC) when the candidate was first appointed by the DC Government on or after October 1, 1987;
- (3) Appointment as an expert or consultant under 5 U.S.C. 3109 and 5 CFR part 304;
- (4) A non-permanent appointment (excluding a Schedule C appointment under 5 CFR.213) in the competitive or excepted service;
- (5) A provisional appointment under 5 CFR 316.403;
- (6) Appointment under the Student Career Experience Program under 5 CFR 213.3202(b);
- (7) An SES limited term or limited emergency appointment as defined in 5 U.S.C. 3132(a)(5) or (a)(6), respectively.

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

4. RESPONSIBILITIES

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

b. The Office of Human Resources Management (OHRM) is responsible for advising management officials on the regulations and procedures in this chapter, conducting technical reviews of incentives submitted for OPM's approval, conducting technical reviews for title 38 incentives requiring the Under Secretary for Health's approval, auditing incentives for non-centralized positions and centralized positions, monitoring usage trends and anomalies and fulfilling Department-wide reporting requirements to the Secretary as contained in this chapter or as required by government entities.

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c. The Corporate Senior Executive Management Office (CSEMO) is responsible for advising management officials on the application of regulations and procedures for executive positions and for conducting technical reviews of incentives and assuring the completeness of authorizations for positions that are centralized to the Office of the Secretary, to include SES, title 38 SES-equivalent and senior level employees. The CSEMO will ensure that the incentive has been justified and approved prior to advertising incentives on a vacancy announcement and will maintain documentation adequate for reconstruction for each incentive submission.

d. Human Resources Management Officers (HRMOs) are responsible for:

(1) Advising management officials on the provisions in this chapter, providing technical advice and assistance on incentive percentages, length of service obligation requirements, definition of the geographic area (when appropriate), and other technical matters and assuring the completeness of authorizations prepared and approved at the local level.

(2) Reviewing and concurring on all justifications and approvals to ensure factors are fully addressed, accurate and current and that all information meets the requirements for approval. The review and concurrence of justifications (Section A, Justification and Authorization of Recruitment and Relocation Incentives, VA Form 10016) must occur prior to advertising incentives on vacancy announcements; the review and concurrence of the authorizations (Section B, Justification and Authorization of Recruitment and Relocation Incentives, VA Form 10016) must occur before an employee enters on duty.

(3) Maintaining documentation adequate for reconstruction of each case, and prepare reports as required.

(4) Reviewing the records of those being considered for positions to determine whether a service obligation remains unfulfilled and, if so, notifying the recruiting office.

(5) For relocation incentives, confirming that a candidate's most recent performance rating of record is at least "Fully Successful" or equivalent and that the employee has established a residence in the new geographic area before payment is processed.

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

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

g. Employees are responsible for signing a service agreement to receive an incentive and for completing the required service in accordance with the terms of the service agreement. For relocation incentives, employees are responsible for certifying to the servicing human resources office the establishment of a residence in the geographic area for which the incentive is authorized.

5. APPROVING AND RECOMMENDING OFFICIALS

- a. The Secretary, or designee, is the approving official for employees occupying positions centralized to that office. This includes employees in the SES, title 38 SES-equivalents and senior-level or scientific and professional positions. The CSEMO conducts a technical review and makes recommendation for all incentives for SES, title 38 SES-equivalents and SL employees submitted to the Secretary, or designee, for approval.
- b. Under Secretaries, Assistant Secretaries, Other Key Officials, and Deputy Assistant Secretaries, or their designees, are the recommending officials for employees in their organizations occupying positions centralized to the Secretary. They, or their designees, are the approving officials for employees occupying VA Central Office positions in their organizations that are not centralized to the Secretary, and employees occupying field positions centralized to their offices.
- c. Network Directors in the Veterans Health Administration (VHA) and National Cemetery Administration (NCA), and Area Directors in the Veterans Benefits Administration (VBA) are the approving officials for incentives for employees in non-centralized positions under their direct jurisdiction or organization. Also these individuals are the approving officials for all incentives greater than 15 percent recommended by Facility Directors within their respective Network or Area. These individuals are also approving officials for incentives paid to employees with an unfulfilled service obligation from a previous incentive and for recruitment incentives for intermittent employees. The approval authority for officials in this category may not be re-delegated.
- d. The General Counsel is the approving official for incentives (except for SES and SL positions) in the Office of General Counsel that are greater than 15 percent, for incentives paid to employees with an unfulfilled service obligation from a previous incentive, and for recruitment incentives for intermittent employees. The approval authority may not be re-delegated.
- e. Medical Center Directors, Regional Office Directors, Cemetery Directors and Regional Counsels (in the Office of General Counsel) are the approving officials for incentives up to 15 percent for employees in non-centralized positions under their jurisdiction. This approval authority may not be re-delegated. These officials may not approve incentives greater than 15 percent, incentives to employees with unfulfilled service obligation from a previous incentive, or recruitment incentives for intermittent employees.
- f. The Office of Personnel Management (OPM) may authorize recruitment and relocation incentives in excess of 25 percent, but not in excess of 50 percent, for SES and title 5 employees based on a critical VA need. The Secretary may take similar action for title 38 SES-equivalent employees; the Under Secretary for Health may do so for title 38 employees that are not SES-equivalent.
- g. Except as otherwise provided, an official at a level lower than the approving official is the recommending official for all incentives. Under Secretaries and Assistant Secretaries may serve both as the recommending official and approving official for incentives, except for incentives that require the Secretary's or designee's approval.

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CHAPTER 2****6. ELIGIBILITY REQUIREMENTS**

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

b. Relocation Incentives

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

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

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

(4) Prior to receipt of a relocation incentive, employees must establish a residence in the new geographic area. Employees will submit written self-certification, which must include the employee's new address, to the human resources office once a residence is established in order to generate payment of the incentive.

(5) A relocation incentive is not payable and may not commence for the same period of employment covered by a recruitment incentive or previous relocation incentive. A relocation incentive may be payable and may commence for a period of employment covered by a retention incentive service agreement or retention incentive payment. When a relocation incentive is authorized for an employee

covered by a retention incentive, any such service agreements must run concurrently. A retention incentive paid on a bi-weekly basis must be terminated prior to authorizing a subsequent incentive. A retention incentive followed by a relocation incentive is the only instance in which an employee may receive more than one incentive and fulfill concurrent service agreements for the same period of service.

(6) A retention incentive paid in bi-weekly installments without a Retention Service Agreement must be terminated in order to authorize a relocation incentive.

7. JUSTIFICATION OF INCENTIVES

a. Section A, Justification of Incentive, which is contained in VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives, is the basis for determining that a position is likely to be difficult to fill without the use of an incentive. This section must be completed by the recommending official as soon as an organization determines that an incentive may be needed. The servicing human resources office must review and concur on justifications to ensure they are specific, current and relevant for the position(s). Section A must be completed and properly authorized prior to placing a statement on the vacancy announcement that a recruitment or relocation incentive may be authorized. When a position is filled through a vacancy announcement, an incentive cannot be approved unless it was advertised on the vacancy announcement.

b. Recommending officials must consider and fully document how each of the following factors contribute to the determination that an incentive is needed. If a factor does not apply, the justification must explain why a factor is not appropriate. Appendix VI-A contains instructions and guidance on fully addressing each of the following:

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

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

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

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

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

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

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

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

c. Justifications of incentives will not contain employee-specific information but rather will document why a position is likely to be difficult to fill in the absence of an incentive. Employee-specific information will be documented in Section B, Authorization of Incentive, of VA Form 10016 once a candidate is selected and offered an incentive.

8. AUTHORIZATION OF INCENTIVES

a. Once a candidate is selected and offered an incentive, Section B, Authorization of Incentive, of VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives, must be completed with employee-specific information, authorized percentage, effective date, payment method and schedule, service obligation length period, the candidate's qualifications and other required information. Section A, Justification of Incentive, must be fully completed and signed by the appropriate officials prior to the completion of Section B. Appendix VI-A contains instructions and guidance for the completion of Section B.

b. Incentive requests will be reviewed on a case-by-case basis by the human resources office and approving official. Requests for non-centralized positions will be submitted to the approving official through channels and the local human resources office for technical review and concurrence. Requests should be submitted early enough to permit approval of the incentive before the effective date of employment or before the employee relocates. Incentives for positions centralized to the Office of the Secretary will be submitted as part of the appointment package through appropriate channels. The CSEMO will conduct a technical review and make recommendation for all incentive requests for SES, title 38 SES-equivalent and SL employees. Decisions to pay a recruitment or relocation incentive must be made on a case-by-case basis for each employee or groups of employees.

c. Incentives may not be authorized to employees solely due to superior qualifications or to compensate employees for pay disparity with comparable positions in the private sector or for positions that routinely have a significant number of qualified applicants. Incentives may only be authorized when justifications fully document the difficulty of filling a position with a highly qualified candidate without an incentive. An incentive must be justified, documented and approved for a position using Section A, Justification and Authorization of Recruitment and Relocation Incentive, VA Form 10016, before a recruitment or relocation incentive may be authorized for a specific employee.

9. DETERMINING INCENTIVE AMOUNTS

a. The total amount of incentive payments paid to an employee in a service period may not exceed 25 percent of the employee's annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years (including fractions of a year) in the obligated service period (not to exceed 4 years). Amounts greater than 15 percent must be approved at the Network or Area Director level or higher (see paragraphs 5b, 5c and 5d). Amounts greater than 25 percent must be approved by OPM for title 5 employees, the Secretary for title 38 SES-equivalent employees and the Under Secretary for Health for all other title 38 employees (see subparagraph 5f).

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

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

c. The approved percentage and length of service selected should reasonably correlate to the difficulty experienced in obtaining high quality candidates. The highest percentage and maximum service lengths will be reserved for positions for which VA experiences the greatest difficulty in obtaining high quality candidates and for which VA has documented evidence of long-term staffing difficulties. It is important to make meaningful and consistent distinctions in determining approved percentages and service periods. The factors in paragraph 7 shall be considered when determining an appropriate percentage and required service period.

d. Subject to the approval levels in paragraph 5, incentive amounts may not exceed 25 percent of the annual rate of basic pay; therefore, calculation of incentives of 25 percent which result in a fraction of a dollar will be rounded down to the next whole dollar. Incentive amounts of less than 25 percent will be rounded up for \$0.50 or more and down for \$0.49 or less to the nearest whole dollar.

e. In order to exceed the 25 percent limitation (subject to the approval levels in paragraph 5e), the recommending official must fully address each factor in paragraph 7 and determine that the competencies required for the position are critical to the successful accomplishment of an important VA mission, project, or initiative, (e.g., program or project related to a national emergency, implementing a new law or critical management initiative). The additional criteria needed to exceed 25 percent may be documented in Section A, Item 7h, Other Supporting Factors or Special Circumstances of VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives.

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

(2) Requests to pay incentives greater than 25 percent for employees other than SES, title 38 SES-equivalent and SL employees must be submitted through appropriate channels to OHRM, Compensation and Classification Service (055) for technical review and recommendation. Requests to pay incentives

greater than 25 percent for SES, title 38 SES-equivalent and SL employees must be submitted through appropriate channels to the CSEMO (006E) for technical review and recommendation. Only requests meeting the criteria in this chapter will be forwarded to OPM, the Under Secretary for Health, or the Secretary for approval.

10. PAYMENT METHODS AND PROCEDURES

a. Incentive payments may be paid biweekly, as a lump sum, or in installments subject to the following limitations. Only one of the following payment methods may be used for each incentive:

(1) **Biweekly.** Payments must be in equal biweekly payments at the full authorized percentage each pay period;

(2) **Installments.** May not exceed 4 equal installments per year throughout the service period required by the service agreement; or,

(3) **Lump Sum.** An initial payment may be made at the beginning of the service period or a final lump sum payment may be made upon full completion of the required service period.

b. Payment of a relocation incentive may be made only after the incentive has been approved, the employee has signed a service agreement, the effective date of the employment action has passed and the employee has actually relocated for the purpose of establishing a residence. Employees must submit a written self-certification to the human resources office, which must include the employee's new address, to document that they have actually established a residence in the new geographic area before the incentive is actually paid.

c. An initial lump sum payment for a recruitment incentive may be made prior to the effective date of employment only if the incentive has been approved and the employee has signed a service agreement.

d. In order to reduce the repayment liability due to breached service agreements, approving officials are encouraged to structure payments to cover one year increments. For example, if a recruitment incentive is authorized for three years, an employee will initially receive payment only for the first year. After one year of service, the employee will receive the second payment; after two years of completed service, the employee will receive the third and final payment.

11. AGGREGATE LIMIT ON COMPENSATION. An employee may not receive any portion of an incentive that, when added to the annual rate of the employee's continuing payments and any lump sum payments received earlier in the calendar year, would exceed aggregate limits on pay. Any excess portion of the incentive may not be paid until the beginning of the next calendar year. Refer to part VII, chapter 2 for information on aggregate limits. Local Human Resources office officials will inform an incentive recipient affected by an aggregate limitation and include an explanation in the service agreement.

12. RECRUITMENT OR RELOCATION SERVICE AGREEMENT

a. In order to receive a recruitment incentive, employees must sign a service agreement and agree to complete a specified period of service in VA, or at a specific duty station. For a relocation incentive, the service must be completed at a specific duty station or with a successor agency in the event of a transfer of function. Incentive recipients must complete the obligated service period or repay the incentive unless repayment is waived (see paragraph 15c). A sample service agreement is provided in Appendix VI-B.

b. The service agreement must include the commencement and termination dates of the required service period. Except as provided in the agreement, the required service period for recruitment incentives must begin upon the commencement of service with VA. For relocation incentives, the required service period must begin after the employee establishes a residence in the new geographic area. The service period for both recruitment and relocation incentives must begin at the beginning of a pay period and terminate on the last day of a pay period. If service with the VA does not begin on the first day of a pay period, VA must delay the service period commencement date so that the required service period begins on the first day of the first pay period beginning on or after the commencement of service with VA or establishment of a residence.

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

d. The service agreement must specify the total amount of the incentive, the method of paying the incentive, the timing and amount of each incentive payment, the specific conditions under which VA must terminate a service agreement, the specific conditions under which VA may terminate a service agreement and the effect of termination of a service agreement on any additional payments for partially completed service. The service agreement may include any other terms or conditions that, if violated, will result in a termination of the service agreement. For example, the service agreement may specify the employee's work schedule, type of position, and the duties that are expected to be performed. In addition, the service agreement may address the extent to which a period of time on detail or in paid leave status is creditable toward the completion of the service period.

e. The service agreement must be signed and dated by the employee and the requesting official and attached to the completed VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives. The approved VA Form 10016 and service agreement will be filed on the temporary side of the employee's electronic Official Personnel Folder until the completion of the required service period. Copies of the service agreement will be given to the employee and the servicing fiscal office and one will be kept with the documentation file.

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CHAPTER 2****13. SERVICE OBLIGATIONS**

- a. The minimum service period for a recruitment incentive is six months. The minimum service period required for a relocation incentive for a permanent relocation is six months; for a temporary relocation it is 120 days.
- b. Service in a non-pay status will not count toward satisfying the service obligation. Any time in a non-pay status will postpone the service obligation to VA and will extend the period of obligated service by an equal amount of time.
- c. An increase in hours of work after receipt of an incentive, whether initiated by the employee or management, does not increase the incentive payment or accelerate satisfaction of the service obligation. If an incentive recipient requests and management approves a decrease in hours of work before completing the service obligation, repayment of a prorated portion of the incentive is required and the length of the unsatisfied portion of the service obligation remains. The amount of the incentive to be repaid will be computed as described in paragraph 15 below. If the hours of work are reduced at management's request, repayment of the prorated portion of the incentive will not be required; however, the length of the unsatisfied portion of the service obligation will remain.
- d. A service obligation required for VA payment of travel and moving expenses is distinct from a recruitment or relocation incentive service obligation and each obligation must be satisfied. However, the same period of service may be credited toward the satisfaction of both obligations.
- e. In the event of a transfer of function, the remainder of the service obligation will be satisfied with the successor agency or VA facility. A transfer of function does not include a voluntary transfer to another VA facility or organization at the employee's request. An employee who breaches a service agreement due to a voluntary transfer is subject to repayment liability. The service obligation must be completed at the location cited in the service agreement, unless the service agreement contains conditions for transferring an employee's remaining obligated service to another VA facility. Employees whose service obligation is transferred to another VA facility may not receive another incentive while under obligated service from a previous incentive.

14. TERMINATION OF A SERVICE AGREEMENT

- a. The approving official may unilaterally terminate a service agreement based solely on the management needs of the agency. For example, VA may terminate a service agreement when the employee's position is affected by a reduction in force, when there are insufficient funds to continue the planned incentive payments, or when VA assigns the employee to a different position (if the different position is not within the terms of the service agreement). If a service agreement is terminated under this subparagraph, the employee is entitled to all incentive payments that are attributable to completed service and to retain any portion of an incentive payment already paid that is attributable to uncompleted service.
- b. The approving official must terminate a service agreement if an employee is demoted or separated for cause (i.e., for unacceptable performance or conduct), if the employee receives a rating of record of less than "Fully Successful" or equivalent, or if the employee otherwise fails to fulfill the terms of the

service agreement. If a service agreement is terminated under this subparagraph, the employee is entitled to retain incentive payments previously paid by VA that are attributable to the completed portion of the service period. If the employee received incentive payments that are less than the amount that would be attributable to the completed portion of the service period, VA is not obligated to pay the employee the amount attributable to completed service, unless VA agreed to such payment under the terms of the service agreement. If the employee received incentive payments in excess of the amount that would be attributable to the completed portion of the service period, the employee must repay the excess amount.

c. The approving official must terminate a service agreement and the employee must repay the entire recruitment incentive when the employee is separated as a result of material false or inaccurate statements or deception or fraud in examination or appointment or as a result of failing to meet employment qualifications.

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

15. REPAYMENT REQUIREMENTS

a. **General.** An employee who fails to complete a service obligation or otherwise fulfill the terms of a service agreement shall be indebted to the Federal Government for incentive payments received in excess of the amount that would be attributable to the completed portion of the service period, and must repay the excess amount of the incentive on a prorated basis, unless a waiver is approved. A repayment requirement also occurs when a service agreement is terminated by the approving official under the conditions in subparagraph 14b or 14c.

b. **Determining the Amount of Repayment Obligation.** The following calculations apply only when an employee is entitled to retain payments that are attributable to completed service. They do not apply when a service agreement is terminated under paragraph 14c since the employee must repay the entire incentive.

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

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

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

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

(b) Multiply the resulting amount in subparagraph (a) above by the number of pay periods remaining in the service obligation (e.g., if the employee completed 28 pay periods of a 39-pay period obligation:

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\$307.69 times 11 pay periods remaining in the service obligation = \$3,384.59). This is the amount the employee must repay.

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

(d) Compare the resulting amount in subparagraph (c) above to the total of the incentive payments already paid to the employee under the service agreement. The employee must repay any amount received in excess of the amount determined in subparagraph (c) above (e.g., if the employee received the \$12,000 incentive as a lump sum payment at the commencement of the service period, \$3,384.59 must be repaid to VA. If the employee received payments totaling less than the resulting amount in subparagraph (c) above, the employee is owed the difference.

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

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

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

(c) Multiply the resulting amount in subparagraph (b) above by the amount of the reduction in hours to arrive at the repayment obligation (e.g., a full-time (8/8) employee reduces hours worked to 3/8. $8/8 - 3/8 = 5/8$ - $(5 \div 8 = .625 / .625$ times \$2,076.93 = \$1,298.08). This is the amount the employee must repay.

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

(5) The local payroll office must take appropriate action to collect any amount received by the employee in excess of the amount attributable to the completed period of service, or to submit overpayment determination to the payroll provider to support debt billing and collection. As appropriate, the local payroll office must submit documentation to the payroll provider to pay additional amounts due the employee to include any waiver determination.

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

c. Criteria for Approval of Waivers

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

(2) As provided in 5 CFR 575.111 and 5 CFR 575.211, approving officials may waive all or part of an employee's repayment requirements for breach of service agreements if there is a determination that recovery would be against equity and good conscience and not in the best interest of the United States. For example, waivers may be granted if an employee is unable to complete the service obligation due to an off-duty injury or if repayment would constitute an undue hardship due to unforeseen personal reasons. Waivers under this authority must be granted judiciously and only under compelling circumstances.

(3) A waiver will not be approved and the incentive will be repaid on a prorated basis for an employee who is separated for cause (e.g., on charges of misconduct or delinquency), before completion of the required service period. The employee must repay the entire recruitment incentive when the employee is separated as a result of material false or inaccurate statements or deception or fraud in examination or appointment or as a result of failing to meet employment qualifications.

(4) Approving officials do not have authority to waive overpayments due to erroneous incentive payments; approving officials may only consider waivers due to a breach of service obligation. Waivers for erroneous incentives must be processed through normal debt collection procedures through the Committee on Waivers and Compromises. Erroneous incentive payments include incentives paid to employees in which there was no authority to approve, incentives paid without proper authorization or the amount paid was larger than the approved amount. For example, recruitment incentives paid to a current Federal employee, or an incentive paid without the appropriate authorization, are considered erroneous incentives.

d. Requesting Waivers. Requests for waivers due to breach of service obligation will be submitted, through channels, to the official or representative who authorized the incentive. All cases involving breach of service obligations must be routed through the servicing human resources office for technical review prior to submission to the approving official. Incentives which were approved for SES, title 38 SES- equivalent and SL employees will be routed through channels to the CSEMO for technical review. Decisions on waiver requests are final within VA. However, this does not lessen or eliminate an employee's protection from the Prohibited Personnel Practices in 5 U.S.C. 2302 or an employee's right to any rights or remedies available through Equal Employment Opportunity processes or the Office of Special Counsel.

16. RECORDS AND REPORTS. Records sufficient to reconstruct the action will be maintained by the servicing human resources office for a minimum of six years following the end of the service obligation period or incentive payment date, whichever is later. Each facility must keep a record of each determination to pay an incentive and make such records available for review upon request by OHRM or

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any other authorized organization. Records on incentives approved for SES, title 38 SES-equivalent and SL employees will be maintained by the CSEMO. These records will include, at a minimum: the approved justification and authorization (VA Form 10016), the service agreement, supporting documentation described in paragraph 7, and waiver requests, approvals or denials, as applicable. Records shall also be made available to appropriate union officials upon request in accordance with governing laws, rules, and regulations.

17. ANNUAL CERTIFICATION AND INTERNAL MONITORING

a. On an annual basis, each servicing human resources office will be responsible for compiling a certification report attesting to the strategic and prudent use of all incentives authorized during the prior calendar year. The report will require information from each incentive authorization and must be signed at the Network, Area, or Deputy Assistant Secretary level or higher. Reports must be submitted to the Deputy Assistant Secretary for Human Resources Management (05) no later than March 31st each year and will be the basis for a Department-wide report to the Secretary.

b. To ensure all incentives are certified, human resources offices will receive a listing from PAID (or the Department's current human resources information system) with information for each incentive authorized during the prior calendar year to include the employee's name, occupation title and series, pay plan, grade/step, duty location, incentive type, incentive percentage authorized, and dates of the service period. The servicing human resources office will estimate the total incentive amount payable during the entire service period, the basis for the authorization and a description of any workforce and succession planning efforts proposed to eliminate or reduce the use of incentives or any labor market, staffing, or other data that supports continued use. For incentives with service periods greater than one year, the report must identify the long-term staffing difficulty used to justify the extended service period.

c. In addition to the annual certification report, OHRM's Compensation and Classification Service will extract data from PAID (or the Department's current human resources information system) on a quarterly basis to identify any trends or anomalies in usage. As needed, the Compensation and Classification Service will contact servicing human resources offices to verify information and to obtain copies of authorizations or other relevant documents needed for the analysis.

d. OHRM's Oversight and Effectiveness Service will routinely review a facility's incentive authorizations during onsite visits and reviews. This will include verifying justifications and authorizations and ensuring incentives are approved in accordance with VA policies and Federal Government regulations.

18. CONCURRENT SERVICE AGREEMENTS

a. In very unusual situations, an employee who has not yet completed the service obligation for a prior incentive may be considered for another assignment. Except as provided in paragraph c below, concurrent service agreements and multiple incentive payments for the same period of employment are not permitted. Employees who accept a new position but have a service obligation due to a previous relocation or recruitment incentive are subject to the repayment liabilities of the previously authorized service agreement unless the approving official terminates the agreement or waives repayment.

Terminating a service agreement or waiving repayment in order to offer an employee a subsequent incentive is generally inappropriate and must be approved as stated in paragraph c below.

b. A relocation incentive is not payable and may not commence for a period of employment covered by a recruitment incentive service agreement or a previous relocation incentive service agreement. A retention incentive followed by a relocation incentive is the only instance in which an employee may receive more than one incentive and fulfill concurrent service agreements for the same service period.

c. A relocation incentive may be payable for a period of employment covered by a retention incentive provided the conditions for both the retention incentive and relocation exists. Concurrent service agreements for retention incentives and relocation incentives as well as terminating an agreement or waiving repayment in order to pay a subsequent incentive require approval at the Network, Area or Deputy Assistant Secretary level or higher. Such approvals should be limited to rare and unusual circumstances in which an employee's retention is directly linked to a mission critical function in which documented evidence shows an inability to fill the position unless a subsequent incentive is approved.

**CHAPTER 3. RETENTION INCENTIVES
OTHER THAN FOR CLOSURE OR RELOCATION
OF EMPLOYING OFFICE, FACILITY OR ORGANIZATION**

1. GENERAL

a. Retention incentives may be used to retain full-time or part-time employees with high or unique qualifications or whose services are essential to a special VA need and are likely to leave Federal service without an incentive. These incentives are authorized under 5 U.S.C. 5754, extended to title 38 employees under the authority of 38 U.S.C. 7410, and are governed by regulations at 5 CFR part 575, subpart C, and the provisions of this chapter. For retention incentives based on the closure or relocation of the employee's office, facility or organization refer to Appendix VI-Q, Retention Incentive Due to the Closure or Relocation of Employing Office, Facility or Organization.

b. Subject to the requirements in this chapter, approving officials may authorize individual retention incentives of up to 25 percent of an employee's rate of basic pay or group incentives up to 10 percent of an employee's rate of basic pay. Individual incentives greater than 25 percent or group incentives greater than 10 percent require special approval by the Office of Personnel Management (OPM) for title 5 employees or the Under Secretary for Health for title 38 employees. When calculating a retention incentive, an employee's rate of basic pay includes any locality-based comparability payment under 5 CFR part 531, subpart F, or any special rate under 5 CFR part 530, subpart C or 38 U.S.C. 7455 but excludes additional pay of any kind such as night shift differential or environmental differential. For the purposes of this chapter, market pay for physicians and dentists under 38 U.S.C. 7431(c) will be included in basic pay. For the purposes of this chapter, special pay for pharmacist executives and nurse executives will be included in basic pay.

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

d. All retention incentives must be reviewed and recertified on at least an annual basis. Incentives that are not reviewed and recertified as required will be automatically terminated by VA's human resources personnel processing system or manually terminated by the servicing human resources office. When automatically terminated, VA's human resources personnel processing system will generate an alert message advising the servicing human resources office to issue an appropriate termination letter to the employee. Once terminated, retention incentives may not be reinstated or reapproved retroactively. The termination of an incentive is not grievable or appealable as authorization is based solely on the needs of the Department.

e. A retention incentive is an effective tool only when strategically and prudently used to retain employees with high or unique qualifications or whose services are essential to a special VA need when such employees are likely to leave Federal service without an incentive. A retention incentive is not appropriate when used primarily to compensate high performing employees for their services or essential employees who are not likely to leave Federal service. The proper administration of retention incentives requires periodic reviews (at least annually) to determine the need for continued use and

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persistent efforts to reduce or eliminate retention incentives as documented in an organization's workforce and succession plans.

2. COVERAGE

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

(1) **Title 5 and Hybrid Positions.** General Schedule (GS) positions paid under 5 U.S.C. 5332 (including "hybrid" positions listed under 38 U.S.C. 7401(3) or approved for 38 U.S.C. 7401(3) hybrid status by the Assistant Secretary for Human Resources and Administration in accordance with VA Handbook 5005, Part II, Chapter 3, Section A, paragraph 2), 5 U.S.C. 5305 or 38 U.S.C. 7455; senior-level or scientific and professional positions paid under 5 U.S.C. 5376; Senior Executive Service (SES) positions paid under 5 U.S.C. 5383; law enforcement officer positions as defined by 5 CFR 550.103; Executive Schedule positions paid under 5 U.S.C. 5311-5317 or a position the rate of pay for which is fixed by law at a rate equal to a rate for the Executive Schedule; and Federal Wage System positions.

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

b. **Group Retention Incentives.** Retention incentives may be authorized for a group or category of full-time or part-time employees occupying the positions and appointments listed in subparagraph 2a except that employees in senior-level or scientific or professional positions paid under 5 U.S.C. 5376; SES positions paid under 5 U.S.C. 5383; Executive Schedule positions paid under 5 U.S.C. 5311-5317 or a position the rate of pay for which is fixed by law at a rate equal to a rate for the Executive Schedule; and title 38 SES-equivalent employees are not eligible for group incentives.

3. EXCLUSIONS**a. General**

(1) Retention incentives may not be authorized for intermittent employees. Retention incentives may not be authorized for employees appointed on a time-limited basis of less than one year; as experts or consultants; on a without-compensation basis; as Presidential appointees; in the SES as noncareer appointees as defined in 5 U.S.C. 3132(a)(7); in a position excepted from the competitive service by reason of its confidential, policy-determining, policy-making or policy-advocating character; as a resident or intern under 38 U.S.C. 7406; or in the Veterans Canteen Service (see VCS Directive 08.02, Recruitment, Relocation and Retention Incentives). Retention incentives may not be authorized for employees with scholarship obligations to VA resulting from education or training activities.

(2) Except as provided in Appendix VI-Q, retention incentives may not be authorized or paid to a VA employee who is likely to leave for employment in another VA facility, Federal agency, a Government-controlled corporation, the Tennessee Valley Authority, the Virgin Islands Corporation, the Atomic Energy Commission, the Central Intelligence Agency, the National Security Agency, the Government Accountability Office; the Defense Intelligence Agency, or the National Imagery and Mapping Agency.

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

4. RESPONSIBILITIES

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

b. The Office of Human Resources Management (OHRM) is responsible for advising management officials on the regulations and procedures in this chapter, conducting technical reviews of incentive requests submitted to OPM, auditing retention incentives, monitoring usage trends and anomalies on a quarterly basis, and for compiling an annual certification report to the Secretary.

c. The Corporate Senior Executive Management Office (CSEMO) is responsible for advising management officials on the application of regulations and procedures for executive level positions in this chapter, conducting technical reviews of incentives and assuring the completeness of authorizations for positions that are centralized to the Office of the Secretary, to include SES, title 38 SES-equivalent and senior level employees.

d. Human Resource Management Officers (HRMOs) are responsible for:

(1) Advising management officials on the provisions in this chapter, providing technical advice and assistance on incentive percentages, length of service obligation requirements and other technical matters, and ensuring the completeness of requests prepared or approved at the local level;

(2) Maintaining documentation adequate to reconstruct each case, compile annual certification reports, and prepare other reports as required;

(3) Ensuring that records of those being considered for a retention incentive are screened to determine whether a service obligation remains unfulfilled; and

(4) Ensuring that approving officials and employees being recommended for retention incentives are informed about the impact of aggregate limitations on pay.

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

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

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

5. APPROVING AND RECOMMENDING OFFICIALS

a. The Secretary, or designee, is the approving official for employees occupying positions centralized to that office. This includes employees in the SES and title 38 SES-equivalents, and senior-level or scientific and professional positions. The CSEMO conducts a technical review and makes recommendation for all incentives for SES, title 38 SES-equivalents and senior level positions submitted to the Secretary, or designee, for approval.

b. Under Secretaries, Assistant Secretaries, Other Key Officials, and Deputy Assistant Secretaries, or their designees, are the recommending officials for employees in their organization occupying positions centralized to the Secretary. They, or their designees, are the approving official for employees occupying VA Central Office positions in their organizations that are not centralized to the Secretary and employees occupying field positions centralized to their offices.

c. Network Directors in the Veterans Health Administration (VHA) and National Cemetery Administration (NCA), and Area Directors in the Veterans Benefits Administration (VBA), are the approving officials for incentives for employees in non-centralized positions under their direct jurisdiction or organization. Also these individuals are the approving officials for all incentives greater than 15 percent recommended by Facility Directors within their respective Network or Area. These individuals are also approving officials for incentives paid to employees with an unfulfilled service obligation from a previous incentive. The approval authority for officials in this category may not be re-delegated.

d. The General Counsel is the approving official for incentives (except SES and SL) in the Office of General Counsel that are greater than 15 percent, and for incentives paid to employees with an unfulfilled service obligation from a previous incentive. The approval authority may not be re-delegated.

e. Medical Center Directors, Regional Office Directors, Cemetery Directors and Regional Counsels (in the Office of General Counsel) are the approving officials for incentives up to 15 percent for employees in non-centralized positions under their jurisdiction. This approval authority may not be re-delegated. These officials may not approve incentives greater than 15 percent or incentives to employees with unfulfilled service obligation from a previous incentive.

f. OPM may authorize retention incentives in excess of 25 percent, but not in excess of 50 percent, for title 5 employees based on a critical VA need. The Under Secretary for Health may take similar action for title 38 employees.

g. Except as provided below, an official at a level lower than the approving official is the recommending official for all incentives. Under Secretaries and Assistant Secretaries may serve both as recommending official and approving official for retention incentives, except for incentives that require the Secretary's or designee's approval.

6. ELIGIBILITY REQUIREMENTS

a. Retention incentives may be authorized for current employees serving in full-time or part-time appointments without time limit or for a minimum of one year who have no unfulfilled recruitment or relocation incentive service obligations and possess and maintain a rating of record of at least "Fully Successful" or equivalent. Retention incentives may not be authorized for intermittent employees.

b. A Retention Service Agreement to complete a specified period of obligated service with VA is required for all employees authorized incentives in excess of 25 percent, for all employees covered by a group authorization and for all employees paid an incentive in installments or as a lump sum. A Statement of Understanding (SOU) is required of all employees receiving retention incentives in equal bi-weekly installments.

c. Retention incentives may not commence for a period of employment covered by a service agreement resulting from a recruitment incentive, relocation incentive or a previously authorized retention incentive.

d. A new employee who enters on duty after the approval of a group retention incentive or who transfers into a position covered by a group retention incentive must serve at least 90 days before being authorized a group incentive. When defining the criteria for a group incentive approving officials may establish a minimum service requirement longer than 90 days. Longer minimum service requirements are encouraged when needed to assess an employee's performance in the new position. An employee must have a rating of record of "Fully Successful" or better in the position for which the group incentive is authorized.

7. AUTHORIZATION OF RETENTION INCENTIVES

a. VA Form 10017, Authorization and Review of Retention Incentive, in Appendix VI-C must be used for the authorization and review of all retention incentives (except retention incentives authorized for the Office of Inspector General). Appendix VI-C also contains guidance for completion of VA Form 10017.

b. A retention incentive may be authorized for an employee or group of employees whose retention is essential because of unusually high or unique qualifications (i.e., competencies) or a special need of the Department and who would otherwise leave the Federal service if an incentive were not authorized. The authorization must fully document the factors demonstrating the essential need to retain and the basis for determining that the employee or group would likely leave Federal service without the

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incentive. Evidence that each factor was considered must be documented in Section C of VA Form 10017. If a factor is not used in the determination, there must be an explanation as to why the factor does not apply. Appendix VI-C contains instructions and guidance on fully addressing each of the following:

(1) **Essential Need to Retain.** Each of the following factors must be considered and addressed:

(a) Employment trends and labor-market factors such as the availability and quality of candidates in the labor market possessing the competencies required for the position;

(b) The success of efforts within the previous six months to recruit candidates and retain employees with competencies similar to those possessed by the employee for positions similar to the position held by the employee;

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

(d) Efforts to use non-pay authorities to help retain the employee instead of or in addition to a retention incentive;

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

(f) The extent to which the employee's departure would affect VA's ability to carry out an activity, perform a function, or complete a project that is essential (or critical) to VA's mission;

(g) The salaries typically paid outside the Federal Government;

(h) The quality and availability of the potential sources of employees that are identified in the agency's, facility's or organization's succession plan, who possess the competencies required for the position, and who, with minimal training, cost, and disruption of service to the public, could perform the full range of duties and responsibilities of the employee's position at the level performed by the employee;

(i) Other supporting factors not previously addressed that demonstrate the essential need to retain.

(2) **Likelihood of Leaving Federal Employment.** In addition to documenting that retention is essential, recommending officials must certify and provide written narrative and other evidence that they are reasonably convinced that an employee (or group) is likely to leave Federal service in the absence of an incentive. Except for a retention incentive authorized due to the closure or relocation of an employing office, facility or organization in Appendix VI-Q, there is no provision to authorize an incentive to an employee or group who are not likely to leave Federal service. The basis for determining that an employee or group is likely to leave Federal service must be fully addressed in Section D of VA Form 10017 and may be based on one or more of the following:

(a) For an individual incentive:

(1) The employee is in receipt of a bona fide offer of employment as evidenced by a formal written job offer or affidavit signed by the employee providing the position and salary being offered, the name and location of the organization, and the prospective date of employment; or

(2) Confirmation of the employee's submission of a retirement application or letter of resignation to the local human resources office.

(b) For a group incentive:

(1) Employees within the group or category have unusually high or unique qualifications or there is a special need to retain the employees' services that makes it essential to retain the employees in the group or category; and

(2) It is reasonable to presume that there is a high risk that a significant number of employees in the targeted category or group would be likely to leave Federal service in the absence of a retention incentive. The following information may substantiate or justify a group retention incentive:

(a) A significant number of employees have received bona fide offers of employment, as evidenced by formal written job offers or affidavits signed by the employees providing the positions and salaries being offered, the name and location of the organization, and the prospective date of employment; or

(b) Documented evidence of high demand in the private sector for the knowledge and skills possessed by the group of employees and significant pay disparities between Federal and non-Federal salaries along with documented history of recent or expected turnover of employees in the position or category.

NOTE: *For privacy reasons, supervisors, managers, and other VA officials are not permitted to obtain or view copies of an employee's retirement application or letter of resignation. Instead, the recommending official may seek confirmation of the submission from the servicing human resources office and must include a written narrative containing the name of the HR employee who confirmed the submission; the date and time of the confirmation, and the employee's anticipated retirement or resignation date. Do not attach copies of an employee's retirement application or letter of resignation to the retention incentive authorization.*

(3) **Additional Criteria for Group Determinations.** In addition to addressing the criteria in subparagraphs (1) and (2) above, requests to pay group retention incentives must narrowly define the targeted group or category of employees and address the following factors:

(a) Occupational series;

(b) Grade level;

(c) Distinctive job duties;

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- (d) Unique competencies required for the position;
- (e) Required rating of record;
- (f) Minimum service requirement;
- (g) Organizational or team designation;
- (h) Geographic location; and
- (i) Assignment to a special project.

NOTE: *Employees must successfully occupy a position for a minimum of 90 days before becoming eligible for a group incentive. Recommending officials must specifically identify the minimum time that an employee must occupy a position before becoming eligible for a group incentive and may establish a minimum service requirement longer than 90 days. Longer minimum service requirements are encouraged when needed to assess an employee's performance in the new position.*

(4) **Workforce and Succession Plans:** Retention incentives are not intended to provide long-term staffing flexibility without the use of effective workforce and succession planning efforts. As a result, each retention incentive authorization must include a narrative explanation of an organization's workforce and succession plan to eventually eliminate or reduce the need for retention incentives. An organization's workforce and succession planning efforts must be fully documented in Section C (Item 20h) of VA Form 10017, Authorization and Review of Retention Incentive. The succession plan should include information on the quality and availability of potential sources of employees identified in the organization's succession plan who possess the competencies required for the position and who, with minimal training, cost, and disruption of service, could perform the full range of duties and responsibilities at the level performed by the employee. The plan may also include future recruitment and training efforts, changes in workflow distribution, reengineered processes or similar measures to eliminate the need to retain employees with an incentive. For positions with documented long-term staffing difficulties, the plan must describe how the continuation of retention incentives is a necessary flexibility to retain essential employees. Approving officials must ensure workforce and succession plans are actively pursued and successfully administered as documented in the authorization.

8. DETERMINING INCENTIVE AMOUNTS

a. The approved retention incentive rate should reasonably correlate to the difficulty experienced in retaining high quality candidates in positions for which VA has the greatest special needs. The highest percentages will be reserved for positions with the greatest retention difficulty and the greatest special needs. The factors in paragraph 7 and other factors such as an employee's work experience and skill level or the essential need on a special project shall be considered when determining an appropriate percentage.

b. A retention incentive rate must be expressed as a percentage of the employee's rate of basic pay. For re-employed annuitants, the employee's salary before any offset for annuity will be used to compute the incentive amount. For title 38 physicians and dentists, annual pay (sum of base and market pay) will be used to compute a retention incentive.

c. Subject to the approval levels in paragraph 5, a retention incentive may not exceed 25 percent for an individual employee or 10 percent for a group. Requests to exceed these limits require the approval of OPM for title 5 employees, the Secretary for title 38 SES-equivalent employees and the Under Secretary for Health for all other title 38 employees.

d. In order to pay more than 25 percent for individual incentives or 10 percent for group incentives, the recommending official must document in detail that the competencies required for the position are critical to the successful accomplishment of an important VA mission, project, or initiative, (e.g., program or project related to a national emergency, implementing a new law or critical management initiative).

e. Requests to pay individual incentives greater than 25 percent or group incentives greater than 10 percent for title 5 and title 38 employees (excluding SES, title 38 SES-equivalent and SL employees) must be submitted through appropriate channels to OHRM, Compensation and Classification Service (055) for technical review and recommendation. Requests to pay individual incentives greater than 25 percent for SES, title 38 SES-equivalent and SL employees must be submitted through appropriate channels to the CSEMO for technical review and recommendation. SES, title 38 SES-equivalent and SL employees are not eligible for group incentives. Only requests meeting the criteria in this chapter will be forwarded to OPM, the Under Secretary for Health or the Secretary for approval.

9. PAYMENT METHODS AND PROCEDURES. Retention incentive payments may be paid biweekly, in installments, or in a lump sum subject to the following limitations. The amount of basic pay earned by an employee during an installment period or, if paid in a lump sum, during the service period, will be multiplied by a percentage not to exceed the authorized incentive percentage rate established for the employee. For re-employed annuitants, the employee's salary before any offset for annuity will be used to compute the incentive. A retention incentive is not considered basic pay and is not creditable for retirement, overtime, or other purposes. Retention incentives may not be paid as an initial lump sum at the start of a service period or in advance of completing the service period for which the incentive is being paid. Only one of the following payment methods may be used for each incentive:

a. **Biweekly.** Payment may be made at the full authorized percentage on a biweekly basis. A statement of understanding is required for this payment option.

b. **Installments.** Payment may be made in installments at the full authorized percentage in four or fewer equal installments per year. A service agreement is required. Payment will generally not be made unless the employee completes the amount of service required for payment. For example, if the payment is scheduled after the completion of six months of service, an employee who separates or otherwise fails to complete six months of service will not be entitled to any payment. In limited extenuating circumstances, employees may receive payment for a period of service that is less than the obligated period of service if such conditions are specified in the agreement.

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c. **Lump Sum.** Full payment may be made after the completion of the obligated service period. A service agreement is required. Payment will generally not be made unless the employee completes the entire obligated service period. In limited extenuating circumstances, employees may receive payment for a period of service that is less than the obligated service period if such conditions are specified in the agreement.

10. AGGREGATE LIMIT ON COMPENSATION. An employee may not receive any portion of an incentive that, when added to the annual rate of the employee's continuing payments and any lump sum payments received earlier in the calendar year, would exceed aggregate limits on pay. Any excess portion of the incentive may not be paid until the beginning of the next calendar year. Refer to part VII, chapter 2 for information on aggregate limits. Human resources officials will inform an incentive recipient affected by an aggregate limitation and include an explanation in the service agreement or statement of understanding.

11. RETENTION SERVICE AGREEMENT

a. All employees who are authorized to receive payments in installments or as a lump sum, are authorized to receive an incentive greater than 25 percent, or who are covered by a group authorization must sign a Retention Service Agreement and agree to complete a specified period of service in VA (or a successor agency in the event of a transfer of function). Service in a non-pay status will not count toward satisfying the service obligation and will extend the period of obligated service by an equal amount of time. A service agreement is not required for employees authorized to receive an individual retention incentive of 25 percent or less paid at the full authorized percentage on a biweekly basis. A sample service agreement is provided in Appendix VI-P.

b. The service agreement must include the length of the required service period and the commencement and termination dates of the required service period. The required service period must begin on the first day of a pay period and end on the last day of a pay period.

c. The service agreement must specify the percentage authorized and the payment method.

d. The service agreement will include the conditions under which VA must terminate the service agreement before the employee completes the agreed-upon service period. VA must terminate the service agreement if an employee is demoted or separated for cause, receives a rating of record of less than "Fully Successful" or equivalent, otherwise fails to fulfill the terms of the service agreement, or when the conditions giving rise to the original determination to authorize the retention incentive no longer exists.

e. The service agreement must include the conditions under which VA may terminate the service agreement. Examples include insufficient funds, management needs, reassignment of the employee to another position, or other extenuating circumstances beyond the employee's control such as death, severe illness, or accidents. When the service agreement is terminated for reasons beyond the control of the employee, payment may be made for completed periods of service.

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

g. The service agreement, signed by the employee and the requesting official, must be included in the request for approval of an incentive, except an agreement for an SES, title 38 SES-equivalent or SL incentive which is signed after the incentive has been approved by the Secretary for designee. After the request is approved, the signed and dated service agreement will be filed on the temporary side of the employee's electronic official personnel folder until completion of the required service. Copies of the service agreement will be given to the employee and the servicing fiscal office and one will be maintained in accordance with paragraph 16.

12. STATEMENT OF UNDERSTANDING (SOU)

a. A Statement of Understanding (SOU) is required for all employees authorized an individual retention incentive of 25 percent or less paid at the full authorized percentage on a biweekly basis. A sample SOU is provided in Appendix VI-D.

b. The SOU will include the employee's position title, occupation title, series, grade, step, percentage authorized, and a statement that payments will be made on a biweekly basis at the full percentage rate based on the number of regular hours worked and the employee's rate of pay. The SOU must advise that the incentive will not be paid for overtime and periods of non-pay and may be terminated or reduced at any time based on the needs of the Department. The SOU must state that the incentive will be terminated if the employee's rating of record is less than "Fully Successful" or equivalent, or if it is not properly reviewed and recertified after one year by the approving official, and that termination or reduction of the incentive at any time is not an adverse action and may not be grieved.

c. The SOU must be signed by the employee and the requesting official and attached to the incentive authorization. A SOU for an SES, title 38 SES-equivalent or SL employee is signed after the incentive has been approved by the Secretary or designee. After the incentive is approved, the authorization and the SOU must be filed on the temporary side of the employee's electronic official personnel folder and maintained in accordance with the records retention requirements in paragraph 16.

13. TERMINATION OF A RETENTION INCENTIVE

a. An approving official may unilaterally terminate a retention incentive based solely on the management needs of VA. For example, VA may terminate an incentive when the employee's position is affected by a reduction in force, when there are insufficient funds to continue the planned payments, when conditions no longer warrant payment at the level originally approved (or at any level), or when VA assigns the employee to a different position (if the different position is not within the terms of the service agreement or SOU). If an authorized VA official terminates an incentive under this subparagraph, the employee is entitled to receive the incentive through the end of the pay period in which the incentive is terminated.

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- b. An approving official must terminate an incentive if the employee is demoted or separated for cause (e.g., for unacceptable performance or misconduct), if the employee receives a rating of record of less than “Fully Successful” or equivalent, or if the employee otherwise fails to fulfill the terms of the service agreement or SOU. If an incentive is terminated under this subparagraph, the VA is not obligated to pay the employee through the end of the pay period in which the incentive is terminated, unless VA agreed to such payment under the terms of the service agreement or SOU.
- c. An employee must be notified in writing when a retention incentive is terminated.
- d. The termination of an incentive is not grievable or appealable.

14. ANNUAL REVIEW OF RETENTION INCENTIVES

- a. The servicing human resources office is responsible for ensuring an annual review of all retention incentives and for compiling the annual certification report in paragraph 16 below. All retention incentives must be reviewed at least annually to determine whether continued payment at the percentage authorized is appropriate. Approving officials must review incentives more frequently when the conditions giving rise to the original determination have changed or no longer exist. VA Form 10017, Authorization and Review of Retention Incentive, must be completed for all annual or periodic reviews.
- b. Four months prior to the anniversary date of each incentive authorization, the automated human resources information system will generate a notice of the employees for whom an annual review is required. The servicing human resources office must distribute a VA Form 10017, Authorization and Review of Retention Incentive, to the supervisor of each employee identified in the notice. Retention incentives must be terminated if the annual review is not completed timely or when the justification for continuance is not warranted. The human resources information system will automatically terminate a retention incentive on the annual review due date. Terminated retention incentives will not be reinstated retroactively.
- c. Not later than two months prior to the anniversary date of a retention incentive, recommending officials will submit to the appropriate approving officials a completed VA Form 10017, Authorization and Review of Retention Incentive, indicating whether an incentive should be terminated, continue unchanged, or adjusted. Approving officials may approve, disapprove, or change recommendations as appropriate. Changes will be effective at the beginning of the first pay period after the approving official’s signature. Annual reviews may include justification from the original authorization that is still applicable and must specifically address the results of workforce and succession plans that were included in the original authorization. The servicing human resources office must also include the results of workforce and succession plans in the annual certification report identified in paragraph 16 below.
- d. The approving official may continue paying a retention incentive to an employee as long as the conditions giving rise to the original determination to pay the incentive still exist. The approving official must reduce or terminate a retention incentive authorization whenever payment at the level originally approved is no longer warranted or when payment of an incentive is no longer necessary. The following factors must be considered in determining whether to continue, reduce, or terminate a retention incentive:

- (1) Whether a lesser amount (or no incentive at all) would be sufficient to retain the employee;
- (2) Whether labor-market factors make it more likely (or reasonably likely) to recruit a candidate with competencies similar to those possessed by the employee;
- (3) Whether the need for the services of the employee has been reduced to a level that makes it unnecessary to continue payment at the level originally approved (or at all);
- (4) Whether budgetary considerations make it difficult to continue payment at the level originally approved (or at all); and,
- (5) Other supporting factors.

e. HR offices must notify employees in writing prior to the end of the pay period in which the incentive is reduced or terminated. The notification must include the effective date of the change or termination, the new incentive amount, if applicable, and the reason for the change or termination. Terminated retention incentives may not be reinstated retroactively.

15. RECORDS AND REPORTS. Records sufficient to reconstruct the action will be maintained by the servicing human resources office for a minimum of six years following the end of the service obligation period or incentive payment date. Each facility must keep a record of each determination to pay an incentive and make such records available for review upon request by OHRM or any other authorized organization. Records on incentives approved for SES, title 38 SES-equivalent and SL employees will be maintained by CSEMO. These records will include, at a minimum: the approved justification and authorization documents, the service agreement or statement of understanding, supporting documentation described in paragraph 7, and waiver requests, approvals or denials, as applicable. Records shall also be made available to appropriate union officials upon request in accordance with governing laws, rules, and regulations.

16. ANNUAL CERTIFICATION REPORT AND INTERNAL MONITORING

a. On an annual basis, each servicing human resources office will be responsible for compiling a certification report attesting to the strategic and prudent use of all incentives authorized at their facility during the prior calendar year. The report will require information from each incentive authorization and must be signed at the Network, Area, or Deputy Assistant Secretary for Human Resources Management level. Reports will be submitted to the Assistant Secretary for Human Resources and Administration no later than March 31st each year and will be the basis for a Department-wide report to the Secretary.

b. Each human resources office will receive a listing from PAID (or the Department's current human resources information system) with data for each incentive authorized during the prior calendar year to include the employee's name, occupation title and series, duty location, incentive type, incentive percentage authorized, and dates of the service period. The servicing human resources office will estimate the total incentive amount payable during the entire service period, the basis for the authorization and a description and results of any workforce and succession planning efforts proposed to

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eliminate or reduce the use of incentives or any labor market, staffing or other data that supports continued use.

c. In addition to the annual certification report, OHRM, Compensation and Classification Service will extract data from PAID (or the Department's current human resources information system) on a quarterly basis to identify any trends or anomalies in usage. As needed, the servicing human resources offices may be contacted to verify and confirm information, provide copies of authorizations or other relevant documents or submit information needed for other reports, such as to OPM, Congress, etc.]

[APPENDIX A



**JUSTIFICATION AND AUTHORIZATION OF
RECRUITMENT AND RELOCATION INCENTIVES**

SECTION A - JUSTIFICATION OF INCENTIVE

1. INCENTIVE TYPE <input type="checkbox"/> RECRUITMENT <input type="checkbox"/> RELOCATION	2. OCCUPATION SERIES TITLE, PAY PLAN, OCCUPATION SERIES		3. POSITION TITLE	
4. NUMBER OF VACANCIES FOR WHICH INCENTIVE IS JUSTIFIED		5a. DUTY STATION (<i>Name and location</i>)		5b. DUTY STATION NUMBER
6a. SERVICING HUMAN RESOURCES (HR) OFFICE FACILITY (<i>Name and location</i>)			6b. SERVICING HUMAN RESOURCES OFFICE STATION NUMBER	
7. FACTORS DEMONSTRATING DIFFICULTY IN FILING POSITIONS				
a. AVAILABILITY AND QUALITY OF CANDIDATES POSSESSING COMPETENCIES REQUIRED FOR THE POSITION(S)				
b. SALARIES TYPICALLY PAID OUTSIDE THE FEDERAL GOVERNMENT FOR SIMILAR POSITIONS				
c. RECENT TURNOVER IN POSITION OR SIMILAR POSITIONS				
d. EMPLOYMENT TRENDS AND LABOR-MARKET FACTORS				
e. SPECIAL OR UNIQUE COMPETENCIES REQUIRED FOR THE POSITION				
f. EFFORTS TO USE NON-PAY AUTHORITIES				
g. DESIRABILITY OF THE DUTIES, WORK OR ORGANIZATIONAL ENVIRONMENT, OR GEOGRAPHIC LOCATION OF THE POSITION				

h. OTHER SUPPORTING FACTORS OR SPECIAL CIRCUMSTANCES			
8. RECOMMENDATIONS AND APPROVALS			
I certify that the justification accurately describes the factors demonstrating the difficulty in filling the position and the need for an incentive for the position identified.			
a. NAME AND TITLE OF RECOMMENDING OFFICIAL	SIGNATURE	DATE SIGNED	
b. NAME AND TITLE OF HUMAN RESOURCES REVIEWER	SIGNATURE	<input type="checkbox"/> CONCUR <input type="checkbox"/> NON-CONCUR	DATE SIGNED
c. NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	<input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED	DATE SIGNED
SECTION B - AUTHORIZATION OF INCENTIVE - CANDIDATE INFORMATION			
9. NAME (<i>Last, First, MI</i>)		10. POSITION TITLE	11. PAY PLAN, OCCUPATION SERIES, GRADE/STEP
12a. TYPE OF APPOINTMENT <input type="checkbox"/> PERMANENT <input type="checkbox"/> TEMPORARY	12b. IF TEMPORARY, ENTER NOT-TO-EXCEED DATE	13. APPOINTMENT AUTHORITY	14. APPOINTMENT EFFECTIVE DATE
15a. WORK SCHEDULE <input type="checkbox"/> FULL-TIME <input type="checkbox"/> PART-TIME	15b. IF PART-TIME, ENTER NORMAL HOURS PER PAY PERIOD	16. DUTY STATION (<i>Name and location</i>)	17. DUTY STATION NUMBER
18. ORGANIZATIONAL UNIT (<i>Name</i>)		19. SERVICING HR STATION (<i>Name and location</i>)	20. SERVICING HR STATION NUMBER
21a. ANNUAL SALARY RATE (<i>Non-physicians/dentists</i>)	21b. ANNUAL PAY (<i>For Title 38 Physicians and Dentists</i>)		
	ANNUAL BASE PAY	ANNUAL MARKET PAY	ANNUAL PAY
	PLUS	=	
INCENTIVE TYPE, PERCENTAGE, PAYMENT METHOD, SERVICE PERIOD			
22. INCENTIVE TYPE <input type="checkbox"/> RECRUITMENT <input type="checkbox"/> RELOCATION	23. PERCENTAGE AUTHORIZED	24. DATES OF SERVICE PERIOD	25. LENGTH OF SERVICE PERIOD <i>(In Years/Months)</i>
26. TOTAL INCENTIVE AMOUNT AUTHORIZED			
ANNUAL SALARY RATE/ANNUAL PAY	PERCENTAGE AUTHORIZED	SERVICE PERIOD FACTOR	TOTAL INCENTIVE AMOUNT AUTHORIZED
TIMES	TIMES	=	
27. PAYMENT METHOD			
<input type="checkbox"/> LUMP SUM AT THE BEGINNING OF THE SERVICE PERIOD	_____		
<input type="checkbox"/> LUMP SUM AT THE END OF THE SERVICE PERIOD	_____		
<input type="checkbox"/> EQUAL BI-WEEKLY PAYMENTS	_____		
<input type="checkbox"/> INSTALLMENTS	_____	NUMBER PER YEAR (<i>Not to exceed 4</i>)	_____

28. INSTALLMENT PAYMENT SCHEDULE: <i>If the incentive is paid in installments, enter the installment amount, year and pay period number for each payment. The total of the installment payments must equal Total Incentive Amount Authorized (Item 26).</i>			
INSTALLMENT #1: AMOUNT _____		YEAR/PAY PERIOD NUMBER _____	
INSTALLMENT #2: AMOUNT _____		YEAR/PAY PERIOD NUMBER _____	
INSTALLMENT #3: AMOUNT _____		YEAR/PAY PERIOD NUMBER _____	
INSTALLMENT #4: AMOUNT _____		YEAR/PAY PERIOD NUMBER _____	
29. BASIS FOR PERCENTAGE, PAYMENT METHOD AND SERVICE PERIOD LENGTH: DESCRIBE THE CRITERIA AND BASIS USED IN DETERMINING THE AUTHORIZED PERCENTAGE, PAYMENT METHOD AND LENGTH OF OBLIGATED SERVICE PERIOD.			
30. DESCRIBE THE CANDIDATE/EMPLOYEE'S SPECIAL SKILLS AND QUALIFICATIONS			
FOR RELOCATION INCENTIVES ONLY, ANSWER QUESTIONS 31 THROUGH 34			
31. PERFORMANCE RATING: ENTER AGENCY, DATE AND RATING OF THE MOST RECENT PERFORMANCE RATING OF RECORD			
31a. AGENCY _____		31b. DATE OF RATING _____	31c. PERFORMANCE RATING _____
32. IS THE EMPLOYEE REQUIRED TO RELOCATE IN ORDER TO ACCEPT POSITION? <input type="checkbox"/> YES <input type="checkbox"/> NO		33. IS THE EMPLOYEE'S PRIOR DUTY STATION LOCATION IN A DIFFERENT GEOGRAPHIC AREA, GREATER THAN 50 MILES FROM THE NEW DUTY LOCATION? <input type="checkbox"/> YES <input type="checkbox"/> NO	
34. JUSTIFICATION FOR WAIVER OF 50 MILE REQUIREMENT: IF THE PRIOR DUTY STATION IS LESS THAN 50 MILES FROM THE NEW DUTY STATION, ENTER JUSTIFICATION FOR WAIVER OF THE 50 MILE REQUIREMENT.			
FOR RECRUITMENT INCENTIVES ONLY, ANSWER QUESTION 35			
35. PRIOR EMPLOYMENT STATUS: ENTER CANDIDATE'S EMPLOYMENT STATUS DURING THE 90-DAY PERIOD IMMEDIATELY PRIOR TO APPOINTMENT. INCLUDE EMPLOYER NAME(S), LOCATION(S) AND POSITION(S) HELD.			
36. RECOMMENDATIONS AND APPROVALS			
I certify that the information in this authorization meets the criteria for approval as contained in VA Handbook 5007, Part VI, Chapter 2.			
a. NAME AND TITLE OF RECOMMENDING OFFICIAL		SIGNATURE	DATE SIGNED
b. NAME AND TITLE OF HUMAN RESOURCES OFFICIAL		SIGNATURE	<input type="checkbox"/> CONCUR <input type="checkbox"/> NON-CONCUR DATE SIGNED
c. NAME AND TITLE OF APPROVING OFFICIAL		SIGNATURE	<input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED DATE SIGNED

**INSTRUCTIONS FOR COMPLETING VA FORM 10016,
JUSTIFICATION AND AUTHORIZATION OF
RECRUITMENT AND RELOCATION INCENTIVES**

GENERAL: Recruitment and relocation incentives are important tools when strategically and prudently used to address human capital needs. These incentives permit the staffing of difficult to fill positions with highly qualified candidates who possess unique skills and competencies needed to perform critical mission-essential functions. The effective use of recruitment and relocation incentives requires an assessment of the Department's needs, fully documented justification and authorization documents, periodic reviews to determine the need for continued use, and the consideration of other staffing flexibilities and incentives whenever appropriate.

VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives, is required for the justification and authorization of all recruitment and relocation incentives (except for incentives authorized by the Office of Inspector General). The following instructions for completing VA Form 10016 must be used in conjunction with VA Handbook 5007, Part VI, Chapter 2, and any procedural or approval requirements specific to an organization.

The approval of recruitment and relocation incentives is a two-step process. First, an organization must fully justify the need for an incentive(s) by completing Section A of VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives. This step must be accomplished as soon as an organization considers the use of an incentive in order to determine if use of an incentive is justified for the position. In all cases, Section A must be completed and approved prior to advertising incentives on a vacancy announcement. To ensure justifications are relevant and based on current information, Section A must be signed by the appropriate officials within the six months prior to authorizing the incentive.

The second step is completion of Section B with information pertaining to the candidate, including the authorized percentage, total payment amount, payment method, candidate's qualifications, and total obligated service period. This step also requires the completion of a recruitment or relocation service agreement in which the employee agrees to complete a specified period of service with the Department. The completion of Sections A and B and a service agreement must occur prior to an employee entering on duty or, for relocation incentives, relocating to the new geographic location.

The following provides basic guidelines for completing VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives. Before completing VA Form 10016, it is important to understand VA's policy contained in Part VI, Chapter 2, as well the strategy and guiding principles of the Department, requesting organization, and approving official(s).

Section A – Justification of Incentive

- 1. Incentive Type:** Enter "x" for the type of incentive being justified.
- 2. Occupation Series Title, Pay Plan, Occupation Series:** Enter occupation series title, pay plan and four-digit occupation series. For example, Human Resources Specialist, GS-0201.

3. Position Title: Enter title of position(s) such as “Director, Compensation Service”. In some cases, Occupation Series Title and Position Title may be the same.

4. Number of Vacancies for which Incentive is Justified: Enter the number of vacancies for which the incentive is justified. The number of incentives authorized under this justification may not exceed this number and the incentive(s) must be authorized within six months of the approved justification.

5a. Duty Station Name and Location: This is the name and location of the facility at which the employee will be assigned to perform his or her regular duties. For example, this may be the name of an Outpatient Clinic or other satellite office away from the main VA facility.

5b. Duty Station Number: Enter the duty station number including any suffixes.

6a. Servicing Human Resources Office Facility Name and Location: This is the facility name and location of the servicing human resources office that maintains the employee’s electronic official personnel folder.

6b. Servicing Human Resources Office Station Number: Enter the three-digit station number.

7. Factors Demonstrating Difficulty in Filling Position: OPM regulations require agencies to consider the following factors in determining whether a position is likely to be difficult to fill in the absence of an incentive. The consideration of each factor must be fully documented. If a factor does not apply, enter a narrative explaining why it is not applicable in determining the difficulty in filling the position(s).

a. Availability and quality of candidates possessing competencies required for the position: This is a major factor in demonstrating the need to offer an incentive. Enter detailed narrative and verifiable evidence showing why quality candidates are not available without the use of an incentive. This should include the results of recent recruitment efforts for the position or similar positions using such indicators as job acceptance rates, current vacancy rates and the length of time required to fill similar positions.

To compute job acceptance rates, divide the number of job offers candidates accepted by the number of job offers made and multiply by 100. For example, if two candidates accepted an offer but eight offers were made, the job acceptance rate is 25 percent (two divided by eight times 100). A low acceptance rate is one indicator of difficulty in filling a position without an incentive.

To compute current vacancy rates, divide the number of vacant positions by the total number of positions and multiply by 100. For example, if six out of 12 positions are vacant, the vacancy rate is 50 percent (six divided by 12 times 100). A high vacancy rate is one indicator of difficulty in filling a position without an incentive.

It is not acceptable to rely on outdated recruitment efforts to demonstrate that quality candidates are not available. Indicators for this factor must be current and relevant.

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b. **Salaries typically paid outside the Federal Government for similar positions:** Enter a narrative from a credible source showing the salaries typically paid outside the Federal Government for similar positions. Credible sources may include salary data purchased from a salary survey company, reported in a professional organization's journal or published by a Government agency such as the Bureau of Labor Statistics. Online salary websites, such as Salary.com, that offer employers' self-reported data are not acceptable as a sole source of salary data. As appropriate, a printed copy of the survey data used to document this factor may be submitted and maintained as part of the justification request.

When Federal salaries are already competitive, approving officials must ensure other factors sufficiently demonstrate the difficulty in filling the position without the use of an incentive.

c. **Recent turnover in position or similar positions:** Enter a narrative showing any recent turnover in the position. For example, a high volume of recent separations, transfers, or retirements may indicate a need for an incentive in order to quickly attract a high quality candidate. When this factor is relevant, the narrative should be as specific as possible without using privacy protected information.

To compute a monthly turnover rate, divide the number of separations (including retirements, transfers, resignations, deaths, etc.) during the month by the average number of employees during the month multiplied by 100. For example, an organization had 15 separations and employed an average of 40 employees during the month. The turnover rate is 37.5 percent (15 divided by 40 times 100).

To compute an annual turnover rate, divide the number of separations (including retirements, transfers, resignations, deaths, etc.) during the reporting period by the average number of employees employed during the same period. Multiply by 12 and divide by the number of months in the reporting period times 100. For example, during a seven month period, 16 employees separated. During the same period, the average number of employees on board was 50. The annual turnover rate is 54.85 percent (16 divided by 50 times 12 divided by 7 times 100).

While a high turnover rate supports a longer service obligation period for potential candidates and contributes to the determination that incentives may be needed, organizations should seek ways to lower the turnover rate whenever possible. This may include determining whether there is an underlying common cause that can be remedied by reengineering job processes and redistributing workloads, expanding the use of other flexibilities and incentives such as awards or alternate work schedules, and analyzing and implementing results of employee exit interviews.

Another element of turnover rate is turnover cost. Turnover costs may include the cost of hiring temporary employees or contractors, overtime and premium pay cost of current employees used to fill in for vacant positions, advertisement and recruitment costs, training and orientation costs for new employees, and cost of lost productivity. The cost associated with high turnover rates demonstrates the need for incentives in order to reduce turnover rates in difficult to fill positions.

d. **Employment trends and labor market factors:** Describe how current employment trends and labor market factors affect the ability to attract candidates. Information for this factor must be relevant, current and from a reliable source. Sources of reliable information include current reports and publications from professional organizations representing an occupation, on-line fee-for-service tools

offering employment forecasting and market analysis for an area or occupation, Department-level workforce assessments and plans, or Federal Government reports and statistics. For occupations or positions covered by an OPM-approved direct-hire authority, this narrative should include a specific citation of that authority.

Organizations may cite local conditions as well as broader national or regional conditions which may affect their ability to recruit for a particular occupation or position. For example, an area with a high concentration of information technology companies may find it difficult to attract computer specialists; an area with several hospitals and medical organizations may find it difficult to attract certain health care personnel. Narratives addressing these conditions should include detailed information on the salaries and benefits offered by competitors and any specific incident in which a candidate declined a VA job offer in order to accept a competitor's job offer.

When employment trends and labor market factors only affect a local area, the justification should include a narrative describing the situation so that any third party reviewer not located in the area would have a thorough description and understanding of the local factors affecting recruitment efforts. While the approving official may have knowledge of local trends and factors, it should not be assumed that anyone outside the local area would have the same knowledge. As needed, information for this factor should include local company and employer names, significant dates, and specific projects or initiatives impacting recruitment efforts.

e. Special or unique competencies required for the position: Describe the special or unique competencies that makes the position difficult to fill. Narratives for this factor will focus on the special or unique competencies required for the position. Qualifications and competencies possessed by the candidate will be described in Section B once a selection is made. Competencies required for the position may include a particular level of expertise, background, or field of knowledge.

f. Efforts to use non-pay authorities: Since recruitment and relocation incentives are not intended to resolve recruitment difficulties in their entirety, describe other efforts considered or used to recruit candidates with or without an incentive. Examples of non-pay authorities include special training, work scheduling flexibilities such as alternative work schedules and telework, and job or process reengineering. Include the results of considering or using non-pay authorities or explain why certain authorities were not used.

g. Desirability of duties, work or organizational environment, geographic location: Describe any duties or conditions which affect the ability to recruit highly qualified candidates without the use of an incentive. For example, some positions have duties that are less desirable such as working with soiled materials; some offices have operations that are highly stressful due to demanding work requirements such as routine short deadlines; some locations are less desirable because they are remotely located or in close proximity to high crime areas or in busy metropolitan areas without parking facilities. While an approving official may have knowledge of the desirability of duties, organizational environment or geographic location, it should be not assumed that anyone outside the local area would have the same knowledge.

h. Other supporting factors or special circumstances: Describe any other factors or special circumstances that support the use of an incentive for a hard to fill position. For example, this may

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include a description of how a prolonged vacancy may impact a mission critical operation, Congressional mandate or other initiative requiring prompt recruitment action; historical information on the success of using incentives for certain occupations or positions; how incentives are strategically and prudently being used in workforce and succession planning efforts; and any additional information that further demonstrates the need for an incentive.

8. Recommendations and Approvals

This section must be signed and dated by the recommending official, human resources officer (or designee), and the approving official in accordance with the procedures contained in chapter 2 of this part.

As needed, facilities and organizations may add concurrences, approval levels, or other procedures to comply with local or organizational requirements.

Section B – Authorization of Incentive

This section contains information specific to the candidate including the position, authorized percentage, required service period, skills and qualifications, etc.

A service agreement signed by the employee and the approving official prior to the employee's effective date of appointment or relocation, a copy of an approval delegation for recruitment incentive, if applicable, and supporting documents (e.g. salary survey data, recruitment or staffing data) must also be attached.

Candidate Information

9. Name: Enter employee name (last, first, middle initial)

10. Position Title: Enter title of employee's position. For example, Director of Compensation Service.

11. *Pay Plan, Occupation Series, Grade/Step:

- Enter two digit pay plan, such as GS, WG, EX, AD, etc.
- Enter Occupation Series, such as "0201";
- Enter grade and step, such as "13/5".

The occupation series must be the same series as in Section A, block 2.

***NOTE:** See relevant codes and series in PAID coding manual at:

http://vaww.va.gov/HRIS/PAID_Coding.asp

12a. Type Appointment: Select the appropriate block for either a Permanent or Temporary appointment.

12b. If Temporary, Enter Not-to-Exceed Date: Enter the appointment not to exceed date.

13. *Appointment Authority: Enter the appointment authority used to appoint the employee. The appointment authority used may be obtained from the staffing specialist in the local human resources office.

14. Proposed Appointment Effective Date: Enter the date the employee will be appointed.

15a. Work Schedule: Enter full-time, part-time, or intermittent.

15b. If part-time, enter the number of hours per pay period. For part-time employees, enter the number of hours scheduled for each pay period. For intermittent employees, estimate the number of hours for each pay period.

16. Duty Station: Enter name and location of the **employee's duty station.**

17. Duty Station Number: Enter the three digit duty station number followed by the one or two digit suffix. For example, the duty station number for an employee assigned to station 101, Central Office, but stationed in Quantico Virginia is "101AE." In this example, the Duty Station Number is "101AE."

18. Organizational Unit (Name/Office Symbol): Enter the name of the employee's organization, office, and routing symbol, as appropriate. For example, Compensation and Classification Service (055).

19. Servicing Human Resources Station Name: Enter the servicing human resources station name and location. This is the name of the VA facility responsible for providing human resources service for the employee.

20. Servicing Human Resources Station Number: Enter the three digit station number of the servicing human resources station.

21a. Annual Salary Rate (Non-physicians/dentists): For employees other than title 38 physicians and dentists, enter the employee's annual salary rate as of the employee's entry on duty date. This rate includes a locality pay rate or special salary rate. The Annual Salary Rate should also include any special pay authorized for Pharmacist or Nurse Executives. This rate will be used to compute the total incentive amount and will be the same rate entered as Annual Salary in Item 26 below. If the employee is a title 38 physician or dentist, enter "n/a" and complete Item 21b.

21b. Annual Pay (Title 38 Physicians/Dentists): For title 38 physicians and dentists, compute Annual Pay by entering the annual base pay rate and annual market pay rates. The total (Annual Pay) will be used to compute the total incentive amount and will be the same rate entered as Annual Salary/Annual Pay in Item 26 below.

21c. Annual Pay for Pharmacist Executives and Nurse Executives in Receipt of Special Pay. The total annual pay, to include special pay, will be used to compute the total incentive amount and will be the same rate entered as Annual Salary/Annual Pay in Item 26 below.

Incentive Type, Percentage, Payment Method, Service Period

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22. Incentive Type: Enter “X” to indicate type of incentive.

23. Percentage Authorized: Enter the percentage authorized, up to two decimal places. For example, you may enter amounts such as 10 percent, 10.33 percent, or 13.99 percent, etc. Facility Directors, Regional Office Directors, Cemetery Directors and Regional Counsels may only approve up to 15 percent. Percentages greater than 15 percent must be approved at the Network, Area or Deputy Assistant Secretary levels or higher.

24. Dates of Service Period: Enter commencement and termination dates of service period. The commencement date must begin on the first day of a pay period and the termination date must end on the last day of a pay period. Use the following format for service period dates – “dd/mm/yyyy – dd/mm/yyyy”. The service period may begin after the appointment date if delayed due to the exceptions in Part VI, Chapter 2, paragraphs 12b and 12c.

25. Length of Service Period Factor: The service period length is a factor based on years. To determine the service period length, compute the number of calendar days in the service period and divide by 365. Since the service period must be full pay periods, multiply the number of pay periods by 14 to determine the calendar days then divide the number of calendar days by 365. For example, a service period of 39 pay periods is 546 calendar days (39 X 14), divided by 365 is 1.50 (rounded to two decimal places). **NOTE:** *The service period length factor for 26 pay periods is “1” (26 times 14 divided by 365); 52 pay periods is “2”, 78 pay periods is “3”, 104 pay periods is “4.”*

The service period length factor must be used to compute the total incentive amount and should correlate to the difficulty in filling the position. The longer service period (up to four years) should be reserved for the most difficult positions to fill.

26. Total Incentive Amount Authorized: Enter Annual Salary or Annual Pay rate from Items 21a, 21b or 21c times the Percentage Authorized (Item 23) times Length of Service Period Factor (Item 25) to compute the Total Incentive Amount Authorized. This is the incentive amount the employee is authorized to receive. The method of payment will be specified in Item 27 below.

27. Payment Method: Enter “X” to indicate how the Total Incentive Amount Authorized (Item 26) will be paid. Incentives may be paid as a lump sum at the beginning of the service period, a lump sum at the end of the service period, equal biweekly payments at the full authorized percentage, or in installments (not to exceed four per year).

The Payment Method should be strategically scheduled to limit the potential for employee repayment liability for uncompleted periods of service. That is, instead of paying all incentives in a lump sum at the beginning of the service period, schedule payments at the end of completed periods of service. For difficult to fill positions and candidates with unusually high or unique qualifications, payment methods may be used as flexibility to encourage the candidate to accept the position.

28. Installment Payment Schedule: If payments are made in installments (other than biweekly payments), enter the year, pay period number and amount of each installment in the following format – “yyyy/pp - \$xxxx.xx.”

29. Basis for Percentage, Payment Method and Service Period Length: OPM regulations require that all authorizations for recruitment and relocation incentives document the basis for determining the percentage, payment method, and service period length. Enter a descriptive narrative of how each item was determined. Examples may include past recruitment difficulties, job declinations, or competitors' practices. Higher percentages and longer service periods should reasonably correlate to the difficulty in filling critical positions with highly-qualified candidates.

For example, a percentage of 25 percent might include a narrative indicating the shortage of the occupation, previous attempts to offer a lower percentage without success, or the competitive salaries for similar positions in the local labor market.

A payment method of a lump sum at the beginning of the service period might include a narrative indicating that the payment method mirrors a specific competing employer.

A service period length of four years might include a narrative indicating that the position is difficult to fill, while a shorter service period length might include narrative indicating less difficulty.

30. Candidate/Employee's special skills and qualifications: Describe the employee's credentials, experiences, skills, etc. demonstrating that he/she is a high quality candidate and possesses the special or unique competencies required for the position.

31a, 31b and 31c: Performance Rating (for relocation incentives): Enter the employee's most recent performance rating, agency name and date of rating. An employee's most recent rating of record must be at least "Fully successful" or equivalent in order to receive a relocation incentive. The servicing human resources office can assist in obtaining and verifying this information.

32. Is the employee required to relocate in order to accept position? Enter an "X" in "Yes" or "No". If the employee is not required or does not relocate, he/she is not eligible for a relocation incentive.

33. Is the employee's prior duty station location in a different geographic area, greater than 50 miles from the new duty location? Check "Yes" or "No". If the employee's prior duty station is less than 50 miles from the new duty station, a relocation incentive is not authorized unless the approving official waives the 50 mile requirement.

34. Justification for waiver of the 50 mile requirement: If the employee's prior duty station is less than 50 miles from the new duty station, enter a narrative to justify waiver of the 50 mile requirement. If the approving official does not accept this justification, the relocation incentive may not be approved.

35. Prior Employment Status (for recruitment incentives): Enter the candidate's employment status during the 90 days immediately prior to the proposed appointment date. Include the previous employer's name, and address, and the candidate's position title. This information ensures that recruitment incentives are authorized only for individuals who were not Federal employees 90 days prior to appointment.

36. Recommendations and Approvals

This section must be signed and dated by the recommending official, human resources officer (or designee) and approving official in accordance with the guidance contained in Chapter 2 of this part.

As needed, facilities and organizations may add concurrences, approval levels, or other policies and procedures to comply with local or organizational requirements.]

[APPENDIX B.
RECRUITMENT/RELOCATION SERVICE AGREEMENT

1. GENERAL

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

2. INSTRUCTIONS FOR PREPARING THE SERVICE AGREEMENT

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

- a. **Amount/Percentage.** Insert the total dollar amount and the percentage of annual rate of basic pay of the recruitment/relocation incentive.
- b. **Work Schedule.** Enter whether full time or part time. If part time (recruitment incentive only) enter the normal hours per pay period. If intermittent (recruitment incentive only) enter the estimated hours per pay period.
- c. **Position.** Insert the title, series, and grade of the position.
- d. **VA Facility.** Name the facility where the employee will work.
- e. **Reporting Date.** Insert the date that the employee will enter on duty. For relocation incentives, enter the date that the employee will report to the position in the new geographic location.
- f. **Total Service Period.** Insert total service period of no less than six months and no more than four years. Include the number of pay periods in the service period.
- g. **Service Period Commencement Date.** Insert the beginning date of the service period (must be the first day of a pay period).
- h. **Service Period Termination Date.** Insert the ending date of the service period (must be the last day of a pay period).

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i. **Delayed Service Period.** If the service period commencement date is different from the reporting date, give the reason and, if due to a training or probationary period, insert a mandatory termination statement (i.e., if the employee does not successfully complete the training or probationary period before the service period commences, VA is not obligated to pay any portion of the incentive to the employee).

j. **Method of Paying the Incentive.** Insert how the incentive will be paid (e.g., as an initial lump sum payment at the start of the service period, in equal installments during the service period (not to exceed four per year), as biweekly payments or as a final lump sum payment at the end of the service period).

k. **Timing and Amounts of Each Payment.** If the incentive will be paid as an initial or final lump sum payment, insert the payment date and amount. If the incentive will be paid in equal biweekly payments, insert the beginning and ending payment dates and installment amounts.

l. **Employee Signature/Date and Requesting Official Signature/Date.** The service agreement must be signed and dated by both the employee and the recommending official. Their names should be typed below the appropriate lines.

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

SAMPLE RECRUITMENT/RELOCATION SERVICE AGREEMENT

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

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

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

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

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

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

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

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

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

[APPENDIX C.]

Department of Veterans Affairs		AUTHORIZATION AND REVIEW OF RETENTION INCENTIVE	
SECTION A – EMPLOYEE INFORMATION			
1. NAME <i>(Last, First, MI)</i>		2. POSITION TITLE	3. PAY PLAN, OCCUPATION SERIES, GRADE/STEP
4a. TYPE OF APPOINTMENT <input type="checkbox"/> PERMANENT <input type="checkbox"/> TEMPORARY	4b. IF TEMPORARY, ENTER NOT-TO-EXCEED DATE	5. APPOINTMENT AUTHORITY	6. APPOINTMENT EFFECTIVE DATE
7a. WORK SCHEDULE <input type="checkbox"/> FULL-TIME <input type="checkbox"/> PART-TIME	7b. IF PART-TIME, ENTER NORMAL HOURS PER PAY PERIOD	8. DUTY STATION <i>(Name and location)</i>	9. DUTY STATION NUMBER
10. ORGANIZATIONAL UNIT <i>(Name)</i>		11. SERVICING HR STATION <i>(Name and location)</i>	12. SERVICING HR STATION NUMBER
13a. ANNUAL SALARY RATE <i>(Non-physicians/dentists)</i>	13b. ANNUAL PAY <i>(For Title 38 Physicians and Dentists)</i>		
	ANNUAL BASE PAY	ANNUAL MARKET PAY	ANNUAL PAY
	PLUS	=	
SECTION B - AUTHORIZATION TYPE, PERCENT, PAYMENT METHOD AND SERVICE PERIOD			
14a. INITIAL RETENTION INCENTIVE	14b. PERCENTAGE	14c. EFFECTIVE DATE	
15. REVIEW OF RETENTION INCENTIVE			
CONTINUE AT _____ PERCENT		EFFECTIVE DATE _____	
REDUCE TO _____ PERCENT		EFFECTIVE DATE _____	
INCREASE TO _____ PERCENT		EFFECTIVE DATE _____	
TERMINATE _____		EFFECTIVE DATE _____	
16. BASIS FOR REVIEW ACTION <i>(If review of Retention Incentive, enter basis for review action using the factors in VA Handbook 5007, Part VI, Chapter 3, paragraph 14.)</i>			
17. SERVICE OBLIGATION PERIOD: <i>(If this is an authorization for greater than 25 percent, a group authorization or will be paid in a manner other than a biweekly basis at the full biweekly percentage, enter the commencement and termination date of the service obligation period and the number of pay periods in the service obligation period.)</i>			
COMMENCEMENT DATE _____			
TERMINATION DATE _____			
NUMBER OF PAY PERIODS _____			
18a. PAYMENT METHOD			
BIWEEKLY BASIS AT THE FULL AUTHORIZED PERCENTAGE _____			
LUMP SUM AT THE END OF THE SERVICE OBLIGATION PERIOD _____			
EQUAL INSTALLMENTS <i>(No more than four per year)</i> _____			
18b. INSTALLMENT SCHEDULE			
INSTALLMENT #1: AMOUNT _____	YEAR/PAY PERIOD NUMBER _____		
INSTALLMENT #2: AMOUNT _____	YEAR/PAY PERIOD NUMBER _____		
INSTALLMENT #3: AMOUNT _____	YEAR/PAY PERIOD NUMBER _____		
INSTALLMENT #4: AMOUNT _____	YEAR/PAY PERIOD NUMBER _____		

19. BASIS FOR PERCENTAGE, PAYMENT METHOD AND SERVICE OBLIGATION PERIOD <i>(Enter basis for determining percentage, payment method, and service obligation period)</i>
SECTION C - FACTORS DEMONSTRATING ESSENTIAL NEEDS TO RETAIN
20. DESCRIBE HOW EACH OF THE FOLLOWING FACTORS CONTRIBUTE TO THE DETERMINATION THAT THE EMPLOYEE'S HIGH OR UNIQUE QUALIFICATIONS OR SPECIAL NEEDS OF THE DEPARTMENT MAKES IT ESSENTIAL TO RETAIN THE EMPLOYEE. EACH FACTOR MUST BE FULLY ADDRESSED
a. EMPLOYMENT TRENDS AND LABOR-MARKET FACTORS
b. RECENT RECRUITMENT EFFORTS
c. SPECIAL UNIQUE COMPETENCIES REQUIRED FOR THE POSITION
d. EFFORTS TO USE NON-PAY AUTHORITIES
e. DESIRABILITY OF THE DUTIES, WORK OR ORGANIZATIONAL ENVIRONMENTAL, OR GEOGRAPHIC LOCATION OF THE POSITION
f. AFFECT ON DEPARTMENT IF EMPLOYEE IS NOT RETAINED; IDENTIFY SPECIAL NEED AND IMPACT
g. SALARIES TYPICALLY PAID OUTSIDE FEDERAL SERVICE

h. THE QUALITY AND AVAILABILITY OF POTENTIAL SOURCES OF EMPLOYEES IDENTIFIED IN THE ORGANIZATION'S SUCCESSION PLAN, WHO POSSESS THE COMPETENCIES REQUIRED FOR THE POSITION AND WHO, WITH MINIMAL TRAINING, COST AND DISRUPTION OF SERVICE COULD PERFORM THE FULL RANGE OF DUTIES AND RESPONSIBILITIES AT THE LEVEL PERFORMED BY THE EMPLOYEE. DESCRIBE ANY OTHER EFFORTS IN THE ORGANIZATION'S PLAN TO EVENTUALLY ELIMINATE OR REDUCE THE USE OF RETENTION INCENTIVES.

i. OTHER SUPPORTING FACTORS

SECTION D - LIKELIHOOD OF LEAVING FEDERAL SERVICE

21. BASIS FOR LIKELIHOOD LEAVING FEDERAL SERVICE *(Explain the basis for determining that the employee or group is likely to leave Federal service without the use of a retention incentive. Cite and attach job offers, confirmation of employee's submission of a retirement application or letter of resignation, data showing high demand and pay disparity or other supporting documentation as appropriate.)*

SECTION E - GROUP INCENTIVES

22. CRITERIA FOR GROUP INCENTIVES *(Enter criteria to narrowly define employees eligible for a group incentive. The definition must show occupation series, grade level, distinctive job duties, unique competencies required for the position, required rating of record, organization or team designation, geographic location, special project assignment, and minimum service requirements.)*

23. RECOMMENDATIONS AND APPROVALS

I certify that the justification in this request meets the criteria for approval as contained in VA Handbook 5007, Part VI, Chapter 3 for the payment of a retention incentive..

a. NAME AND TITLE OF RECOMMENDING OFFICIAL	SIGNATURE	DATE SIGNED
b. NAME AND TITLE OF HUMAN RESOURCES REVIEWER	SIGNATURE	<input type="checkbox"/> CONCUR <input type="checkbox"/> NON-CONCUR DATE SIGNED
c. NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	<input type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED DATE SIGNED

**PART VI
APPENDIX C****INSTRUCTIONS FOR COMPLETING VA FORM 10017,
AUTHORIZATION AND REVIEW OF RETENTION INCENTIVE**

GENERAL: Retention incentives are important tools when strategically and prudently used to maintain a high-performing workforce who possess unique skills and competencies and whose services are essential to the Department and who would otherwise leave Federal service. The effective use of retention incentives requires a proper assessment of the Department's needs, fully justified authorization documents, periodic reviews to determine whether continued use is appropriate and consideration of other staffing flexibilities where appropriate.

VA Form 10017, Authorization and Review of Retention Incentive, is required for the justification, authorization, and review of all retention incentives (except for incentives authorized by the Office of Inspector General). The following instructions for completing VA Form 10017 must be used in conjunction with VA Handbook 5007, Part VI, Chapter 3.

VA Form 10017 will be used to approve and review all retention incentives for employees likely to leave Federal service. See VA Handbook 5007, Part VI, Appendix R, for policy and documentation requirements for retention incentives for employees likely to leave for another Federal agency due to closure or relocation of employing office, facility, or organization.

VA Form 10017 must be approved prior to the effective date of an initial retention incentive or prior to the annual review due date for a renewal. For annual review requirements and criteria, see VA Handbook 5007, Part VI, Chapter 3, paragraph 14. A retention incentive cannot be retroactive.

A Retention Service Agreement or Statement of Understanding (SOU) signed by the employee and the approving official must be attached to VA Form 10017. For SES, title 38 SES-equivalent and SL incentives, the Service Agreement or SOU is signed after the incentive is approved by the Secretary or designee. Other supporting documents that also may be attached include copies of job offers, vacancy announcements, salary survey data, published reports, etc.

The purpose of VA Form 10017 is to fully document an employee's high or unique qualifications, the special needs of the Department that make retention essential, and the basis for the reasonable assurance that the employee or group of employees would likely leave Federal service in the absence of an incentive.

SECTION A: EMPLOYEE INFORMATION:

- 1. Name:** Enter the employee's name (last, first, middle initial)
- 2. Position Title:** Enter the title of the employee's position. For example, Director of Compensation Service.
- 3. *Pay Plan, Occupation Series, Grade/Step**
 - Enter the two letter pay plan, such as GS, WG, EX, AD.
 - Enter the occupation series, such as "0201."

- Enter the grade and step, such as “13/5.”

4a. *Type Appointment: Select the appropriate block for either a Permanent or Temporary appointment.

4b. If Temporary, Enter NTE Date: enter the appointment not to exceed date.

5. *Appointment Authority: Enter the appointment authority used to appoint the employee. The proper appointment authority may be obtained from the staffing or other specialist in the local human resources office.

***NOTE:** See relevant codes and series in PAID coding manual at:
http://vaww.va.gov/HRIS/PAID_Coding.asp

6. Appointment Effective Date: Enter the effective date of the employee’s current appointment.

7a. Work Schedule: Enter full-time or part-time.

7b. If part-time, enter the number of normal hours per pay period.

8. Duty Station: Enter the name and location of the employee’s duty station.

9. Duty Station Number: Enter the three digit duty station number followed by the one or two digit suffix. For example, the duty station number for an employee assigned to station 101, Central Office, but stationed in Quantico Virginia is “101AE”. In this example, the Duty Station Number is “101AE.”

10. Organizational Unit (Name/Office Symbol): Enter the name of the employee’s organization, office, and routing symbol, as appropriate. For example, “Compensation and Classification Service (055).”

11. Servicing HR Station Name: Enter the servicing HR station name and location. This is the name of the VA facility that maintains the employee’s electronic official personnel folder.

12. Servicing HR Station Number: Enter the three digit station number of the servicing HR station.

13a. Annual Salary Rate (Non-Physician/Dentist): For employees other than title 38 physicians and dentists, enter the employee’s current annual salary rate. The Annual Salary Rate should also include any special pay authorized for Pharmacist or Nurse Executives. This rate may include a locality pay rate or special salary rate. If the employee is a title 38 physician or dentist, enter “n/a” and complete Item 13b.

13b. Annual Pay (Title 38 Physicians/Dentists): For title 38 physicians/dentists, compute Annual Pay by entering the annual base pay rate and annual market pay rate.

SECTION B – AUTHORIZATION TYPE, PERCENTAGE, PAYMENT METHOD, SERVICE PERIOD

14a. Initial Retention Incentive: Enter “x” if this is the initial retention incentive or if a previous incentive has expired or was terminated.

14b. Percentage: Enter the percentage authorized, up to two decimal places. For example, you may enter amounts such as 10 percent, 10.33 percent, or 13.99 percent etc. Facility directors, regional office directors, cemetery directors and regional counsels may only approve up to 15 percent. Percentages greater than 15 percent must be approved at the Network, Area or Deputy Assistant Secretary levels or higher.

14c. Effective date: The effective date must be at the beginning of a biweekly pay period.

15. Review of Retention Incentive: Enter “x” if this is a review of an incentive that is currently in effect. Indicate the action taken as a result of the review, including the percentage, if applicable, and effective date. During the review, the approving official may continue, reduce, increase or terminate the incentive.

Effective Date: Except for incentives terminated due to demotion, unacceptable performance or misconduct (see VA Handbook 5007, Part VI, Chapter 3, paragraph 13b), all review actions are effective no sooner than the pay period following approval. Terminations due to demotions, unacceptable performance, misconduct, etc, are effective the pay period prior to approval unless VA agreed to payment through a different effective date under the terms of the service agreement or SOU.

16. Basis for Review Action: Enter a narrative describing the factors considered in the review. (See VA Handbook 5007, Part VI, Chapter 3, paragraph 14, for review requirements.) Since retention incentives must be terminated when the conditions giving rise to the original determination no longer exist, it is important to review the original authorization. In the narrative description, you may describe (1) whether a lesser amount (or none at all) would be sufficient to retain the employee(s); (2) whether labor-market conditions make it more or less likely to recruit a candidate with the employee’s(s’) competencies; (3) whether the need for the employee’s(s’) services has been reduced to a level that makes it unnecessary to continue payment at the level originally approved (or at all); and (4) whether budgetary constraints make it difficult to continue payment at the level originally approved (or at all).

Periodic reviews and assessments of retention incentives are critical factors in properly managing this flexibility. Approving officials must actively engage in the review process at least annually to ensure continued incentives are in the best interest of the Government and that managers are efficiently using other staffing flexibilities and making progress in their workforce and succession planning efforts.

NOTE: *Retention incentives that are not reviewed at least annually will be systematically terminated. Once terminated, retention incentives cannot be reinstated retroactively.*

17. Service Obligation Period: Individual incentives greater than 25 percent, group authorizations and incentives paid on other than a biweekly basis require employees to sign a Retention Service Agreement (See Appendix VI-P) to remain with VA for a specified service obligation period. Enter the commencement date and termination date that correspond with the signed service agreement. A service agreement, signed by the employee and approving official must be attached to this authorization. For SES, title 38 SES equivalent and SL incentives, the service agreement is signed and attached after the incentive is approved by the Secretary or designee. Note: All retention incentives may be unilaterally terminated based solely on the needs of the Department and reviewed at least annually regardless of the service obligation period stated in the service agreement.

For incentives paid on a biweekly basis at the full authorized percentage, employees must sign an SOU which acknowledges that incentives are paid based on management needs, may be terminated at any time, and that incentives will be terminated after one year unless recertified.

18a. Payment Method: Enter “x” for the payment method used to pay the incentive. Retention incentives will be paid at the full percentage rate authorized after specified periods of service based on the annual rate of basic pay (annual pay for title 38 physicians and dentists) earned.

If paid in installments, enter the pay period number and year of each installment. If paid in equal biweekly installments, do not enter the pay period and year as the incentive will be paid at the full percentage at the completion of each biweekly pay period.

18b. Installment Schedule: For incentives paid in installments, enter the year and pay period number for each payment in the following format “yyyy/pp”. The number of installments cannot exceed four per year. The amount of the payment will be systematically computed based on the authorized percentage times the employee’s hourly salary rate times the number of basic pay hours paid to the employee during the installment period. Since all retention incentives must be recertified at least annually, a new installment schedule will be authorized during the review process for incentives extending beyond one year.

19. Basis for Percentage, Payment Method, and Service Obligation Length: OPM regulations require that all authorizations for retention incentives document the basis for determining the percentage, payment method and service obligation length. Enter a descriptive narrative of how each item was determined. Examples may include past recruitment or retention difficulties, special project deadlines or priorities, recent turnover or vacancies, etc. Higher percentages and longer service periods should reasonably correlate to an employee’s unique competencies and skills and the Department’s special need to retain the individual.

Section C: Factors demonstrating essential need to retain

20. In order to fully document the basis for an incentive, all authorizations must describe the factors used to determine that retention is essential. Using each of the factors below, describe the basis for this determination. If a factor was not used in the determination to pay an incentive, explain why the factor does not apply.

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20a. Employment trends and labor market factors: Describe how current employment trends and labor market factors affect the ability to attract and retain candidates. Information for this factor must be relevant, current, and from a reliable source. Sources of reliable information include current reports and publications from professional organizations representing an occupation; on-line fee for service tools offering employment forecasting, market analysis and trends for an occupation; Department-level workforce assessments; or Federal government reports and statistics. For occupations or positions covered by an OPM-approved direct-hire authority, this narrative should include specific citation of the direct-hire authority.

Organizations may cite local conditions as well as broader national or regional conditions which affect the ability to recruit or retain. For example, an area with a high concentration of information technology companies may find it difficult to attract computer specialists, an area with several hospitals and medical organizations may find it difficult to attract and retain certain health care personnel. Narratives addressing these conditions should include detailed information on the salaries and benefits offered by competitors and any record of a specific incident in which employees left Federal employment.

20b. Recent recruitment and retention efforts: Describe the results of efforts in the last six months to recruit and retain employees with similar competencies or in similar positions. For example, enter a narrative that describes the number of vacancy announcements issued, the number of applicants who applied, the number of qualified and unqualified applicants, the number of applicants selected, job acceptance rates, the length of time required to fill similar positions, or other recruitment results.

To compute job acceptance rates, divide the number of job offers accepted by the number of job offers made and multiply by 100. For example, if eight job offers were made and two candidates accepted, the job acceptance rate is 25 percent (two divided by eight times 100). A low acceptance rate is one indicator of difficulty in filling a position without an incentive.

If there were no recruitment efforts in the last six months, explain why recruitment was not conducted or is not a factor.

20c. Special or unique competencies required for the position: Describe the special or unique competencies required for the position. This may include certain skills or experience required for the position or special knowledge of a specific project or initiative that makes retention essential. This narrative should fully illustrate why other employees do not have such competencies, skills and knowledge.

20d. Efforts to use non-pay authorities: Describe any non-pay authorities used to improve employee retention or to eliminate the essential need to retain. Examples may include special training, alternative work schedules such as compressed tours and telework, job or workload reengineering, efforts to improve working conditions, workforce and succession planning efforts, expanded recruitment efforts, etc. Include the results of using non-pay authorities or explain why certain authorities were not used.

20e. Desirability of duties, work, organizational environment, or geographic location: Describe any duties or conditions which affect the ability to recruit or retain highly qualified candidates without the use of an incentive. For example, some positions have duties that are less desirable such as working with soiled materials, some offices may have operations that are highly stressful due to demanding

workload requirements, some locations may be less desirable because they are remotely located or in close proximity to high crime areas or in busy metropolitan areas without parking facilities, etc. Describe any factors that may impact recruitment or retention efforts.

20f. Effect on Department or facility if employee is not retained: Describe the effect which the employee's departure would have on the Department's or facility's ability to carry out an activity, perform a function, or complete a critical project or initiative. The effect must be specific. Provide background information to fully illustrate why the employee's departure would have such an effect. In other words, describe what will happen if the employee is not retained.

20g. Salaries typically paid outside the Federal Government for similar positions: Enter a narrative citing a credible source showing the salaries typically paid outside the Federal Government for similar positions. Credible sources may include salary data purchased from a salary survey company or reported in a professional organization's journal, published report, or a report published by a Government agency such as the Bureau of Labor Statistics. On-line salary websites that offer self-reported data, such as Salary.com, are not acceptable and may not be used as a sole source of salary data.

Approving officials should require data for this factor not only when private sector salaries are higher, but also to identify when Federal salaries are already competitive. When Federal salaries are already competitive, approving officials must ensure other factors sufficiently demonstrate the difficulty in filling the position without the use of an incentive.

20h. The quality and availability of potential sources of employees in the organization's succession plan: Enter information from the organization's workforce and succession plan that identifies employees who possess the competencies required for the position and who could perform the duties and responsibilities of the position with minimal training, cost, and disruption of service. If no employees are identified, the organization should develop a strategy to recruit or train such employees and include this strategy in the workforce and succession plans. In addition, describe any other plans to eventually eliminate or reduce the use of retention incentives. The narrative for this factor must be evaluated by the approving official and human resources office during the annual review and organizations must be held accountable to actively pursue their plans.

20i. Other Supporting factors: Enter any other information or factors that demonstrate the need for a retention incentive.

Section D: Likelihood of Leaving Federal Service

21. Basis for likelihood of leaving Federal service: Enter a narrative describing the basis for the reasonable assurance that the employee or group of employees is likely to leave Federal service in the absence of an incentive. This determination may be based one or more of the following:

- a copy of a bona fide written job offer received by the employee within the last 90 days;
- verification of the employee's submission of a retirement application (see note below); or

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- documented evidence of high demand in the private sector for the knowledge and skills possessed by the employee(s) and significant pay disparity between Federal and non-Federal salaries.

Attach a copy of any bona fide job offer or other documents used in the recommending official's reasonable assurance that the employee or group is likely to leave Federal service.

Documented evidence of high demand and pay disparity must be obtained from a reputable source. Examples include reports and publications from professional organizations, labor market and occupational trend data from a fee for service online tool, a reputable third party survey company, etc. In addition, the narrative must describe the basis for the determination that the employee is likely to leave in light of the high demand and/or pay disparity. For example, although there may be a high demand and/or pay disparity in the private sector for a particular occupation, a Federal employee vested in the Civil Service Retirement System who has three years remaining until he/she can retire is unlikely to resign from Federal service.

NOTE: *For privacy reasons, supervisors, managers and other VA officials are not permitted to obtain or view copies of an employee's retirement application or letter of resignation. Instead, the recommending official may seek confirmation of the submission from the servicing HR office and must include a written narrative containing the name of the HR employee who confirmed the submission, the date and time of the confirmation, and the employee's anticipated retirement or resignation date. Do not attach copies of an employee's retirement application or letter of resignation to the retention incentive authorization.*

Section E – Group Incentives

22. Criteria for group incentives: For group authorizations, enter criteria to narrowly define the group of employees covered by this authorization. The criteria must include occupation series, grade level(s), distinctive job duties, unique competencies required for the positions, a minimum required rating of record, organization or team designation(s), geographic location(s), special project assignment(s) and a minimum service requirement. Upon approval, any employee meeting the criteria will receive a retention incentive under the group incentive authorization unless they are covered by a recruitment, relocation, or other service agreement that obligates the employee to a complete a specific period of service. The minimum service requirement is 90 days before an employee is eligible to receive a group incentive. Approving officials may increase the minimum service requirement especially when needed to assess an employee's performance in a new position.

23. Recommendations and Approvals

This section must be signed and dated by the recommending official, human resources officer (or designee) and the approving official in accordance with the guidance contained in Chapter 3 of this part.

Facilities and organizations may add additional concurrences, approving officials or other policies or procedures to comply with local or organizational requirements.]

[APPENDIX D.

SAMPLE STATEMENT OF UNDERSTANDING/RETENTION INCENTIVE

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

I understand that the incentive:

- will be (X percent) of my rate of basic pay (excluding any additional pay) in each bi-weekly pay period;
- will not be paid for overtime or periods in a non-pay status and that such periods will reduce the incentive amount received;
- must be terminated if my rating of record is less than ‘Fully Successful’ or equivalent;
- will be terminated after 26 pay periods if not reviewed and recertified by the appropriate approving official;
- will not be reinstated retroactively if terminated due to a delay in review or recertification;
- may be reduced or terminated at any time and this is not an adverse action.

_____ (employee's signature)

_____ (date)

I understand that the total amount of Federal compensation I receive during the year may not exceed the aggregate limitation of \$XXXX for (year). I understand that any amount owed to me over the aggregate limit may not be paid until the beginning of the next calendar year.

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

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[APPENDIX P.
RETENTION SERVICE AGREEMENT

1. GENERAL

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

2. INSTRUCTIONS FOR PREPARING THE SERVICE AGREEMENT

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

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

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i. **Timing and Amounts of Each Payment.** Enter dates and installment amounts (not to exceed four equal installments per year).

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

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

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

SAMPLE RETENTION SERVICE AGREEMENT

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

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

I understand VA may unilaterally terminate this agreement based solely on the management needs of VA. If VA does so, I will be entitled to all retention incentive payments that are attributable to the already-completed portion of the service period.

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

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

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

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

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

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

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