

**CHAPTER 1. GENERAL PROVISIONS**

1-1 Purpose: The purpose of this policy is to provide regulatory and Departmental guidance to managers and supervisors to assist them in attracting and retaining outstanding employees. The Office of Personnel Management (OPM) allows, and the Department endorses the use of Recruitment, Retention and Relocation Incentives as appropriate (5 CFR 575).

1-2 Definitions:

1. **Commuting area** means the geographic area that normally is considered one area for employment purposes. This includes any population center (or two or more neighboring ones) and the surrounding localities where people live and reasonably can be expected to travel back and forth daily to work.
2. **Newly appointed** refers to:
  - a. The first appointment, regardless of tenure, as an employee of the Federal Government;
  - b. An appointment as a former employee of the Federal Government following a break in service of at least 90 days; or
  - c. An appointment as an employee of the Federal Government when the employee's Federal service during the 90-day period immediately preceding the appointment was limited to one or more of the following:
    - i. A time limited or non-permanent appointment in the competitive or excepted service;
    - ii. 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;
    - iii. An appointment as an expert or consultant under 5 U.S.C. 3109 and 5 CFR 304;
    - iv. Service as an employee of a non-appropriated fund instrumentality of the Department of Defense when moving to a position outside the Department of Defense or of the Coast Guard when moving to a position outside the Coast Guard; or
    - v. Employment under a provisional appointment designated under 5 CFR 316.403.
3. **Rate of basic pay** means the rate of pay fixed by law or administrative action for the position to which an employee is or will be appointed before deductions and including any special rate under 5 CFR 530, subpart C, or similar payment under other legal authority, and any locality-based comparability payment under 5 CFR 531, subpart F, or similar payment under other legal authority, but excluding additional pay of any other kind. For example, a rate of basic pay does not include additional pay such as night shift differentials under 5 U.S.C. 5343(f) or environmental differentials under 5 U.S.C. 5343 (c)(4).

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4. **Bi-weekly Premium Pay Limitation** is the maximum amount of allowable earnings including any premium pay on a bi-weekly basis that may not exceed a GS-15 step 10 or level 5 of the Executive Schedule, as appropriate.
5. **Aggregate Pay Limitation** is the maximum amount of allowable earnings, taking everything into consideration such as overtime, compensatory time, awards, etc. Earnings may not exceed Executive Level 1 in any calendar year.
6. **Service Agreement** means a written agreement between the Department and an employee under which the employee agrees to a specified period of employment.

1-3 Eligible Categories of Positions:

- General Schedule (GS) positions paid under 5 CFR 575.103, 203 and 303.
- Senior Executive Service (SES) positions paid under 5 USC 5383.
- Executive Schedule (EX) positions or positions for which the rate of pay is fixed by law at a rate equal to a rate for the Executive Schedule.
- Senior-level or scientific or professional positions.
- Law Enforcement Officer positions as defined in 5 CFR 550.103.

1-4 Ineligible Categories of Positions:

- Positions to which an individual is appointed by the President, by and with the advice and consent of the Senate.
- A position in the Senior Executive Service as a non-career appointee.
- A position excepted from the competitive service by reason of its confidential, policy determining, policy-making, or policy–advocating character.
- The Head or designated head of the Department.

1-5 Roles and Responsibilities: Supervisors and managers are responsible for determining the need to utilize these incentives. This decision should always be based on the needs of and for the good of the Department. The Program Director is the requesting official and the appropriate Assistant Secretary is the approving official for use of an incentive. However, if the Assistant Secretary is the immediate supervisor, the Deputy Secretary must approve the request. The Assistant Secretary for Administration must concur with all requests for compliance of Federal regulations.

The requesting office is responsible for preparing and submitting the required paperwork to OHR. (See Chapter 5.)

The requesting office pays all incentives.

**CHAPTER 2. RECRUITMENT INCENTIVES**

2-1 Program Description: A recruitment incentive can be used to attract newly appointed applicants and induce a selectee to accept a position that he or she would otherwise not accept. The incentive will be expressed in a dollar amount, but cannot exceed 25% of the annual rate of basic pay for the length of the service period.

2-2 Program Requirements: This incentive can be used in order to attract quality candidates – if it is determined that the position is likely to be difficult to fill without offering the incentive.

1. Factors to consider:

- a. The availability and quality of candidates possessing the competencies required for the position, including the success of recent efforts to recruit candidates for similar positions using indicators such as:
    - i. Offer acceptance rates;
    - ii. The proportion of positions filled; and
    - iii. The length of time required filling similar positions.
  - b. Higher salaries typically paid outside the Federal Government for similar positions;
  - c. Recent turnover in similar positions;
  - d. Employment trends and labor-market factors that may affect the Department's ability to recruit candidates for similar positions;
  - e. Special or unique competencies required for the position;
  - f. Other documented supporting factors.
2. If this type of recruiting incentive can be justified prior to advertising a position, a statement may be added on the vacancy announcement. The statement should read, "*A recruitment incentive may be paid to newly appointed (non-Federal) applicants. A service agreement will be required.*"

2-3 Payment Requirements, Allowances and Restrictions: A recruitment incentive will be offered based on a dollar amount, not to exceed 25% of the employee's annual rate of basic pay during the service period.

1. Payment of the recruitment incentive may be paid:

- a. As an initial lump-sum payment at the beginning of the service period;
- b. In equal or variable installments throughout the service period;
- c. As a final lump-sum payment on the completion of the service period; or
- d. In a combination of these methods.
  - i. For example, it may be decided to pay a portion of a recruitment incentive to an employee upon appointment to the position, another portion when the employee completes half of the service period required by the service

agreement and a final payment when the employee completes the full service period required by the service agreement.

2. An incentive may be paid to an individual not yet employed who has received a written offer of employment and signed a service agreement.
3. Payment of a recruitment incentive is subject to the aggregate limitation on pay under 5 CFR 530, subpart B. However, payments that would exceed the limitation may be deferred and paid in the following calendar year.
4. Recruitment incentives are not subject to annual and bi-weekly premium pay limitations (5 U.S.C. 5547 and 5 CFR 550.105 and 550.106).
  - a. Recruitment incentives may be used in combination with superior qualifications and special needs pay-setting authority under 5 CFR 531.212.
5. A recruitment incentive is not part of an employee's rate of basic pay for any purpose.
6. The determination to pay a recruitment incentive MUST be made prior to the prospective employee entering on duty.
7. With OPM approval, the 25% cap may be increased to 50% (based on critical Department need), as long as the total incentive does not exceed 100% of the employee's annual rate of basic pay at the beginning of the service period (5 CFR 575.109(c)).

2-4 Payment Calculation: A recruitment incentive may not exceed 25% 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 (not to exceed 4 years). For clarity, the calculations are expressed in percentages instead of dollar amounts.

1. To determine 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.
  - a. For example, a service period covering 39 biweekly pay periods equals 546 days, and 546 days divided by 365 equals 1.50 years.
  - b. A recruitment incentive service period must begin on the first day of a pay period and end on the last day of a pay period and may not exceed 4 years.
  - c. It is management's option to decide whether the employee will receive the amount of the incentive for a specific time frame of the service period. For example, a 15% incentive is offered with a 3-year service agreement. Management can award the 15% for just 1 year (payable as described above) – or they may offer the 15% for each year for a total of 45%.
2. An example of the recruitment incentive calculation, using the maximum of 25%, based on the 1.5 years and a salary rate of \$74,782 is shown below:

a.  $\$74,782$  (annual rate)  $\times .25$  (25%)  $\times 1.5$  years =  $\$28,043$

i. The employee may receive recruitment incentive payments totaling up to  $\$28,043$  for a 39-pay period service agreement.

2-5 Service Agreement: Before receiving a recruitment incentive, an employee must sign a written agreement to complete a specified period of employment with the Department. The period of time of the service agreement cannot be less than 6 months or more than 4 years. (See Appendix D.)

2-6 Termination of Service Agreement:

1. The Department may terminate a recruitment incentive agreement at any time based solely on management needs. For example, the service agreement may be terminated when the employee's position is affected by a reduction in force, or there are insufficient funds to continue the planned incentive payments, or when the Department assigns the employee to a different position. If the agreement is terminated:

- a. The Department must notify the employee in writing;
- b. The employee is entitled to all recruitment incentive payments that are attributable to completed service and;
- c. May retain any portion of a recruitment incentive payment he or she received that is attributable to uncompleted service; and
- d. Termination of the agreement is not grievable or appealable.

2. The Department must terminate a recruitment incentive 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 satisfactory or if the employee otherwise fails to fulfill the terms of the service agreement. If the agreement is terminated under these circumstances, the following is applicable.

- a. The Department must notify the employee in writing;
- b. The employee is entitled to retain recruitment incentive payments previously paid by the agency that are attributable to the completed portion of the service period;
- c. If the employee received recruitment incentive payments that are less than the amount that would be attributable to the completed portion of the service period, the agency is NOT obligated to pay the employee the amount attributable to the completed service;
- d. If the employee received recruitment incentive payments in excess of the amount that would be attributable to the completed portion of the service period, he or she must repay the excess amount; and
- e. If the employee fails to reimburse the Department for the full amount owed, the amount outstanding must be recovered from the employee under the regulations for collection by offset from an indebted Government employee under 5 U.S.C. 5514 and 5 CFR 550, subpart K or through the appropriate provisions governing Federal debt collection if the individual is no longer a Federal employee. However, the Secretary (or designee) may waive the debt under 5 U.S.C. 5584.

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Waivers should be rare because the employee agreed to the repayment condition when he or she signed the service agreement.

## CHAPTER 3. RELOCATION INCENTIVES

- 3-1 Program Description: A relocation incentive may be paid to a Federal employee who must relocate to accept a position in a different geographic area, if it is determined that the position is likely to be difficult to fill in absence of an incentive. 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.
- 3-2 Program Requirements: This incentive may be used to assist in recruiting and retaining quality Federal employees and filling hard to fill positions within the Federal service.
1. Factors to Consider:
    - a. The availability and quality of candidates possessing the competencies required for the position, including the success of recent efforts to recruit candidates for similar positions using indicators such as:
      - i. Offer acceptance rates;
      - ii. The proportion of positions filled; and
      - iii. The length of time required filling similar positions.
    - b. Higher salaries typically paid outside the Federal Government for similar positions.
    - c. Recent turnover in similar positions.
    - d. Employment trends and labor-market factors that may affect the Department's ability to recruit candidates for similar positions.
    - e. Special or unique competencies required for the position.
    - f. Other documented supporting factors.
  2. Relocation incentives may be paid to an employee of the Federal Government who must relocate to a different geographic area without a break in service to accept a position in the Department or to an employee of the Department that must relocate to a different geographic area (permanently or temporarily) to accept a position.
    - a. A different geographic area is considered to be 50 miles from the worksite prior to the move.
    - b. If the new worksite is less than the 50-mile requirement, but the employee must establish a new residence to accept the position, the Assistant Secretary for Administration may waive this requirement.
  3. If it is determined the position is hard to fill, a statement may be added on the vacancy announcement. The statement should read, "*A relocation incentive may be paid to Federal applicants that must relocate to a different geographic area to accept this position. A geographic area is usually 50 or more miles from the worksite prior to the move. A service agreement will be required.*"

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3-3 Payment Requirements, Allowances and Restrictions: A relocation incentive may be offered based on a dollar amount or a percentage of the employee's annual rate of basic pay not to exceed 25% of annual basic rate of pay.

1. Payment of the relocation incentive may be paid:
  - a. As an initial lump-sum payment at the beginning of the service period;
    - i. In all cases, the employee must establish a residence in the new geographic area before the Department can pay a relocation incentive to the employee.
  - b. In equal or variable installments throughout the service period;
  - c. As a final lump-sum payment on the completion of the service period; or
  - d. In a combination of these methods.
    - i. For example, it may be decided to pay a portion of a relocation incentive to an employee upon setting up a new residence in the new geographical area, another portion when the employee completes half of the service period required by the service agreement and a final payment when the employee completes the full service period required by the service agreement.
2. Payment of a relocation incentive is subject to the aggregate limitation on pay under 5 CFR 530, subpart B. However, payments that would exceed the limitation may be deferred and paid in the following calendar year.
  - a. Relocation incentives are not subject to annual and bi-weekly premium pay limitations (5 U.S.C. 5547 and 5 CFR 550.105 and 550.106).
3. A relocation incentive is not part of an employee's rate of basic pay for any purpose.
4. The determination of the need to pay a relocation incentive MUST be made prior to making an official offer and the employee relocating to the new worksite.
5. With OPM approval, the 25% cap may be increased to 50% (based on critical Department need), as long as the total incentive does not exceed 100% of the employee's annual rate of basic pay at the beginning of the service period (5 CFR 575.109(c)).

3-4 Payment Calculation: A relocation incentive may not exceed 25% of the employees 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 (not to exceed 4 years). The locality pay is based on the new work location.

1. To determine 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.

- a. For example, a service period covering 39 biweekly pay periods equals 546 days, and 546 days divided by 365 equals 1.50 years.
  - b. A relocation incentive service period must begin on the first day of a pay period and end on the last day of a pay period and may not exceed 4 years. It is management's option to decide whether the employee will receive the amount of the incentive for a specific time frame of the service period.
  - c. For example, a 25% incentive is offered with a 3-year service agreement. Management can award the 25% for just 1 year (payable as described above) – or they may offer the 25% for each year for a total of 75%.
2. An example of the relocation incentive calculation, using the maximum of 25%, based on the 1.5 years and a salary rate of \$74,782 is shown below:
- a.  $\$74,782$  (annual rate) x .25 (25%) x 1.5 years = \$28,043
    - i. The employee may receive relocation incentive payments totaling up to \$28,043 for a 39-pay period service agreement.
5. The salary is calculated based on the locality rate of the new locality pay area.

3-5 Service Agreement: Before receiving a relocation incentive, an employee must sign a written agreement to complete a specified period of employment with the Department. The period of time of the service agreement cannot be less than 1 year or more than 4 years. (See Appendix E.)

3-6 Termination of Service Agreement:

1. The Department may terminate a relocation incentive agreement at any time based solely on management needs. For example, the service agreement may be terminated when the employee's position is affected by a reduction in force, or there are insufficient funds to continue the planned incentive payments, or when the Department assigns the employee to a different position. If the agreement is terminated:
  - a. The Department must notify the employee in writing;
  - b. The employee is entitled to all relocation incentive payments that are attributable to completed service and;
  - c. To retain any portion of a relocation incentive payments he or she received that is attributable to uncompleted service;
  - d. Termination of the agreement is not grievable or appealable.
2. The Department must terminate a relocation incentive 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 satisfactory or if the employee otherwise fails to fulfill the terms of the service agreement. If the agreement is terminated under these circumstances, the following is applicable:
  - a. The Department must notify the employee in writing;

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- b. The employee is entitled to retain recruitment incentive payments previously paid by the Department that are attributable to the completed portion of the service period;
- c. If the employee received relocation incentive payments that are less than the amount that would be attributable to the completed portion of the service period, the agency is NOT obligated to pay the employee the amount attributable to the completed service;
- d. If the employee received relocation incentive payments in excess of the amount that would be attributable to the completed portion of the service period, he or she must repay the excess amount; and
- e. If the employee fails to reimburse the Department for the full amount owed, the amount outstanding must be recovered from the employee under the regulations for collection by offset from an indebted Government employee under 5 U.S.C. 5514 and 5 CFR 550, subpart K or through the appropriate provisions governing Federal debt collection if the individual is no longer a Federal employee. However, the Secretary (or designee) may waive the debt under 5 U.S.C. 5584. Waivers should be rare because the employee agreed to the repayment condition when he or she signed the service agreement.

**CHAPTER 4: RETENTION INCENTIVE**

- 4-1 Program Description: A retention incentive is a management tool that allows the Department to offer up to 25% of the annual rate of basic pay to current Department employees. The amount can only be expressed in percentages.
- 4-2 Program Requirements: In order to authorize the use of retention incentives – certain criteria must be met. The justification to offer a retention incentive should include the following:
1. Documentation reflecting what unique or unusually high qualifications and the special need of the Department that makes it essential to retain the employee.
  2. The manager's certification and reasoning that the employee is planning or likely to leave the Federal Service (not just the Department).
  3. Why this position cannot be filled through competitive procedures or reassignments.
- 4-3 Payment Requirements, Allowances and Restrictions: A retention incentive may be offered based on a percentage of the employee's annual rate of basic pay not to exceed 25%. This may only be expressed in percentages, no dollar amounts. If the retention incentive is being utilized for a group or category of employees, the incentive cannot exceed the 10% of an employee's rate of basic pay.
1. Payment of the retention incentive may be paid:
    - a. In equal or variable installments throughout the service period;
      - i. The retention incentive will be paid for **each** year the employee remains with the Department under the service agreement.
    - b. As a final lump-sum payment on the completion of the service period.
  2. Employees can never be paid prior to performing the work in advance. For example:
    - a. Retention incentives paid monthly (every other pay period) requires the employee to work for a month prior to the first pay out.
    - b. All installments must be paid in line with the start and end of a pay period.
  3. Payment of a retention incentive is subject to the aggregate limitation on pay under 5 CFR 530, subpart B. However, payments that would exceed the limitation may be deferred and paid in the following calendar year.
    - a. Retention incentives are not subject to annual and bi-weekly premium pay limitations (5 U.S.C. 5547 and 5 CFR 550.105 and 550.106).
  4. A retention incentive is not part of an employee's rate of basic pay for any purpose.

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5. With OPM approval, the 25% cap may be increased to 50% (based on critical Department need), as long as the total incentive does not exceed 100% of the employee's annual rate of basic pay at the beginning of the service period (5 CFR 575.109(c)).

4-4 Payment Calculation: If the retention incentive is going to be paid in installments, the Department may choose to pay based on a reduced percentage (i.e., 5% of a 15% incentive) or the full percentage. Each installment payment is derived by multiplying the full or reduced retention incentive percentage rate by the total rate of basic pay the employee earned during the installment period. If the retention incentive installment payment percentage is less than the full percentage rate established for the employee, any accrued portion of the retention incentive not paid upon completion of the installment period must be paid as part of a final installment payment after completion of the full service period under the terms of the agreement. Salaries generally change annually with Cost of Living Adjustment Increases, Within Grade Increases, etc. The examples contained in this policy do not reflect these changes for simplicity.

A retention incentive paid as a single lump-sum payment upon completion of the full period of service required by a service agreement is derived by multiplying the retention incentive percentage rate established for the employee by the total amount of basic pay earned by the employee during the full service period.

1. Examples of calculations based on a 10% retention incentive and the rate of basic pay of \$79,497.60:

Based on a 2-year service agreement:

- a. Installment payments provided after 13 and 26 pay periods of service. Total amount of incentive is \$7,949.76 divided by 2 installments = \$3,974.88 for each installment for the first year. The second year would be the same as above with a total amount of an incentive paid of \$15,899.52 for the 2 years.

Based on a 5 year service agreement:

- b. A lump sum payment at the end of the contract period at 7,949.76 per year x 5 years = \$39,748.80 pay out at the end of the service agreement period.

2. Incentives are paid throughout the entire service period. For example, an employee is offered a 10% retention incentive for signing a service agreement for 4 years (payable as allowed above). The employee will receive 10% of their basic annual salary for each year.

4-5 Service Agreement: Before receiving a retention incentive, an employee must sign a written agreement to complete a specified period of employment with the Department. The period of time of the service agreement cannot be less than 6 months and can be for any justifiable time beyond the 6 months (See Appendix F). However, upon expiration of the service agreement, there are NO extensions. A new request, with the appropriate justification and documentation must be submitted. The Department is expected during

this retention period to take steps that would relieve the need for further retentions, whether by recruiting early or perhaps training from within.

4-6 Termination of Service Agreement:

1. The Department may terminate a retention incentive agreement at any time based solely on management needs. For example, the service agreement may be terminated when the employee's position is affected by a reduction in force, or there are insufficient funds to continue the planned incentive payments, or when the Department assigns the employee to a different position. If the agreement is terminated:
  - a. The Department must notify the employee in writing;
  - b. The employee is entitled to all retention incentive payment that are attributable to completed service;
  - c. Is entitled to receive any portion of a retention incentive payment owed by the agency for completed service; and
    - i. Example: An employee who signed a 364-day (26 pay period) service agreement will receive a total retention incentive of \$7,949.76 in two installment payments – i.e., \$3,974.88 at the end of 13 pay periods of completed service. The employee receives the first payment of \$3,974.88. However, after 15 pay periods (210 days), the employee is affected by a reduction in force, and the Department terminates the service agreement. The employee is entitled to keep the \$3,974.88 retention incentive payment already received and to receive a prorated share of the second planned retention incentive payment based on the amount of service completed.
    - ii. If the termination of a service agreement is based on the fault of the employee, the employee is entitled to retain retention incentive payments previously paid by the agency that are attributable to the completed portion of the service period. If the employee received retention incentive payments that are less than the amount that would be attributable to the completed portion of the service period, the Department is not obligated to pay the employee the amount attributable to completed service, unless the Department agreed to such payment under the terms of the retention incentive service agreement. In other words, using the same scenario above, if after the first installment payment, the service agreement was terminated after 15 pay periods (210 days) - the employee would NOT be entitled to any part of the second installment.
  - d. Termination of the agreement is not grievable or appealable.
2. The Department must terminate a retention incentive 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 satisfactory or if the employee otherwise fails to fulfill the terms of the service agreement. If the agreement is terminated under these circumstances, the following is applicable:

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- a. The Department must notify the employee in writing;
- b. The employee is entitled to retain recruitment incentive payments previously paid by the Department that are attributable to the completed portion of the service period; and
- c. If the employee received retention incentive payments that are less than the amount that would be attributable to the completed portion of the service period, the agency is NOT obligated to pay the employee the amount attributable to the completed service.

**CHAPTER 5: INCENTIVE REQUEST PROCEDURES**

- 5-1 Documentation: As outlined in the appropriate chapters above, a detailed justification must be included, addressing the criteria listed for recruitment, relocation or retention requests. Failure to provide adequate justification will result in non-concurrence.
- 5-2 Forms Required: An addition to the justification, form HUD-25021, 25022 or 25023 must be filled out and signed by the appropriate program officials. (See Appendices A, B, and C.)
- 5-3 Service Agreement: The service agreement must be included in the request package, however, the employee should be informed that signing the agreement does not constitute approval of the incentive, but it is part of the request for approval process. The employee will be informed once a decision is rendered. The employee must be provided a copy of this policy and it should be explained that signing the agreement demonstrates an understanding of and agreement to the provisions of this policy. (See Appendices D, E, and F.)
- 5-4 Routing and Review: All requests are to be forwarded to the Director, Office of Human Resources. Upon receipt, the requests will be reviewed and analyzed. A recommendation will be forwarded, with the request to the Assistant Secretary for Administration. Upon concurrence/non-concurrence, the request will be returned to the Office of Human Resources.
- 5-5 Disposition of Request: Upon return of request, the OHR will take appropriate action. If the request is approved, OHR will advise the requesting office to submit a Personnel Action Request (PAR) action. Once this is accomplished, OHR will provide the effective date of the action.