



Recruitment, Relocation, and Retention Incentives

Working for America

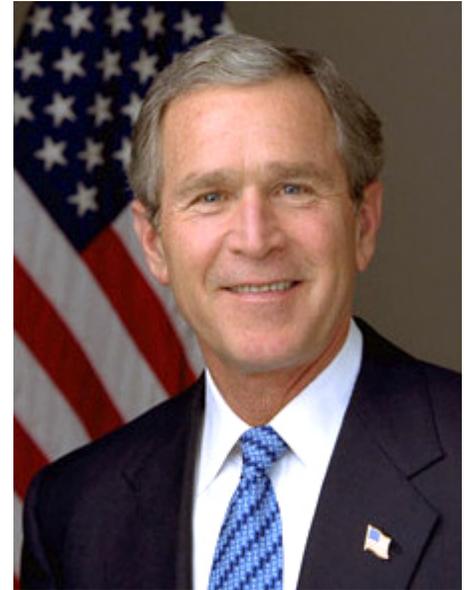
UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



Message from the President

“America depends on thousands of Federal employees who help keep this country strong and ensure that our government functions effectively.”

- George W. Bush





Recruitment, Relocation, and Retention Incentives

- *Section 101(a) of the Federal Workforce Flexibility Act of 2004 established significantly enhanced recruitment, relocation, and retention payment authorities. The new authorities replace the recruitment and relocation bonus and retention allowance authorities at 5 U.S.C. 5753 and 5754.*
- *Interim regulations for new authorities were published and made effective on May 13, 2005.*
- *The law includes grandfathering provisions for recruitment, relocation, and retention payments authorized before May 1, 2005:*
 - *Recruitment and relocation bonus service agreements will remain in effect until expiration of the service agreements.*
 - *Retention allowances will remain in effect until reauthorized or terminated, but not later than April 30, 2006.*
- *Interim regulations use the term “incentives” instead of “bonuses.”*



Recruitment and Retention Incentives

- *OPM is inviting comments on whether, in view of the potential for costly and inefficient interagency competition, the final regulations should allow agencies to pay recruitment and retention incentives in interagency movements. Specifically, should we—*
 - (1) *Allow a recruitment incentive for a current employee—*
 - *When the employee's unique competencies are critical to an important agency mission?*
 - *When the employee is moving to different pay system and the employee's services are critical to an important agency mission?*
 - *When the employee is changing career fields?*
 - (2) *Allow a retention incentive for an employee likely to leave for another Federal position—*
 - *When loss of the employee's unique competencies would adversely affect an important agency mission or critical project?*
 - *When loss of the employee would adversely affect an important agency mission or critical project and the employee is offered a position under a different pay system?*
 - *Before the closure or relocation of the employee's office or facility when the employee's services are critical to the successful closure or relocation?*



Recruitment, Relocation, and Retention Incentives

Coverage

- *Employees covered by the former authorities are covered by the new authorities (e.g., GS, SES, SL/ST, EX, prevailing rate).*

Exception: The new law and regulations exclude political appointees from coverage (e.g., Presidential appointees, noncareer SES, Schedule Cs)

- *OPM may extend coverage to other groups at the request of the head of an Executive agency.*



Recruitment, Relocation, and Retention Incentives

Agency Plans and Approval Levels

- *An agency must establish a plan for each of the new recruitment, relocation, and retention incentive authorities. The plans may be contained in a single overall agency policy.*
- *Pending development of new plans, agencies may adopt old plans, as long as offers made are not inconsistent with NEW law and regulations.*
- *Agency plans must apply uniformly across the agency (unless the agency head in his or her sole and exclusive discretion determines otherwise).*
- *An agency official who is at least one level higher than the employee's supervisor may approve recruitment, relocation, and retention incentive payments.*



Recruitment, Relocation, and Retention Incentives

Incentive Payments

- *Agencies must use an employee's special rate or locality rate, as applicable, to compute recruitment, relocation, and retention incentives.*
- *Incentive payments are not part of basic pay for any purpose.*
- *Incentive payments are subject to the aggregate pay limitation. No special rules for retention incentives.*
- *An employee must have a rating of record of at least "Fully Successful" or equivalent to receive a relocation or retention incentive.*



Recruitment, Relocation, and Retention Incentives

Service Agreements

- *Before receiving an incentive, an employee must sign a service agreement that specifies the length of the service period, the amount and timing of incentive payments, the terminating conditions, and any agency or employee obligations if the service agreement is terminated.*

Exception: A service agreement is not required when an agency pays a retention incentive in equal biweekly installments.

- *Service period*
 - *Recruitment incentive—minimum of 6 months to maximum of 4 yrs.*
 - *Relocation incentives—no minimum to maximum of 4 yrs.*
 - *Retention incentives—no minimum or maximum service period.*
- *Agencies may delay recruitment and relocation incentive service period start dates until after the employee completes an initial period of formal training or probationary period, as applicable.*

Recruitment, Relocation, and Retention Incentives

Termination of service agreements

- *An agency **may** unilaterally terminate a service agreement based on the management needs of the agency. The employee keeps any incentive payments received, and the agency must pay any incentive payments for completed service.*
- *An agency **must** terminate a service agreement if the employee—*
 - *Is demoted or separated for cause (e.g., unacceptable performance or conduct),*
 - *Receives a rating of record of lower than “Fully Successful” or equivalent, or*
 - *Fails to fulfill other terms of the service agreement.*

The employee keeps any incentive payments for completed service and must reimburse the agency for any incentive payments received for uncompleted service (recruitment and relocation only). The employee may receive any incentive payments not yet paid for completed service only if specified in the service agreement.



Recruitment Incentives

- *A recruitment incentive may be paid to a newly-appointed employee to fill a position that is likely to be difficult to fill in the absence of an incentive.*
- *Case-by-case determination, but agencies may target groups of similar positions.*
- *An agency may determine that a position (or group of positions) is likely to be difficult to fill if—*
 - *The agency is likely to have difficulty recruiting qualified candidates with the competencies required for the position (or group of positions) in the absence of a recruitment incentive; or*
 - *OPM has approved the use of a direct-hire authority for the position (or group of positions).*



Recruitment Incentives

- *May be paid—*
 - *As an initial lump-sum payment at the start of the service period,*
 - *In installments during the service period,*
 - *As a final lump-sum payment at the end of the service period, or*
 - *In a combination of methods.*
- *Total amount of incentive payments may not exceed 25% of employee's annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years (or fractions of a year) in the service period (not to exceed 4 years).*
- *With OPM approval based on a critical agency need, an agency may pay incentive payments of up to 50% of basic pay times years in service period, as long as total does not exceed 100% of employee's annual rate of basic pay.*

Recruitment Incentives

Payment example—GS-13, step 1, employee in Washington, DC, signs a recruitment incentive service agreement to serve 39 pay periods (546 days).

Annual rate of basic pay: \$74,782 (at beginning of service period, including locality pay)

Maximum recruitment incentive: $\$74,782$ (annual rate) \times .25 (25%) \times 1.5 years (546 days/365 days) = $\$28,043$.

The agency may—

- Pay \$28,043 as an initial up-front payment,*
- Divide \$28,043 into equal or variable installment payments,*
- Pay \$28,043 at the end of the service period, or*
- Use a combination of these payment methods.*

Note: \$28,043 is the maximum recruitment incentive that may be paid for 39 pay periods of service (even if the employee receives a pay increase during that period). The agency may choose to pay a lower incentive for the same period of service.

Recruitment Incentives

Repayment example—

- *An employee signs a 364-day (26-pay period) service agreement and received the full amount of a \$28,043 recruitment incentive as an initial lump-sum payment.*
- *The employee voluntarily separates after 20 pay periods (280 days).*
- *The employee must repay 23.1 percent (84 days/364 days) of the incentive, or \$6,477.93 ($\$28,043 \times 23.1\%$) for uncompleted service.*
- *The employee may keep 76.9 percent (280 days/364 days) of the incentive, or \$21,565.07 ($\$28,043 \times 76.9\%$) for completed service.*



Relocation Incentives

- *A relocation incentive may be paid to a current employee who must relocate to accept a position (in the same or a different agency) in a different geographic area when the position otherwise would be difficult to fill in the absence of an incentive.*
- *Relocation may be temporary or permanent.*
- *Agencies may waive the case-by-case approval requirement for groups of employees who are subject to a mobility agreement or when a major organizational unit is relocated to a new duty station.*
- *“Difficult to fill” criteria, payment options and caps, service agreement options and requirements, and repayment requirements are parallel to those for recruitment incentives.*
- *Law repealed special cap that applied to law enforcement officers.*



Relocation Incentives

- *“Different geographic area”—*
 - *Worksite of new position is 50 miles or more from the worksite of the position held before the move, or*
 - *Worksite of new position is less than 50 miles from the worksite of the position held before the move, but the employee must relocate to accept the position. (Requires waiver of 50-mile requirement.)*
- *In all cases, employee must establish a residence in the new geographic area prior to payment of the incentive.*



Retention Incentives

- *A retention incentive may be paid when the agency determines—*
 - *The unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee, and*
 - *The employee would be likely to leave in the absence of an incentive.*
- *May be paid to individual or group or category of employees (SES, EX, SL/ST, and certain other employees are excluded from the group authority).*



Retention Incentives

- *Agencies must establish a retention incentive rate for each individual or group retention incentive expressed as a percentage of the employee's rate of basic pay, not to exceed—*
 - *25% for individual employees, or*
 - *10% for groups of employees.*
- *With OPM approval based on a critical agency need, an agency may pay a retention incentive of up to 50% of basic pay for an individual or group of employees.*



Retention Incentives

- *Retention incentives may be paid in installments after completion of specified periods of service or in a single lump sum at the end of a full service period.*
- *Retention incentives may not be paid in advance of fulfilling a service agreement.*
- *Installment payments may be computed using the full retention incentive percentage rate or a reduced rate. If a reduced rate is used, any portion of the retention incentive that would have been paid if the full rate were used must be paid as part of a final installment payment after the completion of the full service period.*

Retention Incentives

Computing installment payments

Multiply the retention incentive percentage rate by the total amount of basic pay the employee earned in the installment period.

Example--Employee earns \$3,057.60 in a biweekly pay period. Service agreement provides for a 10% retentive incentive paid after 13 and 26 pay periods of service.

Each installment payment: \$3,974.88

- 13 pay periods x \$3,057.60 = \$39,748.80*
- \$39,748.80 x .10 = \$3,974.88*

Total retention incentive: \$7,949.76 (\$3,974.88 x 2)



Retention Incentives

Computing a final lump-sum payment

Multiply the retention incentive percentage rate by the total amount of basic pay the employee earned during the full service period.

Example--Employee earns \$3,057.60 in a biweekly pay period. Service agreement provides for a 10% retentive incentive paid after 26 pay periods of service.

Retention incentive: \$7,949.76

- 26 pay periods x \$3,057.60 = \$79,497.60*
- \$79,497.60 x .10 = \$7,949.76*



Retention Incentives

Retention incentives without a service agreement—

- *May be used only when retention incentives are paid in equal biweekly installments.*
- *Agencies must review each determination at least annually.*
- *Payments may continue as long as conditions still exist.*
- *Agencies must terminate if the employee is demoted or separated for cause or receives a rating of record lower than “Fully Successful.”*



Report to Congress

- *OPM must submit a report to Congress on the operation of the new recruitment, relocation, and retention incentive authorities for each of the first 5 years the new authorities are in effect (i.e., 2005 through 2009).*
- *Required information will include a description of how the authorities have been used and the number and dollar amount of incentives paid (by series and grade) during the previous calendar year.*
- *OPM will issue additional information on reporting requirements.*



Recruitment, Relocation, and Retention Incentives

Additional Information

- *Interim regulations, memorandum, and guidance:*
www.opm.gov/oca/compmemo/2005/2005-08.asp
- *Comments on regulations may be submitted by email to*
pay-performance-policy@opm.gov *or by fax to*
(202) 606-0824 by July 12, 2005.