



Defense Health Agency

ADMINISTRATIVE INSTRUCTION

NUMBER 084
March 8, 2017

HRD

SUBJECT: Incentives to Attract and Retain Civilian Employees

References: See Enclosure 1

1. **PURPOSE.** This Defense Health Agency-Administrative Instruction (DHA-AI), based on the authority of References (a) through (c), and in accordance with the guidance of References (d) through (h):

a. Assigns responsibilities and establishes procedures for the Defense Health Agency's (DHA) recruitment, retention, and relocation incentives, Superior Qualification Appointments (SQAs), enhanced leave accrual, and student loan repayment incentives that may be used to attract and retain top-quality civilian employees.

b. Implements DoD policy, Federal Regulations, and U.S. Code in accordance with References (a), (b) and (d) through (h).

c. Supercedes and administratively cancels Reference (i).

2. **APPLICABILITY.** All DHA civilian employees and other Federal employees assigned temporary or permanent duties at DHA, to include regional and field activities (remote locations) and the National Capital Region Medical Directorate activities (centers, clinics and Medical Treatment Facilities).

3. **POLICY IMPLEMENTATION.** It is DHA policy pursuant to References (d) through (f) to:

a. Attract and retain qualified, eligible, civilian employees by utilizing incentives such as recruitment, retention, relocation, and SQAs, in accordance with Part 575, Subparts A through C, of Reference (e), additional leave accrual credit, in accordance with Part 630 of Reference (e), and student loan repayment, in accordance with Subchapter IV of Chapter 63 and Section 6303 of Reference (f). The DHA may pay an incentive to a current employee who holds:

(1) A General Schedule (GS) position paid in accordance with Section 5332 or Section 5305 of Reference (f) (or similar special rate authority).

(2) A senior-level or scientific or professional position paid in accordance with Section 5376 of Reference (f).

(3) A Senior Executive Service (SES) position paid in accordance with Section 5383 of Reference (f).

(4) A position as a law enforcement officer, as defined in Part 550 of Reference (e).

(5) Any other position in a category for which payment of incentives has been approved by the Office of Personnel Management (OPM) at the request of the head of an executive agency.

b. Maximize recruitment of highly qualified civilian applicants by offering incentivizing pay rates and monetary incentives that are comparable or as close as possible to private sector pay rates and incentives.

c. Review all individual and group incentives at least annually to determine if the payment is still warranted and justified under current conditions; discontinue unnecessary incentives.

4. RESPONSIBILITIES. See Enclosure 2

5. PROCEDURES. See Enclosure 3

6. RELEASABILITY. **Not cleared for public release.** This DHA-AI is available to DHA employees and contractor support personnel with Common Access Card authorization on the DHA Intranet.

7. EFFECTIVE DATE. This DHA-AI:

a. Is effective upon signature.

b. Will expire 10 years from the date of signature if it has not been reissued or cancelled in accordance with DHA-Procedural Instruction 5025.01 (Reference (c)).



R.C. BONO
VADM, MC, USN
Director

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ENCLOSURE 1

REFERENCES

- (a) DoD Directive 5136.01, “Assistant Secretary of Defense for Health Affairs (ASD(HA)),” September 30, 2013
- (b) DoD Directive 5136.13, “Defense Health Agency,” September 30, 2013
- (c) DHA-Procedural Instruction 5025.01, “Publication System,” August 21, 2015
- (d) DoD Instruction 1400.25, Volume 575, “DoD Civilian Personnel Management System: Recruitment and Relocation Bonuses, Retention Allowances, and Supervisory Differentials,” administratively reissued April 6, 2009
- (e) Parts 213, 531, 537, 550, 575, and 630 of Title 5, Code of Federal Regulations
- (f) Subchapter IV of Chapter 57, Subchapter IV of Chapter 63, Subchapter VII of Chapter 53, and Sections 105, 3304, 3394, 5305, 5312–5317, 5332–5333, 5376, 5379, 5383, 5753–5754, 6303 of Title 5, United States Code (U.S.C)
- (g) DoD Financial Management Regulation 7000.14-R, Volume 8, “Civilian Pay Policy,” November 2015
- (h) DoD Instruction 1400.25, Volume 451, “DoD Civilian Personnel Management System: Awards,” November 4, 2013
- (i) National Capital Region Medical Directorate Administrative Instruction 1432.01, “Incentives and Allowances to Attract and Retain Civilian Employees,” Administratively reissued and amended June 1, 2015 (hereby cancelled)

ENCLOSURE 2

RESPONSIBILITIES

1. DIRECTOR, DHA. The Director, DHA, will ensure appropriate and effective use of these authorities to support mission requirements and to conform to merit system principles.

2. DIRECTORATE DIRECTOR OR DESIGNATED OFFICIAL. The Directorate Director or Designated Official equivalent will:
 - a. Serve as the Approving Official for incentives for an employee, or use the appropriate channels of approval for a retention incentive for a group or category of employees.

 - b. Ensure incentives are utilized properly and in accordance with this policy.

 - c. Determine when a position or group of positions is likely to be difficult to fill in the absence of an incentive.

 - d. Determine when the unusually high or unique qualifications of an employee, group, category of employees, or special need of the agency for services provided by the employee(s):
 - (1) Make it essential to retain the employee, group, or category of employees; and

 - (2) When there is a risk that the employee, or a significant number of employees in the group would be likely to leave the Federal Service in the absence of a retention incentive.

 - e. Establish the criteria for incentive offers to comply with OPM regulations in accordance with Part 575 of Reference (e) and to ensure consistent treatment of employees in similar situations.

 - f. Serve as the Approving Official for any requested waiver of recovery of an employee's debt if an employee does not fulfill the terms of a Service Agreement.

 - g. Keep a record of each determination to pay an incentive, and make such records available for review upon request.

 - h. Ensure incentives are utilized properly and in accordance with this policy statement.

 - i. In accordance with Reference (d), on a fiscal year basis, not later than September 30, compile, maintain a record of, and report:
 - (1) The number of recruitment or relocation incentives offered and the number accepted;

 - (2) The percentage of salary offered and accepted in each individual case; and

(3) A summary statement assessing the effect of the incentive authority on the ability to fill key positions with qualified candidates in a timely manner.

4. REQUESTING OFFICIAL. The Requesting Official will:

a. Provide required documentation when proposing the use of a recruitment, retention, or relocation incentive, and credit for newly appointed prior non-Federal and Uniformed Service selectees for determining Annual Leave Accrual Rate, SQAs, or student loan repayment.

b. Ensure that the employee receiving an incentive signs a Service Agreement and that the signed Service Agreement is forwarded to the appropriate Human Resources (HR) Business Partner.

c. Ensure that the basis for any incentive is documented, maintained, and available for review and submission upon request.

d. Review retention incentives at least every 12 months, and make a written determination of whether the incentive is still warranted and that the conditions giving rise to the original determination(s) still exist, or whether the incentives should be recomputed.

e. Submit the Incentive Request Form (see the Human Resources Division (HRD) Policy and Performance Management Branch SharePoint page to access blank Incentive Request Forms: <https://info.health.mil/cos/admin/hr/SitePages/Home.aspx>) to modify, extend, or terminate a retention incentive to the appropriate HR Business Partner prior to the review expiration date. (Note: Failure to submit written documentation to the HR Business Partner that the incentive is still warranted will prevent any personnel actions from being processed for the employee).

5. CHIEF, HRD. The Chief, HRD, will:

a. Oversee and monitor the DHA Incentives Program to ensure consistency and conformity to governing rules and regulations.

b. Coordinate with the HR Business Partner and with Directorate Directors and Directorate-level equivalents on issues related to the Incentives Programs.

c. Use the appropriate correspondence procedures to forward request(s) for approval of recruitment and relocation incentives to the Deputy Secretary of Defense for:

(1) Individuals appointed to Schedule C positions as defined in Part 213 of Reference (e).

(2) Non-career appointees in the SES as defined in Section 3394 of Reference (f).

(3) Individuals in positions paid pursuant to Sections 5312–5317 of Reference (f).

d. Advise Requesting Officials on the use of incentives designed to recruit and retain candidates for employment, provide information necessary for the establishment of an incentive, and determine the eligibility of candidates to receive an incentive.

e. Recommend disapproval or modification of an incentive request where the position or individual does not meet established criteria.

f. Serve as the final reviewer to ensure compliance and applicability of relevant service for the determination of SQAs and Enhanced Leave Accrual credit.

g. Oversee development and deliverance of an annual report on the use of all incentives and an overall analysis of the effectiveness of incentives in attracting quality candidates and reducing turnover in “difficult-to-fill” positions.

h. Submit reports as required to higher-level leadership on the use of incentives authorized under this DHA-AI.

i. Follow all established procedures for submission of approved incentives.

6. HR BUSINESS PARTNER. The HR Business Partner will:

a. Work with Requesting Officials to facilitate timely decision-making and processing of incentive requests.

b. Provide recommendations to Approving Official for disapproval or modification of an incentive request where there is information available that the approval of the request would not be consistent with program requirements.

c. Maintain records and data to support decision-making, and provide information on salary rates and incentive usage to Requesting Officials to ensure informed and equitable use of incentives.

d. Maintain file copies of all individual Service Agreements and incentives, including all documentation and records’ incentives in the employee’s official personnel file.

e. Follow all established procedures for submission of approved incentives, including original and amended Service Agreement for student loan repayment.

f. Follow established procedures to begin the debt collection process for an employee who separates from the organization without completing the requirements of any Service Agreement, or incentive.

g. Monitor incentive programs to ensure consistency and conformity to governing regulations and rules.

7. COMPTROLLER. The Comptroller will:

a. Ensure that funding is available for the payment of incentives deemed necessary to attract and retain a high-quality workforce.

b. Certify the availability of funds for payments of specific incentives.

c. Proceed with the debt collection process, as stipulated by Part 537 of Reference (e), for employees who do not complete their period of service under the terms of the applicable Service Agreement.

ENCLOSURE 3

PROCEDURES

1. ELIGIBILITY. The DHA may pay an incentive if the employee meets the following criteria for each type of incentive. See the HRD Policy and Performance Management Branch SharePoint page to access the Incentives Fact Sheets:
<https://info.health.mil/cos/admin/hr/SitePages/Home>.

a. Recruitment. The DHA may pay a recruitment incentive if:

(1) The employee is newly appointed to a position that is likely difficult to fill, was difficult to fill in the past, or may be difficult to fill in the future;

(2) The employee is **not** receiving incentive payments from a Service Agreement required for another incentive during the period of employment; and

(3) The employee's rating of record is at least "Fully Successful" or equivalent.

b. Retention. A retention incentive may not be used to attempt to delay retirement, nor prevent the employee's transfer to another Federal Agency. The DHA may pay a retention incentive if:

(1) The employee is newly appointed to a position that is likely difficult to fill, was difficult to fill in the past, or may be difficult to fill in the future;

(2) The unusually high or unique qualifications of an employee, group or category of employees, or a special need of the agency for the employee's or group's/category of employee's services make it essential to retain the employee or group/category of employees;

(3) There is a high risk that the employee or a significant number of employees in a group/category would likely leave the Federal Service in the absence of a retention incentive;

(4) The employee's rating of record is at least "Fully Successful" or equivalent; and

(5) The employee is a current Federal Civil Service employee with 1 or more years of continuous Federal service.

(6) For a group or category of employees, the Requesting Official must narrowly define a targeted category of employees using factors related to the conditions described in b(1) of this section. Factors that may be appropriate include the following: occupational series, grade level, distinctive job duties, unique competencies required for the position, assignment to a special project, minimum agency service requirements, organization or team designation, geographic location, and required rating of record.

c. Relocation. If the employee is receiving a previously authorized retention incentive with or without a Service Agreement; the service period under the relocation incentive Service Agreement and the service period required by the retention incentive must be fulfilled concurrently. The DHA may pay a relocation incentive if:

(1) The employee is newly appointed to a position that is likely difficult to fill, was difficult to fill in the past, or may be difficult to fill in the future;

(2) The employee relocates to a different geographic area (permanently or temporarily) to accept a position when the position is likely to be difficult to fill;

(a) 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.

(b) 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 (i.e., establish a new residence) to accept the position, an authorized agency official may waive the 50-mile requirement and pay the employee a relocation incentive.

(c) In all cases, the employee must establish a residence in the new geographic area before the agency may pay a relocation incentive to the employee.

(3) The employee is an employee of the Federal Government immediately before the relocation; and,

(4) The employee's rating of record for the position held immediately before the move is at least "Fully Successful" or equivalent.

d. SQA. The DHA may offer an SQA in accordance with part 531 of Reference (e) and Section 5333 of Reference (f), if:

(1) The candidate is newly appointed to the Federal Service or the candidate is reappointed to the Federal Service after a 90-day break in service; and,

(2) The candidate has superior qualifications.

(a) The candidate's skills, competencies, experience, education, and/or accomplishments must be relevant to the requirements of the position to be filled; and,

(b) The candidate's qualities must be significantly higher than that needed to be minimally required for the position and/or be of a more specialized quality compared to other candidates.

(3) Or the candidate fills a special agency need based on the type, level, or quality of skills and competencies or other qualities and experiences possessed by the candidate that are

relevant to the requirements of the position and are essential to accomplishing an important agency mission, goal, or program activity.

e. Service Credit for Enhanced Leave Accrual. The DHA may offer service credit for enhanced leave accrual if skills and experience gained by the employee through performance in a non-Federal, Military Service, or volunteer position are directly related and relevant to the duties of the position to which the employee is being appointed. Service credit cannot be used for retirement or Reduction in Force purposes.

f. Student Loan Repayment. The Federal student loan repayment program permits DHA to repay Federally-insured student loans as a recruitment incentive for candidates or as a retention incentive for current employees. In order to qualify, the loan must be insured or guaranteed under the Higher Education Act of 1965 of the Public Health Service Act pursuant to Subchapter IV of Chapter 63 and Section 6303 of Reference (e). The candidate must provide a letter from the loan holder verifying the existence of a Federally-insured loan and showing the remaining balance of the loan. Effective dates for student loan repayments may not be retroactive.

2. FACTORS CONSIDERED. A Requesting Official must first consider the factors below, as applicable to the case at hand, in determining whether a position or group/category of positions is likely to be difficult to fill in the absence of an incentive. The Requesting Official may contact the appropriate HR Business Partner for information on salaries and turnover experienced in recruiting or retaining specific types of positions and/or skills in the region. If OPM has approved the use of direct-hire authority for the position (or group/category), the position is considered “difficult to fill.”

- a. The availability and quality of candidates possessing the competencies required for the position;
- b. The 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 agency’s ability to recruit/retain candidates for similar positions;
- e. Special or unique competencies required for the position;
- f. Agency efforts to use non-pay authorities, such as special training and work scheduling flexibilities, to resolve difficulties alone or in combination with a recruitment/retention incentive;
- g. The desirability of the duties, work or organizational environment, or geographic location of the position; or
- h. Other supporting factors or factors specific to the type of incentive:

(1) Recruitment. The success of recent efforts to recruit candidates for the position or similar positions using indicators such as offer acceptance rates, proportion of positions filled, and the length of time required to fill similar positions.

(2) Retention. The potential sources of employees who are identified in the organization succession plan who possess the competencies required for the position and, who, with minimum training, cost, or disruption of service to the public, could perform the full range of duties and responsibilities of the position at the level currently performed by the employee; or the extent to which the employee's departure would affect the agency's ability to carry out an activity, perform a function, or complete a project that the agency deems essential to the mission.

3. INCENTIVE AMOUNT DETERMINATION. Each incentive request must be accompanied by a breakdown of the items that were included in the determination of the incentive amount. The determination will include, but is not limited to, education, years of experience, training programs, certifications, and specific project knowledge or experience. All items used for determination must be pertinent to the current position and in addition to the minimum requirements. See Enclosure 3, Appendix, for examples of calculating the maximum incentive amount.

a. Recruitment, Retention, or Relocation Incentive. A recruitment, retention, or relocation incentive of up to 25 percent of basic pay may be offered to an individual to recruit or retain their services pursuant to Part 575, Subparts A through C, of Reference (e). For a group or category of employees, a retention incentive of up to 10 percent of basic pay may be offered after coordination with all components within the commuting area and approval by the Deputy Assistant Secretary of Defense (Civilian Personnel Policy) (DASD(CPP)) pursuant to Reference (d). For retention incentives above 10 percent, the Approving Official may request a waiver through DASD(CPP) from OPM of the limitation on the maximum amount of an incentive for an employee based on critical agency need.

(1) The Approving Official must determine that the competencies required for the position are critical to the successful accomplishment of an important agency mission, project, or initiative (e.g., programs or projects related to a national emergency or implementing a new law or critical management initiative).

(2) Under such a waiver, the total amount of incentive payments paid to an employee in a service period may not exceed 50 percent of the annual rate of basic pay of the employee at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period. However, in no event may a waiver provide total incentive payments exceeding 100 percent of the employee's annual rate of basic pay at the beginning of the service period.

b. SQA. An SQA may not exceed the step 10 of the grade offered.

c. Service Credit for Enhanced Leave Accrual. The service credit for an enhanced leave accrual incentive allows for accrual of annual leave above the minimum rate normally set for

new Federal employees. The higher leave accrual rate means that an employee earns more time off each pay period compared with the standard rate of accrual. Requesting Officials will recommend the amount of service credit to be granted based on years of the prior non-Federal or Uniformed service(s) that are relevant to the position.

Table 1. Service Credit

Creditable Federal Service	< 3 years	>3 but < 15 years	15 years and up
Annual Leave Hours per Pay Period	4	6	8
Sick Leave Hours per Pay Period	4	4	4

The minimum amount of service credit that may be credited is 1 year. The amount of service credit may not exceed the actual amount of service during which the current expertise was attained and the directly-related duties were performed.

d. Student Loan Repayment. DHA may make payments of up to \$10,000 per year directly to the loan holder of a qualifying outstanding student loan (References (e) and (i)). The lifetime maximum repayment per employee is \$60,000. The loan repayment amount is considered a taxable wage and is subject to tax withholding. Student loan repayments must be for the identified employee’s education and are not transferrable to a family member.

4. JUSTIFICATION FOR INCENTIVES. The Requesting Official must prepare a justification for incentives, including information covered in Enclosure 3, Sections 1 and 2, of this DHA-AI.

a. Supporting documents must accompany the justification and may include:

- (1) Market Analysis for the specialty;
- (2) Bureau of Labor statistics data;
- (3) Stated recruiting difficulties such as occupational series on direct hiring authority or expedited hiring authority;
- (4) Extent of individual’s past training and experience that serves to qualify him or her for the position and/or training time/cost estimates;
- (5) Documentation of unique knowledge of mission, and/or documentation of unique competencies that will benefit the organization in addition to basic position requirements (documentation of knowledge or competencies could include resumes, transcripts, or additional memoranda); or
- (6) The length of the Service Agreement proposed; for example, a higher incentive amount will be appropriate in cases where Service Agreements beyond the minimum period are being considered (See Enclosure 3, Appendix, for incentive calculation recommendation).

b. For SQAs only, Requesting Officials must consider a recruitment incentive before providing advance rates. Documentation of an SQA must include reasons for authorizing an advance rate instead of, or in addition to, a recruitment incentive. When using a recruitment incentive in conjunction with an SQA, the proposed incentive must address total compensation. Requesting Officials must be cognizant that an SQA not only increases base salary, but also affects retirement, life insurance, and other pay-based entitlements. Recruitment, relocation, and retention incentives, enhanced leave credit, and student loan repayment have no effect on these payments.

5. INTERNAL COORDINATION

a. The Requesting Official will complete the appropriate Incentive Request Form justification, and compile relevant attachments required for:

(1) Internal coordination;

(2) Directorate Director's endorsement; and

(3) Confirmation that funding for the requested incentive is available. These steps must be complete prior to coordinating with the HR Business Partner. An incentive request cannot be approved by the Approving Official without the appropriate Directorate Director's endorsement.

b. The Requesting Official will work with the designated HR Business Partner to confirm applicant eligibility and that the requested incentive meets the intent of the regulations (i.e., to properly support the recruitment, retention, or relocation of an employee with *unique* qualifications or in a "difficult-to-fill" position).

c. When the HR Business Partner confirms that the incentive request is consistent with regulations and customary practice, the Approving Official receives the incentive request package for approval.

d. If the HR Business Partner and/or Approving Official identify potential problems with the incentive request, these concerns will be annotated and forwarded to the Requesting Official for further review.

6. APPROVAL OF INCENTIVES. Incentives, including the amount of such incentives, will be reviewed and approved by the Approving Official. The requesting Directorate Director must endorse a written determination that without the absence of such an incentive, difficulty would be encountered in filling the position, or the individual would likely leave the Federal Service. Incentive amount determination must be approved before the effective date of the initial appointment or reappointment of a position.

a. Recruitment. To make a timely offer of employment, the Approving Official may establish criteria for offering a recruitment incentive in advance and authorize the Requesting

Official to offer a recruitment incentive (in any amount within a pre-established range) to any candidate without further review or approval. Designations to make such offers must be in writing and be included in local operating guidance.

b. Retention. In the unique circumstance of a request for the authorization of group retention incentives, pursuant to Part 575.305(d)(1) of Reference (e), for incentives up to 10 percent of basic pay, the request must be coordinated with all other DoD Components having similarly-situated employees (i.e., within the commuting area) prior to submission through the Head of the Component to the DASD(CPP) for final approval. Requests for OPM-approval of group retention incentives, pursuant to Part 575.305(d)(2) of Reference (e), for incentives in excess of 10 percent of basic pay must be coordinated with all other DoD Components having similarly situated employees. The material listed in Parts 575.305(d)(2)(i) through (v) of Reference (e) should be included before submission through the Head of the Component to the DASD(CPP).

c. Relocation. The agency must make each determination to pay a relocation incentive on a case-by-case basis for each employee, unless:

(1) The employee is a member of a group of employees subject to a mobility agreement, and the agency determines that relocation incentives are necessary to retain employees subject to such an agreement to ensure continuation of operations; or

(2) A major organizational unit of the agency is relocated to a new duty station, and the agency determines that relocation incentives are necessary for a group of employees to ensure the continued operation of that unit without undue disruption of an activity or function that is deemed essential to the agency's mission or without undue disruption of service to the public.

d. SQA. The HR Business Partner must validate the experience and/or education used to support the request for the SQA. If not validated, the SQA request cannot be approved.

7. INCENTIVE PAYMENTS

a. Service Agreements. Before an incentive may be paid, the employee offered such an incentive must sign a written Service Agreement to complete a specified period of employment with DHA. See the HRD Policy and Performance Management Branch SharePoint page to access Service Agreement templates: <https://info.health.mil/cos/admin/hr/SitePages/Home>.

(1) The minimum period of the Service Agreement is 6 months, pursuant to Part 575 Subparts A through C, of Reference (e), and the maximum is 4 years.

(a) Recruitment and Relocation Incentives. The minimum Service Agreement is calculated based on incentive amount as described in Enclosure 3, Appendix.

(b) Retention Incentives. The maximum period of the Service Agreement is 1 year and must be revalidated annually.

(c) Student Loan Repayments. The minimum Service Agreement is 3 years of continuous employment regardless of the term of payments or total amount repaid. The service period begins on the date specified in the Service Agreement. The beginning date cannot be earlier than the date the Service Agreement is signed or earlier than the date the individual begins serving the position for which he or she was recruited (when student loan repayment benefits are approved to recruit a job candidate to fill a vacancy).

(2) Where appropriate, using criteria established by the Approving Official and the Requesting Official is encouraged to seek agreements requiring a period of service beyond 6 months.

(3) Failure by the individual to complete the Service Agreement will obligate the employee to a pro rata repayment of the incentive.

(4) Payments made for periods of time that are not completed in accordance with individual Service Agreements are overpayments and are subject to the debt collection process in accordance with Reference (g). Recovery of an employee's debt may be waived in whole or in part by the Approving Official if he or she determines that recovery would be against equity and good conscience or against the public interest.

(5) Service Agreements may be terminated in accordance with applicable policies at any time. Notification of termination of the agreement will be sent in writing to the individual.

b. Payment Methods. Incentive payments are made to employees based on the type of incentive provided by the agency.

(1) Recruitment Incentive. Determination and approval to pay a recruitment incentive must be made before the prospective employee enters duty in the position for which recruited. Payment for a recruitment incentive may be paid as an initial lump-sum payment at the commencement of the service period required by the Service Agreement, or before the start of the service period.

(2) Retention Incentive. Payment for a retention incentive will be at the end of each pay period, or at the end of the year if an employee requests a lump sum payment pursuant to Section 5754, Chapter 57 of Reference (f).

(3) Relocation Incentive. Payment for a relocation incentive will be paid in one lump sum at the entry of duty with DHA in accordance with Section 5753, Chapter 57 of Reference (f).

c. Documentation and Record Keeping. The Requesting Official is responsible for ensuring that the basis for any incentive is documented in accordance with Part 575 of Reference (e).

(1) Documentation will be available for review and submission upon request. In addition, on a fiscal year basis, the Approving Official will compile a record of the following to be forwarded to DHA not later than September 30, which will be maintained by the HRD:

- (a) The number of incentives offered and the number accepted;
 - (b) The percentage of salary offered and accepted in each individual case; and
 - (c) A summary statement assessing the effect of the incentive's authority on the ability to fill key positions with qualified candidates in a timely manner.
- (2) All documents included with a request for an incentive, and the incentive amount determination, will be kept on file for 2 years by the HRD.
- (3) For an SQA, written approval of the advanced in-hire rate is filed permanently in the employee's official personnel folder. All supporting documentation, including the verification of existing pay, competing job offers, or salary history, should be retained by the Directorate Director for the period of 3 years.

APPENDIX

CALCULATING MAXIMUM INCENTIVE AMOUNT

The length of the Service Agreement determines the suggested maximum percentage of Base Salary (excluding Local Market Supplement) and is established as follows:

Table 2. Length of Service Agreement

Desired Length of Agreement (Months)	12–23	24–35	36–48
Maximum Percentage of Base Salary	6.00	14.00	25.00
Effective Annual Percentage at Minimum (Max/Years)	6.00	7.00	8.33

If warranted, an Approving Official may approve a higher maximum percentage of up to 25 percent for a recruitment or relocation incentive, in accordance with OPM guidance. In limited circumstances, with OPM-approval based on a critical agency need, an Approving Official may approve a recruitment or relocation incentive of up to 50 percent of the employee’s rate of basic pay. In no event may a recruitment or relocation incentive exceed 100 percent of the employee’s rate of basic pay.

The following table compares the maximum recruitment or relocation incentive amounts that would be payable to an employee for service periods of various lengths. The maximum incentive amount is calculated by multiplying the employee’s annual rate of basic pay by the maximum incentive percent by the length of service period.

The **maximum** incentive amounts shown in the table below are based on a GS-13, step 1, employee in Washington, DC, in 2015, with an annual rate of basic pay of \$83,468 at the beginning of the service period, including locality pay.

Table 3. Calculating Maximum Incentive Amount

Length of Service Agreement	Maximum Incentive Amount	Formula Basic Pay x Max Incentive % x Service Period
½ year	\$10,434	\$83,468 x 25% x .5 years
	\$20,867	\$83,468 x 50% x .5 years
1 year	\$20,867	\$83,468 x 25% x 1 year
	\$41,734	\$83,468 x 50% x 1 year
1 ½ years	\$31,301	\$83,468 x 25% x 1.5 years
	\$62,601	\$83,468 x 50% x 1.5 years
2 years	\$41,734	\$83,468 x 25% x 2 years
	\$83,468	\$83,468 x 50% x 2 years
2 ½ years	\$52,168	\$83,468 x 25% x 2.5 years
	\$104,335	\$83,468 x 40% x 2.5 years*
3 years	\$62,601	\$83,468 x 25% x 3 years
	\$83,385	\$83,468 x 33 1/3% x 3 years*
4 years	\$83,468	\$83,468 x 25% x 4 years

*The total amount of a recruitment or relocation incentive may not exceed 100 percent of the employee’s rate of basic pay, even when OPM approves an incentive amount that exceeds 25 percent. To determine the maximum incentive percentage for service periods greater than 2 years when OPM approves an incentive amount that exceeds 25 percent, divide 100 percent by the number of years in the service period.

Failure by an individual receiving an incentive to complete the Service Agreement will obligate the employee to a pro rata repayment of the incentive or partial incentive payment. The following table provides guidance on pro rata repayments of an incentive or partial payment of an incentive based on the employee’s completed service and length of service agreement.

Table 4. Length of Service Agreement and Completed Service

Completed Service (Months)	Agreement is for (Months)		
	12–23	24–35	36–48
Less than 12 Months	100 %	100 %	100 %
12 months but less than Agreement	None	50 %	50 %
24 months but less than Agreement	None	None	25%

GLOSSARY

PART I. ABBREVIATIONS AND ACRONYMS

DASD(CPP)	Deputy Assistant Secretary of Defense (Civilian Personnel Policy)
DHA	Defense Health Agency
DHA-AI	Defense Health Agency-Administrative Instruction
GS	General Schedule
HR	Human Resources
HRD	Human Resources Division
OPM	Office of Personnel Management
SES	Senior Executive Service
SQA	Superior Qualification Appointment
U.S.C.	United States Code

PART II. DEFINITIONS

credit for prior non-Federal and Uniformed Service selectees. The accrual of annual leave above the minimum rate normally set for new Federal employees. Requesting Officials will recommend the amount of service credit to be granted based on years of the prior non-Federal or Uniformed Service selectee that is directly related and relevant to the mission. The final decision on granting Accelerated Leave Accrual will be made by the HR Business Partner.

difficult-to-fill position. A position determined by the agency, by Directorate Director or Directorate-level equivalent approval, as likely to be difficult to fill absent a recruitment or relocation incentive. Factors in determining “difficult-to-fill” positions include, but are not limited to, availability of candidates with required competencies; salaries paid outside the government, recent turnover, and employment trends for similar positions.

Federal Civilian. All appointed positions in an executive agency in accordance with Section 105 of Reference (f). It does not refer to private contractors hired by the agencies.

high risk of departure. Employees identified to have a high risk of departure from the Federal government are those employees in positions authorized for direct hire authority or otherwise justified by the approving official using criteria listed in this Instruction. High probability that an employee will depart Federal service may be justified by a number of environmental factors to include, but not limited to, salary paid on the outside, employment trends, and the labor market.

HR Business Partner. HR specialist matrixed to a DHA Directorate or Directorate-level equivalent, who ensures compliance with laws, regulations, and DHA policies. The HR Business Partner is the liaison for the Requesting Official(s), Approving Official(s), and the HR Division Chief.

rate of basic pay. Rate of pay fixed by law or administrative action for the position to which an employee will be appointed before deductions and including any special rate or locality payment. This does not include pay of any other kind such as night or environmental differentials. Incentive payments are not considered part of basic pay for any purpose.

recruitment incentive. An incentive paid to a newly-appointed employee if it has been determined that the position is critical to the mission of the organization and is likely to be difficult to fill in the absence of such an incentive. “Newly appointed” refers to the first appointment (regardless of tenure) of an employee to the Federal Government, an appointment following a break in service of at least 90 days from a previous appointment as an employee of the Federal Government, or, in certain cases, an appointment following a break in service of less than 90 days from a previous appointment as an employee of the Federal Government. The incentive may be up to 25 percent of the Base Salary (including locality and special rate) that has been offered to a candidate. The incentive may be paid in a lump-sum payment at the beginning of the service period, in installments throughout the service period, as a final lump sum payment upon completion of the service period, or in a combination of these methods. The candidate is required to sign an agreement to remain employed for a period of at least 6 months, or repay the incentive. For physicians and dentists, the Activity Compensation Panel must review, and the Authorized Management Official must approve the use of the recruitment incentive when setting pay.

relocation incentive. An incentive paid to a current Federal employee who must relocate to accept a position in a different geographic area (as defined by OPM) if it has been determined that the position is critical to the mission of the organization and is likely to be difficult to fill in the absence of such an incentive. This may be used to pay a bonus of up to 25 percent of the Base Salary (including locality and special rate) that has been offered to the candidate. The bonus is paid in a lump sum at the entry of duty with DHA. The candidate is expected to sign an agreement to remain employed for a period of at least 12 months, or repay the incentive as detailed in this Glossary. The candidate must complete the relocation to the new work place and change of residence before the incentive is paid. For physicians and dentists, the Activity Compensation Panel must review, and the Authorized Management Official must approve the use of the relocation incentive when setting pay.

retention incentive. An incentive paid to a current Federal employee occupying a position that is considered “difficult-to-fill” because of a requirement for unusually high or unique qualifications of the employee, or a special need of the organization for the employee’s services in a position critical to the mission of the organization makes it essential to retain the employee and that the employee would be likely to leave the Federal Service in the absence of a retention incentive. (Direct Hire Authority positions are automatically considered “difficult-to-fill.”) The incentive may be up to 25 percent of the employee’s current Basic Pay (to include a special or locality rate), and will be paid bi-weekly as regular pay or in a lump sum if requested by the employee.

For positions not covered by Direct Hire Authority, it must be endorsed by the Directorate Director in writing, and approved by the Approving Official, that absent the incentive, the employee would be likely to leave Federal Civil Service for employment outside the Federal Government, as evidenced by a valid tentative job offer or other similar official documentation. This incentive may not be used to attempt to delay retirement, nor prevent the employee's transfer to another Federal Agency. The retention incentive may be paid for as long as the conditions warrant the incentive to exist. The incentive will expire and/or cancel annually on the anniversary of the initial certification or most recent recertification. In order to continue the incentive, it must be reviewed and recertified at least annually, and prior to the date of expiration. For physicians and dentists, the Activity Compensation Panel must review, and the Authorized Management Official must approve the use of the retention incentive when setting pay.

A retention incentive of up to 10 percent of basic pay may be offered to a group or category of employees when it is determined that:

The usually high or unique qualifications (i.e., competencies) of the group or category of employees or a special need of the agency for the employees' services makes it essential to retain the employees in that group or category, and

There is a high risk that a significant number of employees in the group would likely leave the Federal Service in the absence of a retention incentive.

Requesting Officials must narrowly define a target category of employees using factors that are related to the conditions described in Enclosure 3, Section 1b. Factors that may be appropriate include the following: occupational series, grade level, distinctive job duties, unique competencies required for the position, assignment to a special project, minimum agency service requirements, organization or team designation, geographic location, and required rating of record.

Service Agreement. Required for retention incentive, recruitment incentive, relocation incentive, SQA, and student loan repayment. A Service Agreement is a written agreement that must be signed by an employee prior to receiving incentive pay that requires completion of a specified period of employment. A period of at least 6 months, but not to exceed 4 years, is required for incentives. The maximum amount of a recruitment or relocation incentive is dependent upon the length of the agreement decided by management and the candidate. If the employee terminates the Service Agreement by separation, transfer to another organization, or because of misconduct or documented substandard performance during the first year of employment, the employee will be required to repay a pro-rated portion of the incentive. If the employee is terminated during the period of the agreement, and such termination is neither at the request of the employee or a result of misconduct or documented substandard performance, there will be no requirement for the employee to repay the incentive.

service period. The period of service required by the Service Agreement, which may not be less than 6 months and may not exceed 4 years. Service periods begin on the first day of a pay period and end on the last day of a pay period.

student loan repayment. Before authorizing a student loan repayment, the following must be determined: (1) employee (or job candidate) is highly qualified and otherwise eligible, (2) difficulty in filling the position. In a case where the authorization is granted to retain a current employee, the employee would be likely to leave the agency for employment outside the Federal Service and it is essential to retain the employee's high or unique qualifications or a special need of the agency. Payments are made to the loan holder of up to a maximum of \$10,000 for an employee in a calendar year and a total of not more than \$60,000 for any one employee. Loans eligible for payment are those made, insured, or guaranteed under Parts B, D, or E of Title IV of the Higher Education Act of 1965 or a health education assistance loan made or insured under Part A of Title VII or Part E of the Public Health Service Act. The employee must provide a letter from the loan holder verifying Federal insurance. The lifetime maximum repayment per employee is \$60,000. In order to be a qualifying loan, it must be insured or guaranteed under the Higher Education Act of 1965 and the Public Health Service Act. The employee must provide a letter from the loan holder verifying Federal insurance. The loan repayment amount is considered taxable wages subject to tax withholding. A written Service Agreement for not fewer than 3 years of continuous Federal service is required, without regard to term of payments or total amount repaid. In addition, an employee must maintain an acceptable level of performance of fully successful or higher in order to continue to receive repayment benefits. Student loan repayments must be for the identified employee's education and are not transferrable to a family member.

SQA. The Requesting Official must first consider the possibility of a recruitment incentive in determining whether to use the advanced in-hire rate authority and in setting the higher rate of basic pay. Agencies may use the superior qualifications and special needs pay-setting authority to set the rate of basic pay to employees appointed to any GS position, including permanent and temporary positions in the competitive or excepted service, upon first appointment as a civilian employee of the Federal Government or reappointment to a GS position after a 90-day break in service. Pay may be set at a rate above the minimum rate of the appropriate GS grade because of the superior qualifications of the candidate, or a special need of the agency for the candidate's services. The HR Business Partner must approve the experience and/or education used to support the request for the SQA. For physicians and dentists, the Activity Compensation Panel must review, and the Authorized Management Official must approve the use of the SQA in setting pay.