

# **CHAPTER 8**

## **PAY**

## **FLEXIBILITY**

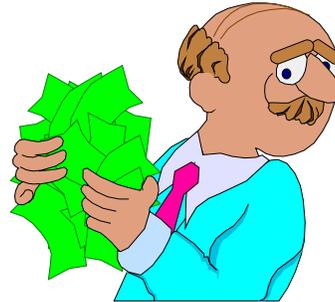
NOTE: This chapter should be read in conjunction with local activity instructions and with any negotiated agreements between your activity and an exclusively recognized labor organization. Contract language will generally take precedence over conflicting provisions in this manual. Areas of uncertainty should be discussed with the Human Resources Office.

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## PAY SETTING FLEXIBILITY

### 1. PURPOSE

On November 5, 1990, President Bush signed into law the Federal Employees Pay Comparability Act of 1990 (FEPCA). This law made sweeping changes in the way pay is set for General Schedule (GS) employees. The law contains many different provisions dealing with a wide range of pay issues--from how GS pay rates are adjusted each year, to paying recruitment bonuses for new employees, to granting paid time off as an incentive award.



2. **THE NATION-WIDE ADJUSTMENTS** raise pay for all GS employees across the country each January, based on the rate of increase in private sector salaries. The increased figure comes from the Employment Cost Index (ECI)--a measure of labor costs determined by Bureau of Labor Statistics surveys. The nation-wide adjustment is the ECI minus one-half of one percentage point. See <http://opm.gov/oca/index.asp> for additional pay issues.

### 3. LOCALITY ADJUSTMENTS

In theory, if federal salaries in a locality lag significantly behind non-federal salaries, GS employees in that area are eligible for a locality pay adjustment in addition to the nation-wide raise, as follows:

- a. Every GS employee (except those working overseas or in Hawaii, Alaska, Puerto Rico, the Virgin Islands or Guam) is in a pay area. Every year the Bureau of Labor Statistics collects non-federal salary information in each pay area. In each area where federal salaries lag behind non-federal salaries by more than five percent, federal employees receive pay increases called locality-based comparability payments.
- b. The President has the authority to replace the comparability increases (both ECI-based nation-wide annual increase and the locality-based comparability payments) with an "alternative plan."

### 4. RECRUITMENT BONUSES

Under FEPCA, activities are authorized to pay cash bonuses of up to 25 percent of basic pay as an incentive for candidates to accept a federal job. Recruitment bonuses are for situations in which we would otherwise have difficulty filling a position with a high-quality candidate. A recruitment bonus is a one-time, lump-sum payment that does not affect an employee's base pay in any way. Each bonus determination has to be made on a case-by-case basis with the Activity Head's approval (or by designated official). The determination to pay a recruitment bonus must be made by a written offer of employment or prior to appointment. An employee receiving a recruitment bonus must sign a service agreement of at least one year, and employees who leave early must pay back a prorated portion of the bonus. Recruitment bonus documentation will be maintained by the HRO. (See Appendix 8A for information on requesting approval of a Recruitment Bonus.)

### 5. RELOCATION BONUSES

Employees can be paid bonuses up to 25 percent of basic pay as an incentive to move to a new duty station within the agency. A relocation bonus may be paid to any current employee who must relocate to accept a position in a different commuting area. The determination to pay a relocation bonus must be made prior to the employee entering on duty in the new position. The relocation must be without a break in service and to a GS

position. The approving official (activity head or designated official) must certify in writing that, absent a relocation bonus, the organization would have difficulty filling the position with a highly qualified candidate. The bonus is paid as a lump sum. An employee receiving a relocation bonus must sign a service agreement of at least one year. Relocation bonus documentation will be maintained by the HRO. (See Appendix 8B for information on requesting approval of a Relocation Bonus.)

### **6. RETENTION ALLOWANCES**

a. An activity may pay a retention allowance of up to 25% to a current employee if 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 activity determines that the employee would be likely to leave the Federal service without the allowance. A retention allowance cannot be paid to an employee during the time they are obligated under any service agreement.

#### **b. Position Coverage**

Retention allowances may be paid to current Federal employees holding a GS position or another type of position for which such payments have been approved by the OPM. By regulation, OPM has approved coverage of certain positions, including prevailing rate (wage), senior level and scientific or professional (SL/ST), Senior Executive Service (SES), and Executive Schedule positions (except activity heads). OPM approves other categories upon written request from the head of the employing activity.

#### **c. Activity Plan**

Before paying a retention allowance, an activity must establish a plan that designates the officials with authority to review and approve payment of allowances. The plan must include criteria to be met or considered in authorizing allowances (including the amount of an allowance), procedures for paying allowances, and documentation and record keeping requirements.

#### **d. Approval Criteria**

Before paying a retention allowance, an activity must determine all of the following:

- 1) The unusually high or unique qualifications of the employee or a special need for the employee's services makes it essential to retain the employee.
- 2) The employee would be likely to leave the Federal service (for any purpose) in absence of the allowance.
- 3) The activity must document the basis for this determination in writing. It must address the extent to which the employee's departure would affect the activity's ability to carry out an activity or perform a function that is essential to the activity's mission. It should also address the success of recent efforts to recruit candidates with similar qualifications and the availability of candidates in the labor market, as applicable. See Appendix 8C for information on requesting approval of a Retention Allowance.

#### **e. Payment**

A retention allowance must be calculated as a percentage of the employee's rate of basic pay (excluding any locality payment), not to exceed 25%. It is paid at the same time as the employee's regular paycheck. An activity may not begin paying a retention allowance during the service period established by the employee's recruitment or relocation bonus service agreement. However, a relocation bonus may be paid to an employee already receiving a retention allowance.

**f. Annual Review**

Activities must review each retention allowance authorization at least annually to determine whether payment is still warranted.

**g. Reduction or Termination of a Retention Allowance**

An activity may continue payment of a retention allowance as long as the conditions giving rise to the original determination to pay the allowance still exist. An activity may reduce or terminate an allowance if, for example, a lesser amount would be sufficient to retain the employee, the activity no longer needs the employee's services, or for budget considerations.

**h. Basic Pay**

A retention allowance is not considered part of an employee's rate of basic pay for any purpose.

**i. Aggregate Pay**

An activity may not authorize or continue a retention allowance if the allowance would cause the employee's projected aggregate compensation in a calendar year to exceed the rate for level I of the Executive Schedule. An activity must reduce or terminate a retention allowance before deferring any other type of payment under the deferral provision in the aggregate pay limitation. See 5 CFR Part 530, Subpart B, for additional information.

**7. APPOINTMENTS ABOVE THE MINIMUM RATE (SUPERIOR QUALIFICATION APPOINTMENTS)**

The Activity Head or designee has the authority to set a new employee's pay above step one of the grade because of the candidate's superior qualifications. Use of this authority applies to positions at all grade levels. Superior qualification appointments affect basic pay, which may have a higher incentive value to candidates than a recruitment bonus. However, the additional cost to the navy of higher basic pay should be considered. Superior qualifications must be documented on the RPA. See Appendix 8D.

**8. SUPERVISORY DIFFERENTIALS**

- a. May be paid to a GS employee who supervises one or more civilian employees not covered by the GS whom but for the differential, would be paid more than the supervisor. The activity head or designee has the final authority to approve supervisory differentials. The differential is paid as part of basic pay (for calculations of premium pay, etc.). When considering the use of a supervisory differential, the pay of other supervisors in the organization must be considered along with the pay relationship between supervisor and subordinate. This differential combined with the supervisor's continuing pay may not exceed the subordinate's continuing pay by more than three percent.
- b. The activity head or designee may reduce or eliminate a supervisory differential for discretionary reasons; however, differentials must be reduced or terminated when:
  - The continuing pay of the supervisor exceeds that of the highest paid subordinate;
  - The continuing pay of the supervisor plus supervisory differential exceeds that of the highest paid subordinate by more than three percent; or
  - The subordinate whose pay the supervisory differential is based on leaves or is reduced in pay.

## 9. WAGE FIXING UNDER THE FEDERAL WAGE SYSTEM

The DOD Wage Fixing Authority (DODWFA) has responsibility for fixing rates of pay for DOD employees. Rates are established by annual wage surveys conducted in defined geographic areas. Wage schedules are published by the DODWFA following tabulation of survey results.

## 10. SPECIAL SALARY RATES

Special schedules are sometimes authorized by OPM, which may apply to jobs within industries that are not included in a regular survey. These schedules address needs unique to specific occupations or localities. Examples of special schedules include engineers, doctors, ship pilots, and information technology computer specialists. Go to web site [www.opm.gov](http://www.opm.gov) for current approved special rate schedules.

## 11. HIGHEST PREVIOUS RATE (HPR)

HPR is the highest rate of pay previously paid to a person while a civilian employee of the federal government. The HPR must have been earned under an appointment not limited to one year or less. When determining the use of the HPR, **contact HRO for guidance**. HPR is considered at the time of selection based upon the qualifications of the selectee.

## 12. GRADE AND PAY RETENTION

Grade and pay retention is designed to minimize the economical loss an employee may suffer as a result of a change to lower grade. An employee placed in a lower graded position because of Reduction-in-Force (RIF) or because his or her position has been reclassified to a lower grade may be eligible for grade and/or pay retention. Specific requirements must be met. Pay setting under grade and/or pay retention regulation can be very complex. When determining the use of grade and pay retention, **contact HRO for guidance**.

## 13. Student Loan Repayment

- Brand new authority to pay up to \$6,000 in a calendar year and up to a total of \$40,000 in Federally insured student loans, which are paid directly to the leading institution. Student loan payments are considered employee income.
- The employee must sign a service agreement to remain in the service of the paying agency for a period of at least three years. "An employee must reimburse the paying agency for all benefits received if they are separated voluntarily or involuntarily for cause or bad performance.
- Each agency must have a plan to describe how the program will be implemented. **Contact HRO for guidance**.

## 14. Physician Comparability Allowance

Special Authority to pay allowances to physicians and dentists based upon their unique qualifications.



## GRANTING WITHIN-GRADE INCREASE (WGI)

### 1. EMPLOYEE COVERAGE

This section applies to permanent employees paid under the General Schedule and all employees paid under the Federal Wage System.

### 2. BASIC ELIGIBILITY

An employee will be advanced to the next higher step following completion of the required waiting period, provided the employee's performance is at least fully successful and the employee has not received an increase in salary greater than the amount of the step increase during the waiting period.

### 3. WAITING PERIODS – GENERAL SCHEDULE

- 52 weeks for advancement to steps 2, 3, or 4
- 104 weeks for advancement to steps 5, 6, or 7
- 156 weeks for advancement to steps 8, 9, or 10

### 4. WAITING PERIOD – FEDERAL WAGE EMPLOYEES

- 26 weeks for advancement to step 2
- 78 weeks for advancement to step 3
- 104 weeks for advancement to steps 4 and 5

### 5. EFFECTIVE DATES OF WGI

A WGI is effective at the beginning of the first pay period following completion of the required waiting period. When the effective date of the increase and the effective date of a personnel action occur at the same time, the actions are processed to give the employee maximum benefit. When a WGI is delayed because of an administrative error, the increase is made retroactive to the date it was properly due. Too many hours in a non-pay status may lengthen the waiting period.

### 6. EXCEPTION TO EFFECTIVE DATES

When an employee has not been advised of their performance standards at least 30 days before the end of the waiting period, the increase must be postponed for no more than 90 days. A WGI granted after such a postponement shall be retroactive to the original due date. Also, an employee who was demoted because of unacceptable performance to a position in which they are or will become eligible for consideration for a WGI within 60 days shall have their WGI postponed for no more than 90 days. A WGI granted after such a postponement is made retroactive to the original due date.

### 7. PROCEDURES

The most recent official performance rating must support the decision to grant or deny a WGI. An employee with an "Acceptable" rating whose performance remains at this level will be given an increase. When an employee's performance falls below acceptable, the employee needs to be placed on a Performance Improvement Plan (PIP). Contact your HRO for assistance. Once the employee's performance has fallen to the "Unacceptable" level, the supervisor must **contact HRO for guidance**. No action is necessary if the WGI is to be granted.



### **8. EFFECT OF QUALITY STEP INCREASES (QSI'S)**

A GS employee may have their WGI schedule changed by the award of a QSI. QSIs are not considered equivalent increases and therefore do not require a new waiting period.

However, they can alter the waiting period between step increases if the QSI places the employee in a step that requires a longer waiting period than the step formerly held (such as steps 4 and 7).

APPENDIX 8A  
REQUEST FOR RECRUITMENT BONUS

NOTE: Contact HRO for assistance in preparation of this request



Subj: RECRUITMENT BONUS FOR (NAME OF INDIVIDUAL AND SSN)

1. **Background.** State type of problems recruiting and filling the position.
2. **Recent Recruitment Efforts.** Provide a history of recruitment efforts.
3. **Recent Attrition Trends.** HRSC-NW can provide this information.
4. **Special Qualification Requirements of This Position.** What makes this person qualified to receive Retention Allowance.
5. **Special Qualification Requirements of This Position.** What makes this person qualified to receive a Recruitment Bonus.
6. **Conclusion.** Summary of why Recruitment Bonus is appropriate.

**APPENDIX 8B  
REQUEST FOR APPROVAL OF RELOCATION BONUS**

**NOTE: Contact HRO for assistance in preparation of this request**



**Subj: REQUEST FOR APPROVAL OF RELOCATION BONUS FOR (NAME OF INDIVIDUAL AND SSN)**

Ref: (a) 5 CFR 575

1. **Background.** State type of problems recruiting and filling the position.
2. **Recent Recruitment Efforts.** Provide a history of recruitment efforts.
3. **Recent Attrition Trends.** HRSC-NW can provide this information.
4. **Special Qualification Requirements of this Position.** What makes this person qualified to receive a Relocation Bonus.
5. **Justification.** Narrative justification for approving relocation bonus.
6. **Conclusion.** Summary of why Relocation Bonus is appropriate.

**APPENDIX 8C  
REQUEST FOR APPROVAL OF RETENTION ALLOWANCE**

**NOTE: Contact HRO for assistance in preparation of this request**



**Subj: REQUEST FOR APPROVAL OF RETENTION ALLOWANCE FOR (NAME OF INDIVIDUAL AND SSN)**

1. **Background.** State type of problems recruiting and filling the position.
2. **Impact of Loss of the Employee.** State the negative impact to your mission.
3. **Recent Recruitment Efforts.** Provide a history of recruitment efforts.
4. **Recent Attrition Trends.** HRSC-NW can provide this information.
5. **Conclusion.** Summary of why Retention Allowance is appropriate.

**APPENDIX 8D  
REQUEST FOR SUPERIOR QUALIFICATIONS APPOINTMENT**

**1. EMPLOYEE INFORMATION**

**NAME:** \_\_\_\_\_ **SSN:** \_\_\_\_\_

Previous Federal Civil Service Employment: **YES** \_\_\_\_\_

90-day break since last Federal Employment: **YES** \_\_\_\_\_

**2. POSITION INFORMATION**

**POSITION/SERIES/GRADE:** \_\_\_\_\_

**LOCATION:** \_\_\_\_\_ **PD#** \_\_\_\_\_

**TYPE OF EMPLOYMENT:** **PERM** \_\_\_\_\_ **TEMP** \_\_\_\_\_

**WORK SCHEDULE:** **FULL TIME** \_\_\_\_\_ **PART TIME** \_\_\_\_\_

**3. JUSTIFICATION INFORMATION**

**A. RECOMMENDED SALARY**

**GRADE/STEP** \_\_\_\_\_

**PER ANNUM SALARY** \_\_\_\_\_ **PER HOUR SALARY** \_\_\_\_\_

**B. You must justify this request by responding to the following:**

Does the selectee have unusually high qualifications for the particular position **AND** will the selectee be forfeiting income that would justify a salary above the base pay for the grade? (**NOTE:** forfeiting income means income presently being /to be received and **NOT PROJECTED** to be received.)?

IF YES, EXPLAIN: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**HUMAN RESOURCES MANUAL**

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Does the selectee have a unique combination of education and experience that meets a SPECIAL NEED of the above-identified organization?

IF YES, EXPLAIN: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IF YOU WERE TO SET THE SELECTEE'S SALARY ABOVE THE FIRST STEP, would there remain an EQUALITY BETWEEN THE PAY OF THE NEW APPOINTEE AND CURRENT EMPLOYEES who possess and use comparable qualifications to accomplish mission needs?

IF YES, EXPLAIN: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 4.** For Reviews and Approvals, see Chapter 5 Appendix 5B Appointment Authority Delegation.

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