



HUMAN RESOURCES POLICY

**RECRUITMENT RELOCATION AND RETENTION
INCENTIVES POLICY**

POLICY NUMBER: 3590.1A

U.S. DEPARTMENT OF TRANSPORTATION

**PIPELINE AND HAZARDOUS MATERIALS
SAFETY ADMINISTRATION**

ORIGINATING OFFICE: HUMAN RESOURCES DIVISION

EFFECTIVE DATE: January 14, 2013



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OVERVIEW:

This policy establishes the guidelines and procedures for payment of recruitment, relocation, and retention incentives for candidates and current employees of the Pipeline and Hazardous Materials Safety Administration (PHMSA).

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1. PURPOSE

This policy provides procedures and guidance for implementing and administering the provisions of Title 5 United States Code (U.S.C.) 5753/5754, and 5 Code of Federal Regulations (CFR), Part 575, governing the payment of recruitment, relocation and retention incentives within the U.S. Department of Transportation (DOT), Pipeline and Hazardous Materials Safety Administration (PHMSA).

2. COVERAGE

PHMSA may pay a recruitment, relocation, or retention incentive to an eligible employee who is appointed to one of the following categories of positions: General Schedule (GS); Senior-Level or Scientific/Professional (SL/ST); Senior Executive Service (SES); Executive Schedule (EX); and positions in a category for which payment of recruitment, relocation or retention incentives has been approved by the Office of Personnel Management (OPM) at the request of the head of the agency.

3. EXCLUSION

PHMSA may not pay a recruitment, relocation or retention incentive to an employee in a position (1) to which the individual was appointed by the President; (2) in the Senior Executive Service as a non-career appointee; (3) which has been excepted from the competitive service by reason of its confidential, policy-determining, policy-making, or policy-advocating character; (4) designated as the head of the agency; or (5) in which the employee is expected to receive an appointment as the head of the agency.

4. AUTHORITY AND REFERENCES

- . 5 U.S.C. 5753, Recruitment and Relocation Bonuses
- . 5 U.S.C. 5754, Retention Allowances
- . 5 CFR, Part 575, Subpart A, B and C, Recruitment and Relocation Bonuses/Retention Allowances
- . Departmental Personnel Manual (DPM), Chapter 575-1, Payment of Recruitment, Relocation and Retention Allowances
- . 5 U.S.C. Chapter 12/SubChapter 2, Merit Systems Protection Board, Office of Special Counsel, and Employee Right of Action
- . 5 U.S.C. 2302(d), Prohibited Personnel Practices

5. DEFINITIONS

- A **recruitment incentive** is a bonus an agency may pay to a newly-appointed employee if the agency has determined that the position is likely to be difficult to fill in the absence of such an incentive. In return, the employee must sign an agreement to fulfill a period of service with the agency of not less than 12 months and not more than 4 years.
- A **relocation incentive** is a bonus an agency may pay to a current Federal employee who must relocate to a position in a different geographic area that is likely to be difficult to fill in the absence of such an incentive. In return, the employee must sign an agreement to fulfill a period of service with the agency of not less than 12 months and not more than 4 years. In addition, the employee must establish a residence in the new geographic area prior to payment.
- A **retention incentive** is a bonus an agency may pay to a current employee if the agency determines that 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 the Federal service in the absence of a retention incentive. In return, the employee must sign an agreement to fulfill an agreed upon period of service with the agency.

See Appendix A for definitions of other terms.

6. POLICY

It is the policy of PHMSA to utilize authorized incentives to attract and retain a highly skilled and productive workforce for difficult and hard-to-fill positions, critical to the mission and success of the agency. These incentives include the use of recruitment, relocation, and retention incentives. Consistent with applicable laws, regulations and guidance, the following policy is applied:

- The payment of recruitment, relocation and retention incentives is subject to agency discretion and is intended for use in situations where the failure to offer such incentives would make it difficult to attract or retain a highly-skilled employee.
- A recruitment incentive must be offered before use of the superior qualification authority is considered (**see superior qualification guidance and Appendix A for definitions**). However, before offering an incentive, other alternatives should be considered, either in lieu of or in conjunction with incentives.
- All incentives shall be in amounts, and under terms, commensurate with the needs of the agency.
- Approval is based upon written documentation that addresses requisite criteria.

- Payment of an incentive is contingent upon the employee signing a service agreement to remain in service with PHMSA for a specified period.

This policy does not contain guidance on the financial, accounting or budgetary aspects of payment or reimbursement of expenses. In exercising this authority, responsible officials shall give due consideration to financial/budgetary implications.

7. DELEGATION OF AUTHORITY

In accordance with Departmental policy, the authority to approve recruitment, retention and relocation incentives within the limits further described in this policy is delegated to the Administrator. At his/her discretion, the Administrator may delegate this authority to a designated official. The designated official must be no further than one level below the Administrator (i.e., Deputy Administrator, Chief Safety Officer, Chief Counsel, or Associate Administrators). The delegation of authority must be in writing and forwarded to the Director of the Human Resources Division.

8. RESPONSIBILITIES

- The Director of the PHMSA Human Resources Division is responsible for providing guidance and policy and for ensuring compliance with applicable laws and regulations.
- The Recommending Officials (Deputy Administrator, Chief Safety Officer, Chief Counsel, or Associate Administrators) are responsible for reviewing and submitting recommendations for incentives covered by this guidance. The recommending officials must take a number of factors into consideration when submitting recommendations including; the criteria contained in this guidance, the availability of highly qualified candidates, and organizational/budgetary constraints.
- The Administrator (or a delegated official as discussed above) is delegated authority to review and approve recruitment, relocation and retention incentives.

9. RECRUITMENT/RELOCATION INCENTIVES

Recruitment Incentive

PHMSA has discretionary authority to authorize a recruitment incentive of up to 25 percent of basic pay (including special rate or locality) to a newly appointed employee (**See Appendix A for definition**) without a definite time limitation, provided there is written justification that, in the absence of such incentive, it would be difficult to fill the position with a highly-qualified candidate.

Relocation Incentive

PHMSA has discretionary authority to authorize a relocation incentive of up to 25 percent of basic pay (including special rate or locality) to (1) an employee of the Federal government who

must relocate to a different geographic area without a break in service to accept a position in PHMSA, when the position is likely to be difficult to fill, or (2) a PHMSA employee who must relocate to a different geographic area (permanently or temporarily) to accept a position when the position is likely to be difficult to fill. Further, a relocation incentive may be paid only when the employee's rating of record (**See Appendix A for definition**) (or an official performance appraisal or evaluation under a system not covered by 5 U.S.C. chapter 43 or 5 CFR part 430) for the position held immediately before the move is at least "Achieved Results" or equivalent.

NOTE: Relocation expense allowance is the payment of expenses associated with the travel, transportation of immediate families, and transportation of household goods to a new post of duty. Relocation expense allowances are governed by Federal Travel Regulation. Relocation expense allowances are separate and distinct from relocation incentive payments that are made in accordance with this policy.

Criteria

The determination to authorize a recruitment or relocation incentive is made on a case-by-case basis. There is no entitlement, either implied or explicit, for an employee to receive a recruitment or relocation incentive or to receive the maximum incentive allowable under the law.

In determining whether a recruitment or relocation incentive is appropriate, and the percentage and amount of such payment, the following factors must be considered (**See Appendix B for Recommended Incentive Amount Criteria**):

- Difficulty encountered in filling the position, such as the success or failure of recent efforts to recruit high quality candidates, the length of time required to fill the position, and offer/acceptance rates; the proportion of positions filled, and the length of time required to fill similar positions;
- Recent turnover, i.e. the number and/or frequency of losses in the position, or in similar positions;
- Employment trends and labor-market factors, such as location, comparative salaries, and the economy in the area that may affect the agency's ability to recruit a sufficient number of qualified candidates;
- The value of the candidate because of special or unique competencies/qualifications for the position;
- 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 or relocation incentive;
- The desirability of the duties, work or organizational environment, or geographic location of the position; and

- Other supporting factors.

Payment

Payment of a recruitment or relocation incentive is calculated as a percentage of the employee's basic rate of pay (including special rate or locality) (**See Appendix A for definition**). The total amount of the incentive may not exceed 25 percent of the employee's basic rate of pay at the beginning of the service period (**See Appendix A for definition**), multiplied by the number of years (including fractions of a year) in the service period (not to exceed 4 years).¹ The recommending and approving officials must consider the criteria noted above in determining the appropriate incentive percentage.

Extremely rare circumstances and situations may exist for PHMSA to request a recruitment or relocation incentive in excess of 25 percent. Requests for such waivers require Departmental, and possibly OPM approval. Please contact your servicing human resources specialist for additional information on waiver requirements and procedures.

NOTE: The following factors apply in the payment of a recruitment and/or relocation incentive:

- A recruitment or relocation incentive is not considered part of an employee's basic rate of pay;
- A recruitment incentive may not be paid before an employee enters on duty;
- A relocation incentive may not be paid until the employee establishes a residence in the new geographic area; and
- A relocation incentive may be paid to an employee who is already receiving a retention incentive (after an agency has begun to pay an employee a retention incentive, it may pay the employee a relocation incentive without affecting the payment of a retention incentive).

Recruitment or relocation incentives may be paid in increments or biweekly installment payments throughout the service agreement; or in whole at the start or end of the service agreement; or a combination of any of the aforementioned payment options.

Approval Determination/Documentation

For each determination to pay a recruitment or relocation incentive, recommending official must document the following factors in writing:

¹ The fact that management determines that a service period exceeds one year does not automatically imply that the incentive percentage will be multiplied by the number of years. The terms must be explicitly stated in the service agreement. For example, a 20% incentive with a 2 year service agreement may be 20% payable in the first year only or 20% payable in each year of the 2 year service period for a total of 40% (20% multiplied by the number of years in the agreement).

- The basis for determining that a position is likely to be difficult to fill;
- The basis for authorizing an incentive;
- The basis for the amount and timing of the approved incentive payment and the length of the required service period; and
- For a relocation incentive, that the worksite of the employee's new position is not in the same geographic area as the worksite of the position held immediately before the move and that the employee will establish a residence in the new geographic area before any payment of the relocation 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. If the worksite of the new position is less than 50 miles from the worksite of the position held immediately before the move, but the employee must relocate (i.e., establish a new residence) to accept the position, the Administrator (or delegated official) may waive the 50-mile requirement and pay the employee a relocation incentive (as approved under 5 CFR 575.205 (b)).

Approval Procedures

To request authorization to pay a relocation or retention incentive, the recommending official must submit a written justification to the Human Resources Division. The justification must include the following information:

- Candidate's name;
- Position Title/Series/Grade and duty location;
- Justification for a recruitment or relocation incentive that conforms to the criteria referenced in section 9; *Criteria and Approval Determination/Documentation*. The documentation must include a description of the candidate's qualifications in relationship to the position to be filled and the critical need of the agency.
- Percentage of basic pay being offered and payment method;
- Length of service period; and
- Other supporting documentation, as applicable.

The Human Resources Division will review the written justification to ensure that it is consistent with the criteria stated in this policy. The servicing human resources specialist will draft an action memorandum for signature from the Director of the Human Resources Division, through the Associate Administrator for Administration, to the Administrator (or delegated official) for review and approval.

Once the request is approved or disapproved by the Administrator (or delegated official), the Human Resources Division is responsible for maintaining the original documents for recordkeeping and reporting requirements.

Please contact your servicing human resources specialist for additional information or guidance.

Service Agreement

Before receiving a recruitment or relocation incentive, the agency must require an employee to sign a written service agreement (**See Appendix A for definition/See Appendix C for Sample Service Agreements**) to complete a specified period of employment with PHMSA. The period of employment for a recruitment or relocation incentive may not be less than 12 months and may not exceed 4 years. The required service period must begin upon commencement of service with the agency for a recruitment incentive, and upon commencement at the new duty station for a relocation incentive. The service period must terminate on the last day of a pay period. The service agreement must specify:

- The required period of service, which will be expressed in years and/or whole months, with partial months being rounded to the nearest month;
- The method and payment, including the payment schedule;
- The amount of the incentive and the basis for calculation;
- The conditions under which an agreement will be terminated by the agency if the employee does not complete the service agreement; and
- Conditions under which the employee would be required to repay an incentive, and how repayment will be computed.

In addition to the service requirements outlined above, the service agreement may specify other terms and conditions applicable to the employee and/or agency.

Termination of Service Agreement

Mandatory - PHMSA **must** terminate a recruitment or relocation service agreement if an employee is demoted or separated for cause (i.e., for unacceptable performance or conduct), receives a rating of record lower than "Achieved Results" or equivalent during the service period, or otherwise fails to fulfill the terms of the service agreement. In such cases, the employee is entitled to retain any incentive payments attributable to completed service, but must repay any portion of the incentive attributable to uncompleted service. The agency is not obligated to pay the employee any outstanding incentive payment attributable to completed service unless such payment was required under the terms of the service agreement.

Discretionary - PHMSA **may** unilaterally terminate a recruitment or relocation incentive service agreement based solely on the management needs of the agency. For example, PHMSA may

terminate a service agreement when the employee's position is affected by a reduction in force, when there are insufficient funds to continue the planned incentive payments, or when the agency assigns the employee to a different position (if the different position is not within the terms of the service agreement). In such cases, the employee is entitled to all incentive payments attributable to completed service and to retain any portion of an incentive payment already received that is attributable to uncompleted service.

PHMSA must notify an employee in writing when it terminates a recruitment or relocation incentive service agreement. Termination of a recruitment or relocation incentive is not grievable or appealable. However, this is not meant to extinguish or lessen any right or remedy under Title 5 U.S.C., Chapter 12 or any other law referred to in 5 U.S.C. 2302(d), Prohibited Personnel Practices.

Repayment

An employee who fails to complete the period of employment established under the service agreement is indebted to the agency and **must** repay incentive monies on a pro rata basis, as identified in 5 CFR 575.107. The amount to be repaid shall be determined by providing credit for each full month of employment completed by the employee under the service agreement.

Consistent with the criteria in 5 CFR, Part 575, the employee is not required to repay an incentive if he/she is involuntarily separated for reason other than misconduct or delinquency, as the term is defined in 5 CFR 575.103.

Reporting Requirements

All incentives awarded under these provisions are required to be reported in accordance with the format prescribed by OPM. Information is made available to the Departmental Office of Human Resource Management or OPM upon request to ensure compliance with the Congressional annual reporting requirements.

PHMSA's Human Resources Division is required to submit a written report to OPM through the Departmental Office of Human Resource Management on the use of recruitment and relocation incentive authorities within the agency during the previous calendar year. The report must include the following information:

- A description of how the authority to pay recruitment and relocation incentives was used by the agency during the previous calendar year;
- The number and dollar amount of recruitment and relocation incentives paid during the previous calendar year by occupational series and grade, pay level, or other pay classification; and
- Other information, records, reports, and data as required by OPM.

PHMSA's Human Resources Division is also required to maintain a record of each recruitment and relocation incentive determination. The records must contain the recipient's name, the amount and percentage of the incentive, justification for paying the incentive, and the service obligation incurred. Individual offices may maintain additional information as they deem useful and appropriate subject to the provisions of Privacy Act of 1974, as amended.

10. RETENTION INCENTIVE

PHMSA has discretionary authority to authorize a retention incentive of up to 25 percent of basic pay (including special rate or locality) to a current employee and up to 10 percent for a group of employees. The agency must provide written justification that (1) the employee or group of employees possesses unusually high or unique qualifications, or a special need of the agency that makes it essential to retain the employee's services; and (2) the employee would be likely to leave the Federal service (for any reason, including retirement) in the absence of a retention incentive. Further, a retention incentive may be paid only when the employee's rating of record (or an official performance appraisal or evaluation under a system not covered by 5 U.S.C. chapter 43 or 5 CFR part 430) is at least "Achieved Results" or equivalent and there is no performance or conduct action pending against the employee. The determination to authorize a retention incentive should be made on a case-by-case basis for each PHMSA employee.

NOTE: Retention incentives are not authorized to retain an employee who is likely to leave for another Federal position.

There is no entitlement, either implied or explicit, for an employee to receive the maximum retention incentive allowable under the law.

Requirements

Employees (or group of employees) eligible for a retention incentive must have one year of continuous service with PHMSA to be eligible for the incentive. In addition, the recommending official must narrowly define the targeted group of employees using factors that relate to the group or category's unusually high or unique qualifications (i.e., competencies) or the agency's special need for the employees' services and the high risk that a significant number of the employees will leave the Federal service in the absence of a retention incentive. Appropriate factors may be occupational series, grade level, distinctive job duties, unique competencies, assignment to a special project, minimum agency service requirements, organization or team designation, geographic location, and required rating of record. While a rating of record of higher than "Achieved Results" may be a factor used in defining the targeted category, a rating of record by itself is not sufficient to justify a retention incentive.

Criteria

In determining whether a retention incentive is appropriate, the percentage and amount of such payment, the following factors must be considered (**See Appendix B for Recommended Incentive Amount Criteria**):

- Employment trends and labor market factors, such as the availability and quality of candidates in the labor market possessing the competencies required for the position and who, with minimal training, cost, or disruption of service to the public, could perform the full range of duties and responsibilities of the employee's position at the level performed by the employee;
- The success of recent efforts to recruit candidates and retain employees with qualifications similar to those possessed by the employee for positions similar to the position held by the employee;
- 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 the agency deems essential to its mission;
- The value of the candidate because of special or unique competencies/qualifications for the position;
- Agency efforts to use non-pay authorities, such as special training and work scheduling flexibilities, to resolve difficulties, alone or in combination with a retention incentive;
- Comparative salaries typically paid outside the Federal government; and
- The desirability of the duties, work or organizational environment, or geographic location of the position; and
- Other supporting factors.

Payment

Payment of a retention incentive is calculated as a percentage of the employee's basic rate of pay (including special rate or locality) in effect at the beginning of the service period, not to exceed 25 percent (for an individual employee) or 10 percent (for a group of employees). The recommending and approving officials must consider the criteria noted above in determining the appropriate incentive percentage.

Extremely rare circumstances and situations may exist for PHMSA to request a retention incentive in excess of 25 percent. With OPM approval, the percentage cap for retention incentives may be increased to 50 percent based on a critical agency need to the successful accomplishment of an important mission, project, or initiative (e.g., programs or projects related to a national emergency or implementing a new law or critical management initiative). Requests for incentives above 25 percent must be approved by the Administrator and submitted to the Assistant Secretary for Administration for concurrence, through the Director of the Departmental Office of Human Resource Management. If the Assistant Secretary for Administration concurs with the request, it will be submitted to OPM for review and approval. Please contact your

servicing human resources specialist for additional information on waiver requirements and procedures.

NOTE: The following factors apply in the payment of a retention incentive:

- A retention incentive is not considered part of an employee's basic rate of pay; and
- A retention incentive is not paid during a period of employment established for an employee under any service agreement for payment of a recruitment or relocation incentive; however, after an agency has begun to pay an employee a retention incentive, it may pay the employee a relocation incentive without affecting the payment of a retention incentive.

A retention incentive may be paid in increments or biweekly installment payments throughout the service agreement; or in whole at the start or end of the service agreement; or a combination of any of the aforementioned payment options.

Payments of a retention incentive may continue for as long as the conditions originating the determination of payment exist. At a minimum, each determination to pay an incentive must be reviewed annually to determine if payment is still warranted. A written determination to continue payment must be certified by the approving official (Administrator or delegated official). A retention incentive may be reduced or terminated when it is determined that:

- A lesser payment (or none at all) would be sufficient to retain the employee;
- Labor market factors have prompted significant changes in the agency's ability to recruit highly-skilled candidates with similar qualifications to those possessed by the employee (or group or category of employees);
- The need for the service of the employee has been reduced to a level that makes it unnecessary to continue payment at the level originally approved (or at all);
- Budgetary implications make it difficult to continue payment at the level originally approved, or at all; or
- Other mitigating factors determined by the agency.

NOTE: The reduction or termination of a retention incentive may not be appealed. However, this is not meant to extinguish or lessen any right or remedy under Title 5 U.S.C., Chapter 12 or any other law referred to in 5 U.S.C. 2302(d), Prohibited Personnel Practices.

Approval Determination/Documentation

For each determination to pay a retention incentive, the recommending official must document the following factors in writing:

- The basis for determining that the unusually high or unique qualifications of the employee (or group of employees) or a special need of the agency for the employee's (or group of employees') services makes it essential to retain the employee(s);
- The basis for determining that the employee (or a significant number of employees in a group) would be likely to leave the Federal service in the absence of a retention incentive; and
- The basis for establishing the amount and timing of the approved retention incentive payment and the length of the required service period.

Approval Procedures

To request authorization to pay a retention incentive, the recommending official must submit a written justification to the Human Resources Division. The justification must include the following information:

- Employee(s) name;
- Position Title/Series/Grade and duty location;
- Justification for a retention incentive that conforms to the criteria referenced in section 10; *Criteria and Approval Determination/Documentation*. The documentation must include a description of the candidate's qualifications in relationship to the position and critical need of the agency.
- Percentage of basic pay being proposed and payment method;
- Length of service period, if required;
- Employee's resumé; and
- Other supporting documentation, as applicable;

The Human Resources Division will review the written justification to ensure that it is consistent with the criteria stated in this policy. The servicing human resources specialist will draft an action memorandum for signature from the Director of the Human Resources Division, through the Associate Administrator for Administration, to the Administrator for review and approval.

Once the request is approved or disapproved by the Administrator (or delegated official), the Human Resources Division is responsible for maintaining the original documents for recordkeeping and reporting requirements.

Please contact your servicing human resources specialist for additional information or guidance.

Service Agreement

(Required) – A service agreement is required when the agency pays the retention incentive in (1) a single lump-sum payment after completion of the full service period; (2) installments after the completion of periods of service; (3) to any employee covered by a group retention incentive; (4) any time the retention incentives for an individual is approved for 15 percent or more, unless the incentive is paid in equal biweekly installments; and (5) in all cases where the 25 percent cap (or 10 percent for groups of employees) has been waived, no matter how payment is made.

The service agreement must specify:

- The length of the service period (commencement and termination dates);
- The retention incentive amount/percentage rate established for the employee;
- Whether the incentive will be paid in installments or in a lump-sum payment upon completion of the service period and, if paid in installments, whether any installment payments will be paid at less than the full retention incentive percentage rate established for the employee, with the accrued but unpaid incentive payment being paid in a lump sum upon completion of the full service period;
- The timing of incentive payments;
- The conditions under which an agreement will be terminated by the agency if the employee does not complete the service agreement;
- Conditions under which the employee would be required to repay an incentive, and how repayment will be computed.
- The effects of terminating the service agreement, including the conditions under which the agency will pay an additional retention incentive payment for partially completed service; and
- Any other terms and conditions for receiving and retaining a retention incentive.

In addition to the service requirements outlined above, the service agreement may specify other terms and conditions applicable to the employee and/or agency.

Termination of Service Agreement

Mandatory - PHMSA **must** terminate a retention service agreement if an employee is demoted or separated for cause (i.e., for unacceptable performance or conduct), receives a rating of record of less than "Achieved Results" or equivalent, or otherwise fails to fulfill the terms of the service agreement. In such cases, the employee is entitled to retain any retention incentive payments attributable to completed service. The agency is not obligated to pay the employee any outstanding incentive payment attributable to completed service unless such payment was required under the terms of the retention incentive service agreement.

Discretionary - PHMSA **may** unilaterally terminate a retention incentive service agreement based solely on the management needs of the agency. For example, PHMSA may terminate a service agreement when the employee's position is affected by a reduction in force, when there are insufficient funds to continue the planned incentive payments, when conditions no longer warrant payment at the level originally approved or at all, or when the agency assigns the employee to a different position (if the different position is not within the terms of the service agreement). In such cases, the employee is entitled to retain all retention incentive payments attributable to completed service and to receive any portion of a retention incentive payment owed by the agency for completed service.

PHMSA must notify an employee in writing when it terminates a retention incentive service agreement. Termination or reduction of a retention incentive is not grievable or appealable.

Repayment

An employee who fails to complete the period of employment established under the service agreement is indebted to the agency and **must** repay incentive monies on a pro rata basis, as identified in 5 CFR 575.107. The amount to be repaid shall be determined by providing credit for each full month of employment completed by the employee under the service agreement.

Consistent with the criteria in 5 CFR, Part 575, the employee is not required to repay an incentive if he/she is involuntarily separated for reason other than misconduct or delinquency, as the term is defined in 5 CFR 575.103.

Reporting Requirements

PHMSA's Human Resources Division is required to maintain a record of each retention incentive determination. The records must contain the recipient's name, the amount and percentage of the incentive, justification for paying the incentive, and the service obligation incurred (if service agreement is required).

All incentives awarded under this provision are also required to be reported in accordance with a format prescribed by OPM. Information is made available to the Departmental Office of Human Resource Management or OPM upon request to ensure compliance with the Congressional annual reporting requirements.

PHMSA's Human Resources Division is required to submit a written report to OPM through the Departmental Office of Human Resource Management on the use retention incentive authorities within the agency during the previous calendar year. The report must include the following information:

- A description of how the authority to pay retention incentives was used by the agency during the previous calendar year;

- The number and dollar amount of retention incentives paid during the previous calendar year by occupational series and grade, pay level, or other pay classification; and
- Other information, records, reports, and data as OPM may require.

Individual offices may maintain additional information as they deem useful and appropriate subject to the Privacy Act.

11. RECORDS

Original copies of service agreements and written justification/recertification documentation will be maintained in PHMSA's Human Resources Division. These documents may be subject to review during human resources management evaluations and audits.

Copies of the service agreement(s) and supporting justification will be filed on the temporary side of the employee's Official Personnel Folder (OPF). Additional copies of the agreement will be provided to the employee and recommending official.

APPENDIX A

DEFINITIONS

Competencies – The knowledge, skills, abilities, behaviors, and other characteristics an individual needs to perform the duties of a position.

Involuntarily Separated – A separation initiated by the Agency against the employee's will and without the employee's consent for reasons other than cause or charges of misconduct or delinquency. An involuntary separation includes a separation resulting from the employee's actual inability to do the work following genuine efforts to do so, but does not include a separation under 5 CFR Part 752 or an equivalent procedure for reasons that involve culpable wrongdoing on the part of the employee.

Newly Appointed – Refers to the first appointment (regardless of tenure) as an employee of 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 when the employee's Federal service during the 90-day period immediately preceding the appointment was limited to one or more of the following:

- A time-limited or non-permanent appointment in the competitive or excepted service;
- 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;
- An appointment as an expert or consultant under 5 U.S.C. 3109 and 5 CFR part 304;
- Service as an employee of a nonappropriated fund instrumentality of the Department of Defense when moving to a position outside of the Department of Defense or of the Coast Guard when moving to a position outside the Coast Guard; or
- Employment under a provisional appointment designated under 5 CFR 316.403.

Rate of Basic Pay – 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 supplement under 5 CFR part 530, subpart C, or similar payment under other legal authority, and any locality-based comparability payment under 5 CFR part 531, subpart F, or similar payment under other legal authority, but excluding additional pay of any other kind.

Rating of Record – The term rating refers to the evaluation of an employee or group's performance against the elements and standards in an employee's performance plan and assigning a summary rating of record. The rating of record is assigned according to procedures

included in the organization's appraisal program. It is based on work performed during an entire appraisal period. The rating of record has a bearing on various other personnel actions, such as granting within-grade pay increases and determining additional retention service credit in a reduction in force.

Recruitment Incentive – A bonus an agency may pay to a newly-appointed employee if the agency has determined that the position is likely to be difficult to fill in the absence of such an incentive. In return, the employee must sign an agreement to fulfill a period of service with the agency of not less than 12 months and not more than 4 years.

Relocation Incentive – A bonus an agency may pay to a current Federal employee who must relocate to a position in a different geographic area that is likely to be difficult to fill in the absence of such an incentive. In return, the employee must sign an agreement to fulfill a period of service with the agency of not less than 12 months and not more than 4 years. In addition, the employee must establish a residence in the new geographic area prior to payment.

Retention Incentive – A bonus an agency may pay to a current employee if the agency determines that 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 the Federal service in the absence of a retention incentive. In return, the employee must sign an agreement to fulfill an agreed upon period of service with the agency.

Service Agreement – A written agreement between PHMSA and an employee, including an applicant to whom a written offer of employment has been made, under which the employee or applicant agree to be employed with PHMSA for a specific period of not less than 12 months and not more than 4 years in return for payment of a recruitment, relocation or retention incentive.

Service Period – The period of employment under a recruitment, relocation or retention incentive agreement. The period may not be less than 12 months and may not exceed 4 years. The service period must begin on the first day of a pay period and end on the last day of a pay period.

Superior Qualification Pay Setting Authority – Agencies may set the rate of basic pay of a newly-appointed employee at a rate above the minimum rate of the appropriate General Schedule (GS) grade because of the superior qualifications of the candidate.

APPENDIX B

INCENTIVE AMOUNT CRITERIA

Recruitment, relocation, and retention incentives are calculated as a percentage of the employee's annual rate of basic pay (including special rate or locality pay). In most cases, the amount of any incentive may not exceed 25 percent of the employee's annual rate of basic pay, and the incentive amount is not considered part of the employee's rate of basic pay for any purpose.

In determining the appropriate amount for a particular incentive, the recommending official must consider the nature and extent of the recruitment problems that have been encountered in trying to fill the position, as well as the unique qualifications of a particular candidate or employee. For example, a larger incentive, i.e., one that is at or near 25 percent, should be reserved for filling positions that present the most difficult recruitment problems, or for retaining an employee who is uniquely qualified to retain in a certain position. Paying too much to fill a position that is not as difficult to fill could set an unwarranted expectation or precedent for other candidates and could adversely affect the morale of current employees who did not receive an incentive.

When the amount of an incentive is based on the special qualifications of a particular applicant, the highest incentives should be reserved for the most highly qualified individuals. For example, if an applicant has qualifications, which far surpass those of other candidates, and if the applicant has a high degree of expertise and experience in his/her field, then an incentive at or near 25 percent may be appropriate.

The following guidelines may be used to help to set incentive amounts in specific cases:

(1) 5 to 10 percent

Incentives in this range are appropriate in situations where it is routinely difficult to recruit qualified candidates for particular positions. An incentive in this range is appropriate in situations where a well-qualified candidate may be available, but may not accept the position in the absence of the incentive. Recruitment incentives for new hires are recommended at this level.

(2) 11 to 15 percent

Incentives in this range are appropriate for positions which are difficult to fill, and where labor market factors are likely to negatively affect the ability of PHMSA to recruit qualified applicants now or in the future. In addition, there should be a demonstrated need to fill the position or to retain a particular individual in order to accomplish important program work or maintain customary levels of service. Candidates for incentives in this range should be well-qualified, and have experience, which is directly applicable to the position. Also, the position being filled should have the characteristics described in this paragraph.

(3) 16 to 20 percent

Incentives in this range are appropriate for positions which have proven difficult to fill, for example, because of the location of the position, and/or because competition with other employers for candidates in a particular field is especially intense. In addition, there is a critical need at the operational level for this type of position to be filled quickly, or to remain filled. Incentives at this level are appropriate for candidates for the type of positions described in this paragraph who bring an exceptional level of expertise and/or training, when compared with that offered by other applicants, to a critical job vacancy.

(4) 20 to 25 percent

Incentives in this range are appropriate for positions which present the most difficult recruitment problems, such as those which are located in metropolitan areas with the highest cost-of-living rates and the tightest labor market conditions. This includes positions which may have been advertised several times in the past, and for which there have been very few highly qualified applicants. These should be positions for which there is an extremely critical and compelling need at the agency level to fill the position with a uniquely qualified candidate, or to retain a uniquely qualified candidate. An incentive in this range is appropriate for candidates who possess a very high degree of expertise in their field, are unique experts in their field, or who possess technical skills that are clearly superior to those of other candidates and applicable to the job being filled. Also, there is an extremely critical and compelling agency need to fill the position with a candidate of this caliber.

APPENDIX C



U.S. Department
Of Transportation

Service Agreement - Recruitment Incentive

**Pipeline and
Hazardous Materials
Safety Administration**

Name of Employee:	Effective Date	Completion Date
Organizational Location (Office/Division):		
Position Title/Series/Grade		
Incentive Amount: \$		

The U.S. Department of Transportation (DOT), Pipeline and Hazardous Materials Safety Administration (PHMSA), under provisions of Title 5 United States Code (U.S.C.) and the Federal Workforce Flexibility Act, authorize the payment of a recruitment incentive to the undersigned employee under the conditions and terms of this agreement.

In consideration of this payment, I _____ hereby agree to remain in the service of the Pipeline and Hazardous Materials Safety Administration for _____ months/years (***select one***) following the effective date of this agreement.

I understand that my incentive will be paid in the following manner:

- The full amount will be paid in a lump sum at the start of the service agreement
- Lump sum installments of \$_____ payable on _____ (e.g., quarterly, annual etc.) basis throughout the service agreement, beginning _____.
- The full amount will be paid in a lump sum at the end of the service agreement
- Biweekly installment payments
- Other (combination of aforementioned methods). Specific Payment Schedule is:

In return for the payment of the incentive specified above, I agree to accept the position and the terms of employment specified below:

1. I understand that this agreement **will** be terminated if (1) I am demoted or separated for cause (i.e., for unacceptable performance or conduct); (2) I receive a rating of record lower than "Achieved Results" or equivalent during the service period; or (3) I otherwise fail to fulfill the terms of the service agreement.
2. I understand that this agreement **may** be terminated based on the needs of the agency, such as: (1) my position is affected by a reduction-in-force (RIF); (2) there are adverse budget implications to continue the planned incentive; or (3) I am assigned to different position.
3. I understand I will be notified in writing if PHMSA terminates my recruitment incentive service agreement. In such cases, I am entitled to retain any incentive payments attributable to completed service, but must repay any portion of the incentive attributable to uncompleted service on a pro rata basis. The amount to be repaid shall be determined by providing credit for each full month of employment completed by the employee under the service agreement.
4. I understand that if I voluntarily leave PHMSA before the end of this service period, I am indebted to the agency and **must** repay incentives on a pro rata basis. The amount to be repaid shall be determined by the same conditions stated above.
5. In case of violation of this agreement, as a result of failure to meet the terms and conditions, any amount due to PHMSA may be withheld from monies owed to me by the United States Government, or may be recovered by such other method as approved, by law, unless repayment is waived, in whole or in part, by PHMSA.

I certify that I have read and understand and hereby agree to the terms and conditions of this agreement.

(Printed Name of Employee)

(Date)

(Signature of Employee)

(Date)

Distribution of Copies

Original – Human Resources Division
Copy – Supervisor
Copy – Employee

Copy – Official Personnel Folder



U.S. Department
Of Transportation

Service Agreement - Relocation Incentive

**Pipeline and
Hazardous Materials
Safety Administration**

Name of Employee:	Effective Date	Completion Date
Organizational Location (Office/Division):		
Position Title/Series/Grade		
Incentive Amount: \$		

The U.S. Department of Transportation (DOT), Pipeline and Hazardous Materials Safety Administration (PHMSA), under provisions of Title 5 United States Code (U.S.C.) and the Federal Workforce Flexibility Act, authorize the payment of a relocation incentive to the undersigned employee under the conditions and terms of this agreement.

In consideration of this payment, I _____ hereby agree to remain in the service of the Pipeline and Hazardous Materials Safety Administration for _____ months/years (*select one*) following the effective date of this agreement.

I understand that I must establish a residence in the new geographic area (_____) before PHMSA may pay the relocation incentive.
City/State

I understand that my incentive will be paid in the following manner:

- The full amount will be paid in a lump sum at the start of the service agreement
- Lump sum installments of \$_____ payable on _____ (e.g., quarterly, annual etc.) basis throughout the service agreement, beginning _____.
- The full amount will be paid in a lump sum at the end of the service agreement
- Biweekly installment payments
-

Other (combination of aforementioned methods). Specific Payment Schedule is:

In return for the payment of the incentive specified above, I agree to accept the position and the terms of employment specified below:

1. I understand that this agreement **will** be terminated if (1) I am demoted or separated for cause (i.e., for unacceptable performance or conduct); (2) I receive a rating of record lower than "Achieved Results" or equivalent during the service period; or (3) I otherwise fail to fulfill the terms of the service agreement.
 2. I understand that this agreement **may** be terminated based on the needs of the agency, such as: (1) my position is affected by a reduction-in-force (RIF); (2) there are adverse budget implications to continue the planned incentive; or (3) I am assigned to different position.
 3. I understand I will be notified in writing if PHMSA terminates my relocation incentive service agreement. In such cases, I am entitled to retain any incentive payments attributable to completed service, but must repay any portion of the incentive attributable to uncompleted service on a pro rata basis. The amount to be repaid shall be determined by providing credit for each full month of employment completed by the employee under the service agreement.
 4. I understand that if I voluntarily leave PHMSA before the end of this service period, I am indebted to the agency and **must** repay incentives on a pro rata basis. The amount to be repaid shall be determined by the same conditions stated above.
 5. In case of violation of this agreement, as a result of failure to meet the terms and conditions, any amount due to PHMSA may be withheld from monies owed to me by the United States Government, or may be recovered by such other method as approved, by law, unless repayment is waived, in whole or in part, by PHMSA.
-

I certify that I have read and understand and hereby agree to the terms and conditions of this agreement.

(Printed Name of Employee)

(Date)

(Signature of Employee)

(Date)

Distribution of Copies

Original – Human Resources Division
Copy – Supervisor
Copy – Employee
Copy – Official Personnel Folder



U.S. Department
Of Transportation

Service Agreement - Retention Incentive

**Pipeline and
Hazardous Materials
Safety Administration**

Name of Employee:	Effective Date	Completion Date
Organizational Location (Office/Division):		
Position Title/Series/Grade		
Incentive Amount: \$		

The U.S. Department of Transportation (DOT), Pipeline and Hazardous Materials Safety Administration (PHMSA), under provisions of Title 5 United States Code (U.S.C.) and the Federal Workforce Flexibility Act, authorize the payment of a retention incentive to the undersigned employee under the conditions and terms of this agreement.

In consideration of this payment, I _____ hereby agree to remain in the service of the Pipeline and Hazardous Materials Safety Administration for _____ months/years (*select one*) following the effective date of this agreement.

I understand that my incentive will be paid in the following manner:

- The full amount will be paid in a lump sum at the start of the service agreement
 - Lump sum installments payable on _____ (e.g., quarterly, annual etc.) basis throughout the service agreement, beginning _____.
 - The full amount will be paid in a lump sum at the end of the service agreement
 - Biweekly installment payments
 - Other (combination of aforementioned methods). Specific Payment Schedule is:
-

In return for the payment of the incentive specified above, I agree to accept the position and the terms of employment specified below:

1. I understand that this agreement **will** be terminated if (1) I am demoted or separated for cause (i.e., for unacceptable performance or conduct); (2) I receive a rating of record lower than "Achieved Results" or equivalent during the service period; or (3) I otherwise fail to fulfill the terms of the service agreement.
2. I understand that this agreement **may** be terminated based on the needs of the agency, such as: (1) my position is affected by a reduction-in-force (RIF); (2) there are adverse budget implications to continue the planned incentive; or (3) I am assigned to different position.
3. I understand I will be notified in writing if PHMSA terminates my retention incentive service agreement. In such cases, I am entitled to retain any incentive payments attributable to completed service, but must repay any portion of the incentive attributable to uncompleted service on a pro rata basis. The amount to be repaid shall be determined by providing credit for each full month of employment completed by the employee under the service agreement.
4. I understand that if I voluntarily leave PHMSA before the end of this service period, I am indebted to the agency and **must** repay incentives on a pro rata basis. The amount to be repaid shall be determined by the same conditions stated above.
5. In case of violation of this agreement, as a result of failure to meet the terms and conditions, any amount due to PHMSA may be withheld from monies owed to me by the United States Government, or may be recovered by such other method as approved, by law, unless repayment is waived, in whole or in part, by PHMSA.

I certify that I have read and understand and hereby agree to the terms and conditions of this agreement.

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