



DoD INSTRUCTION 1400.25, VOLUME 575

DoD CIVILIAN PERSONNEL MANAGEMENT SYSTEM: RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES AND SUPERVISORY DIFFERENTIALS

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Incorporates and Cancels:	Under Secretary of Defense for Personnel and Readiness Memorandum, "Implementation of Recruitment, Relocation, and Retention Incentives," September 21, 2006 Under Secretary of Defense for Personnel and Readiness Memorandum, "Implementation of Enhanced Retention Incentive Authorities," February 5, 2008
Approved by:	Robert L. Wilkie, Under Secretary of Defense for Personnel and Readiness

Purpose: This issuance is composed of several volumes, each containing its own purpose. In accordance with the authority in DoD Directives 5124.02 and 1400.25:

- This instruction establishes and implements policy, establishes procedures, provides guidelines and model programs, delegates authority, and assigns responsibilities regarding civilian personnel management within the DoD.
- This volume establishes policy, assigns responsibilities, and provides procedures concerning recruitment, relocation, and retention incentives and supervisory differentials pursuant to Part 575 of Title 5, Code of Federal Regulations (CFR).

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This issuance:

a. Applies to OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this issuance as the “DoD Components”).

b. Does not apply to employees covered by the Defense Civilian Intelligence Personnel System.

1.2. POLICY. It is DoD policy that:

a. Incentives or differentials authorized by this volume will be used consistent with:

(1) The requirements of Part 575 of Title 5, CFR, and Chapters 31, 43, 53, and 57 of Title 5, United States Code (U.S.C).

(2) The policies and procedures established by this volume.

b. Incentives or differentials will be used only as needed to meet mission-based workforce requirements and only when supported by systematic business analyses. Appropriate documentation will be maintained to demonstrate that the systematic business analysis was conducted and approved.

c. Use of incentives or differentials will be fiscally prudent and each must be considered in the context of the total remuneration provided to the affected employee.

d. The authority to approve recruitment, relocation, retention incentives, or supervisory differentials may be delegated in writing by a DoD Component head to an official who exercises personnel appointing authority (referred to in this volume as “authorized management officials”). The authority may not be further delegated. If a DoD Component head chooses not to designate an authorized management official, the procedures assigned in this volume must be carried out by that Component head.

e. Recruitment, relocation, and retention incentives are not part of an employee’s rate of basic pay for any purpose. A supervisory differential is not part of a supervisor’s rate of basic pay for any purpose.

f. Payment of a recruitment, relocation, or retention incentive, or a supervisory differential, to a DoD employee is subject to the aggregate limitation on pay pursuant to Subpart B of Part 530 of Title 5, CFR, and Section 5307 of Title 5, U.S.C.

SECTION 2: RESPONSIBILITIES

2.1. ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER AND RESERVE AFFAIRS (ASD(M&RA)). Under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness, the ASD(M&RA) has overall responsibility for the development of civilian personnel policy covered by this volume.

2.2. DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR CIVILIAN PERSONNEL POLICY (DASD(CPP)). Under the authority, direction, and control of the ASD(M&RA), the DASD(CPP) supports the development of civilian personnel policy covered by this volume and monitors its execution by DoD Components, ensuring consistent implementation and continuous application throughout DoD and ensuring the balance of fiscal responsibility with mission requirements.

2.3. DIRECTOR, DOD HUMAN RESOURCES ACTIVITY. Under the authority, direction, and control of the Under Secretary of Defense for Personnel and Readiness, the Director, DoD Human Resources Activity, provides support to the DASD(CPP), as appropriate, in execution of the duties and responsibilities of this volume.

2.4. DOD COMPONENT HEADS. The DoD Component heads:

a. Direct the appropriate and effective use of these compensation authorities to support mission requirements and to conform to merit system principles.

b. Assess the usage of incentives or differentials authorized by this volume, including periodic reviews to ensure payments comply with established guidance and criteria and with fiscal responsibility.

c. Direct adjustments in delegations of authority, provide guidance, or take other actions as warranted by the results of the periodic reviews.

SECTION 3: GENERAL PROCEDURES

3.1. Procedures for authorizing and paying recruitment, relocation, and retention incentives are outlined in Sections 4 through 6 of this volume. Procedures for authorizing and paying supervisory differentials are outlined in Section 7 of this volume.

3.2. The termination of a service agreement or the failure to complete the service period specified in a service agreement, as discussed in Sections 4 through 6, may result in an employee debt.

a. The debt collection process for continuing employees is outlined in Volume 8 of DoD 7000.14-R, while that for debtors no longer in government service is found in Volume 5 of DoD 7000.14-R.

b. The authorized management official may waive a debt pursuant to Sections 575.111(h), 575.211(h), or 575.513(g) of Title 5, CFR.

3.3. Servicing human resources offices must maintain a copy of each written determination authorizing a recruitment, relocation, or retention incentive, as well as supervisory differential documentation.

SECTION 4: RECRUITMENT INCENTIVES

4.1. AUTHORIZATION.

a. Pursuant to Subpart A of Part 575 of Title 5, CFR, and Section 5753 of Title 5, U.S.C., an authorized management official may approve recruitment incentives paid in accordance with this volume for an employee newly appointed (as defined in Section 575.102 of Title 5, U.S.C.) to a position that is likely to be difficult to fill. Determinations to pay the incentive will be made before the prospective employee enters on duty.

b. Employees who are eligible for recruitment incentives are identified in Section 575.103 of Title 5, CFR.

c. Employees who are ineligible for recruitment incentives are identified in Section 575.104 of Title 5, CFR.

d. An authorized management official may approve recruitment incentives up to 25 percent of a newly appointed employee's annual rate of basic pay at the beginning of the service period provided the employee signs a written agreement to complete a required service period with the DoD Component. The service period may not be less than 6 months and may not exceed 4 years.

e. An authorized management official may:

(1) Target groups of similar positions identified as difficult to fill.

(2) Establish criteria in advance for offering recruitment incentives to all newly appointed employees in the targeted group.

(3) Authorize an official who is not lower than the candidate's supervisor to offer a recruitment incentive, at his or her sole and exclusive discretion, (in any amount within a pre-established range) to a candidate.

f. Each decision to authorize a recruitment incentive for a group of similar positions must be reviewed at least annually to determine whether the positions will likely remain difficult to fill. Group incentives may not be paid to employees excluded by section 575.105(b) of Title 5, CFR.

g. Recruitment incentive plans must be approved by an authorized management official who is at least one level higher than the employee's (or group of employees', if applicable) supervisor unless there is no higher level in the DoD Component.

(1) In determining whether to grant a recruitment incentive, the authorized management official will consider the factors in Section 575.106(b) of Title 5, CFR.

(2) Positions may be considered to meet the eligibility criteria cited in Paragraph 4.1.g.(1) if the Office of Personnel Management (OPM) has approved the use of a direct-hire authority for the position (or group of positions), pursuant to Subpart B of Part 337 of Title 5, CFR.

(3) The requirement to obtain higher-level approval does not apply when criteria have been set in advance to offer recruitment incentives within a pre-established range to expedite a job offer.

h. An authorized management official must establish the criteria for determining the amount of a recruitment incentive in accordance with Section 575.109 of Title 5, CFR, and any supplemental criteria added by the DoD Component.

(1) The total amount of recruitment incentive payments paid to an employee in a service period may not exceed 25 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, not to exceed 4 years.

(2) For hourly rate employees who do not have a scheduled annual rate of basic pay, compute the annual rate by multiplying the applicable hourly rate in effect at the beginning of the service period by 2,087 hours.

(3) To determine the number of years in a service period, divide the total number of calendar days in the service period by 365 and round the result to two decimal places. For example, a service period covering 39 biweekly pay periods equals 546 days, and 546 days divided by 365 days equals 1.50 years.

i. OPM may waive the 25 percent limitation on recruitment incentives based on a critical agency need. The authorized management 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). Under such a waiver, the total amount of recruitment incentive payments paid to an employee in a service period may not exceed 50 percent of an employee's annual rate of pay at the beginning of a service period multiplied by the number of years (including fractions of a year) in the service period. Under no circumstances may the employee's total recruitment incentive exceed 100 percent of the employee's annual rate of pay at the beginning of the service period.

(1) Each waiver request must include the information required by Section 575.109(c)(2) of Title 5, CFR.

(2) Authorized management officials will submit requests for waiver, through the DoD Component's headquarters, to:

Director, Defense Civilian Personnel Advisory Services
4800 Mark Center Drive, Suite 06G13
Alexandria, VA 22350

j. Each determination to pay a recruitment incentive must be documented in writing and must address the basis for such determination as listed in Section 575.108(a) of Title 5, CFR.

4.2. PAYMENT.

a. The employee must sign a service agreement before receiving any recruitment incentive payments.

b. The DoD Component will pay recruitment incentives, as specified in the employee's service agreement. The incentives may be paid:

- (1) In a one-time payment at the beginning of the service period stated in the agreement;
- (2) In equal or variable installment payments throughout the service period required by the service agreement; or
- (3) As a final lump-sum payment at the end of the full service period required by the service agreement.

c. Payment of a recruitment incentive is subject to aggregate limitations on pay under Part 530, Subpart B, of Title 5, CFR.

4.3. SERVICE AGREEMENT REQUIREMENTS.

a. Employee service agreements required for recruitment incentives will specify:

(1) The employee's name, title, series or occupational code, and grade or pay level of his or her position.

(2) The period of service, in months and years, agreed to by the employee consistent with Paragraph 4.1.d.

(3) The actual beginning and ending dates of the required service period. The service period must begin on the first day of an employee's service with the organization and end on the last day of a pay period. There are two exceptions:

(a) If the employee does not begin work on the first day of the pay period, the service period will begin on the first day of the next pay period.

(b) If the employee is required to complete a probationary period or an initial period of formal training, the authorized management official may elect to delay the employee's service period until the beginning of the pay period following the completion of the probationary or training period. Since the authorized management official must approve the incentive before the employee enters on duty, the service agreement also must specify that there is no obligation to pay any portion of the incentive if the employee does not successfully complete the probationary period or the training.

(4) The total amount of the incentive, the method of paying the incentive, and the timing and amounts of each incentive payment, as established in Paragraph 4.1.h.

(5) The conditions under which the authorized management official must terminate the agreement. Such conditions may include: if an employee is demoted or separated for cause, or receives a rating of record of less than “Fully Successful” or equivalent, or otherwise fails to fulfill the terms of the service agreement.

(6) The conditions that may result in termination of the service agreement (e.g., insufficient funds, reassignment to a different type of position, or reduction in force) before the employee completes the agreed-upon service period.

(7) The extent to which periods of time on detail, in a non-pay status, or in a paid leave status are creditable towards completion of the service period.

(8) The consequence of both employee and management decisions to terminate service agreements (e.g., conditions under which the employee must repay any unearned portion of the incentive he or she may already have received pursuant to Sections 575.111(e) and (f) of Title 5, CFR).

(9) In accordance with Section 575.111(c) of Title 5, CFR, termination of a service agreement is not grievable or appealable.

b. The authorized management official must notify an employee in writing when an employee’s service agreement is terminated.

SECTION 5: RELOCATION INCENTIVES

5.1. AUTHORIZATION.

a. Pursuant to Subpart B of Part 575 of Title 5, CFR, and Section 5753 of Title 5, U.S.C., an authorized management official may approve relocation incentives paid in accordance with this volume to a current federal employee who must relocate, without a break in service, to accept a position in a different geographic area (as defined in Section 575.205(b) of Title 5, CFR) that is likely to be difficult to fill.

b. Categories of employees who are eligible for relocation incentives are identified in Section 575.203 of Title 5, CFR. In order to receive a relocation incentive, the employee must have a rating of record of at least “Fully Successful” or equivalent for the position held immediately before the move.

c. Employees who are ineligible for relocation incentives are identified in Section 575.204 of Title 5, CFR.

d. An authorized management official may approve relocation incentives whether the relocation is permanent or temporary.

e. An authorized management official may approve relocation incentives with the same conditions, as stated in Paragraph 4.1.d., for recruitment incentives.

f. An authorized management official may waive the requirement to make case-by-case determinations and approve group relocation incentives under the following conditions:

(1) The employee is a member of a group of employees subject to a mobility agreement and relocation incentives are necessary to ensure continuation of operations.

(2) A major organizational unit is relocated to a new duty station and relocation incentives will ensure continued operations of that unit without undue disruption to operations or functions deemed essential to the DoD Component’s mission.

g. Relocation incentives must be approved by an authorized management official, as stated in Paragraph 4.1.g, and consistent with the following:

(1) In determining whether to grant an incentive, the authorized management official will consider the factors listed in Section 575.206(b) of Title 5, CFR.

(2) Positions may be considered to meet the eligibility criteria in Section 575.206(b) of Title 5, CFR if OPM has approved the use of a direct-hire authority for the position (or group of positions) pursuant to Part 337, Subpart B of Title 5, CFR.

(3) In accordance with Section 575.205(b) of Title 5, CFR, 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, an

authorized management official may waive the requirement that the worksite of the new position be 50 or more miles from the worksite of the position held immediately before the move.

(4) The requirement to obtain higher-level approval does not apply when the requirement to approve relocation incentives on a case-by-case basis has been waived in accordance with Paragraph 5.1.f.

h. The authorized management official must establish the criteria for determining the amount of a relocation incentive in accordance with Section 575.209 of Title 5, CFR, and any supplemental criteria added by the DoD Component.

(1) The total amount of relocation incentive payments paid to an employee in a service period may not exceed 25 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, not to exceed 4 years.

(2) For hourly rate employees who do not have a scheduled annual rate of basic pay, compute the annual rate by multiplying the applicable hourly rate in effect at the beginning of the service period by 2,087 hours.

(3) To determine the number of years in a service period, divide the total number of calendar days in the service period by 365 and round the result to two decimal places. For example, a service period covering 39 biweekly pay periods equals 546 days, and 546 days divided by 365 days equals 1.50 years.

i. OPM may waive the 25 percent limitation on relocation incentives based on a critical agency need. The authorized management 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). Under such a waiver, the total amount of relocation incentive payments paid to an employee in a service period may not exceed 50 percent of an employee's annual rate of basic pay at the beginning of a service period multiplied by the number of years (including fractions of a year) in the service period. Under no circumstances may the employee's total recruitment incentive exceed 100 percent of the employee's annual rate of basic pay at the beginning of the service period.

(1) Each waiver request must include the information required by Section 575.209(c)(2) of Title 5, CFR.

(2) Authorized management officials will submit requests for waiver, through the DoD Component headquarters, to:

Director, Defense Civilian Personnel Advisory Services
4800 Mark Center Drive, Suite 06G13
Alexandria, VA 22350

j. An authorized management official must make the determination to pay a relocation incentive before the employee enters on duty in the new position. The employee must establish a

residence in the new geographic area before the relocation incentive is paid. Examples of documentation that demonstrates the establishment of a residence include a current:

(1) Utility bill addressed to the residence in the new geographic area.

(2) Bank statement showing the address of residence in the new geographic area.

(3) Lease agreement or property record, such as a deed or mortgage, showing the address of residence in the new geographic area.

(4) Driver's license with the address in the new geographic area.

k. Each determination to pay a relocation incentive must be documented in writing. The written determination must address the requirements listed in Section 575.208(a)(1) of Title 5, CFR.

l. Decisions to approve group incentives must be supported by written determinations that specify the group of covered employees, the conditions requiring the group incentive, and the period of time during which authorization of the group incentive is valid.

5.2. PAYMENT.

a. The employee must sign a service agreement before receiving any relocation incentive payments.

b. The DoD will pay relocation incentives, as specified in the employee's service agreement. The incentives may be paid:

(1) In a one-time payment at the beginning of the service period stated in the agreement;

(2) In equal or variable installment payments throughout the service period required by the service agreement; or

(3) As a final lump-sum payment at completion of the service period specified in the service agreement.

c. DoD Components may commence a relocation incentive service agreement during a period of employment established under a service agreement for a previously authorized retention incentive or for which an employee is receiving previously authorized retention incentive payments without a service agreement in accordance with Section 575.205(e) of Title 5, CFR.

5.3. SERVICE AGREEMENT REQUIREMENTS.

a. Employee service agreements required for relocation incentives will contain the information stated in Paragraph 4.3.a. For relocation incentives, the service period discussed in Paragraph 4.3.a.(3) will begin on the first day of an employee's service at the new duty station,

unless one of the exceptions stated in Paragraphs 4.3.a.(3)(a) and 4.3.a.(3)(b) applies. The service agreement must define the limits of the new geographic area in the service agreement for the purpose of determining whether an employee maintains residency for the duration of the service agreement.

b. Service agreements must terminate under the same circumstances as stated in Paragraph 4.3.a.(5). Additionally, for relocation incentives, the authorized management official must terminate the agreement if the employee fails to maintain residency in the new geographic area for the duration of the service agreement.

c. The authorized management official may unilaterally terminate the agreement based solely on management needs such as reduction in force or insufficient funds.

d. The authorized management official must notify an employee in writing when an employee's service agreement is terminated.

e. Sections 575.211(e) and (f) of Title 5, CFR, establish employee entitlements to payments received in the event a service agreement is terminated.

f. If an employee received relocation incentive payments in excess of the amount that would be attributable to the completed portion of the service period described in Section 575.211(f) of Title 5, CFR, an authorized agency official may waive the requirement to repay the excess amount when, in the judgment of the official, collection of the excess amount would be against equity and good conscience and not in the best interest of the United States.

g. Employees may retain any relocation incentive payment 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 payments attributable to completed service, unless such payment was required under the terms of the relocation incentive service agreement. The full amount of the authorized relocation incentive must be pro-rated across the length of the service period to determine the amount of the relocation incentive attributable to completed service and uncompleted service.

h. Employees may not grieve or appeal decisions to terminate the agreement.

SECTION 6: RETENTION INCENTIVES

6.1. AUTHORIZATION.

a. Pursuant to Subpart C of Part 575 of Title 5, CFR, and Section 5754 of Title 5, U.S.C., an authorized management official may approve a retention incentive for:

(1) An employee who has unusually high or unique qualifications, or when the organization has a special need for the employee's services that makes it essential to retain the employee, and the employee would be likely to leave federal service without an incentive (e.g., employee receives an offer of employment from a private firm or is likely to retire).

(2) After considering the factors in Section 575.306(b) of Title 5, CFR, to a group of employees under the following conditions:

(a) The unusually high or unique qualifications of the group or a special need of the organization for the employees' services makes it essential to retain the employees in that group or category.

(b) There is a high risk that a significant number of the employees in the group or category would be likely to leave the federal service without the retention incentive.

(3) An employee in an organization subject to closure or relocation who is likely to leave for a different position in the federal service, as specified in Section 575.314 of Title 5, CFR.

(4) A group or category of employees in an organization subject to closure or relocation who are likely to leave for a different position in the federal service, as specified in Section 575.314(a)(2) of Title 5, CFR.

b. Employees eligible for retention incentives are identified in Section 575.303 of Title 5, CFR.

(1) For incentives authorized in accordance with Paragraph 6.1.a.(3) or 6.1.a.(4), the employee must have a rating of record at least "Fully Successful," or equivalent, and have received a general or specific notice, as described in Section 575.314(b)(3) of Title 5, CFR.

(2) Inclusion of an office, facility, activity, or organization on the base realignment and closure list can be considered a general notice for the purposes of Section 575.314(b)(3) of Title 5, CFR.

c. Employees who are ineligible for individual or group retention incentives are identified in Section 575.304 of Title 5, CFR.

d. Employees who are ineligible for group retention incentives are identified in Section 575.305(c) of Title 5, CFR.

e. Retention incentives may be approved or continued only when the employee's rating of record (or an official performance appraisal or evaluation under a system not covered by Chapter 43 of Title 5, U.S.C. or Part 430 of Title 5, CFR) is at least "Fully Successful" or equivalent.

f. A retention incentive rate may not exceed 25 percent of an employee's rate of basic pay if authorized for an individual employee.

g. A retention incentive rate may not exceed 10 percent of an employee's rate of basic pay, if the incentive is authorized for a group or category of employees.

h. OPM may waive the limitations on retention incentives and set the limitation at up to 50 percent of an employee's annual rate of basic pay based on a critical agency need.

(1) Each waiver request must include the information required by Section 575.309(e)(2) of Title 5, CFR.

(2) Authorized management officials will submit requests for waiver, through the DoD Component Headquarters, to:

Director, Defense Civilian Personnel Advisory Services
4800 Mark Center Drive, Suite 06G13
Alexandria, VA 22350

i. Retention incentives must be approved by an official who is at least one level higher than the employee's (or group of employees', if applicable) supervisor, unless there is no higher level in the DoD Component.

(1) In determining whether to grant an individual retention incentive, the authorized management official must consider the factors listed in Section 575.306(b) of Title 5, CFR.

(2) In determining whether to grant a group retention incentive, the authorized management official must consider the factors identified in Section 575.306(c)(1) of Title 5, CFR and must narrowly define the group, as required by Section 575.306(c)(2) of Title 5, CFR. The requirement to obtain higher-level approval does not apply when approving coverage of individual employees under a previously approved group retention incentive.

(3) In determining whether to grant an individual retention incentive in accordance with Paragraph 6.1.a.(3), the authorized management official must consider and document the factors listed in Sections 575.306(b) and 575.314(d)(2) of Title 5, CFR.

(4) In determining whether to grant a group retention incentive in accordance with Paragraph 6.1.a.(4), the authorized management official must consider the factors listed in Sections 575.306(c) and 575.314(d)(3) of Title 5, CFR.

j. The authorized management official must determine the percentage of the individual or group retention incentive, based on the criteria listed in Section 575.306(b) of Title 5, CFR, and in any supplemental guidance provided by the DoD Component.

k. Each determination to pay a retention incentive must be documented in writing.

(1) For incentives approved pursuant to Paragraph 6.1.a.(1) or 6.1.a.(2), the written determination must address the requirements listed in Section 575.308(b) of Title 5, CFR.

(2) For incentives approved pursuant to Paragraph 6.1.a.(3) or 6.1.a.(4), the written determination must address the requirements listed in Section 575.314(d) of Title 5, CFR.

l. An authorized management official may not approve a retention incentive if an employee is under a service agreement and receiving payment for a recruitment or relocation incentive, or for a previously authorized retention incentive with or without a service agreement (see Section 575.309(g) of Title 5, CFR).

6.2. PAYMENT.

a. The employee must sign a service agreement before receiving any retention incentive payments. However, a written service agreement is not required if the agency:

(1) Pays the retention incentive in bi-weekly installments.

(2) Sets each bi-weekly installment payment at the full retention incentive percentage rate established for the employee under Section 575.309(a) of Title 5, CFR.

b. Retention incentives may be paid in a single lump-sum payment after the completion of the full service period or in installments after the completion of specified periods of service.

(1) An authorized management official may not approve the payment of a retention incentive as an initial lump-sum payment at the start of a service period or in advance of fulfilling the service period for which the retention incentive is being paid.

(2) Single lump-sum payments paid upon completion of the service period are derived by multiplying the retention incentive percentage rate established for the employee (or group of employees) by the total basic pay earned by the employee during the full service period (see Section 575.309(d) of Title 5, CFR).

(3) An installment payment is calculated by multiplying the rate of basic pay the employee earns in the installment period by a percentage not to exceed the incentive percentage rate established for the employee.

(4) If the retention incentive installment payment percentage is less than the full percentage rate established for the employee, any accrued portion of the retention incentive that is not paid as an installment payment during the service period must be paid as a final installment payment to the employee after completion of the full service period under the terms of the service agreement.

(5) For a retention incentive authorized in accordance with Paragraph 6.1.a.(3) or 6.1.a.(4) that is paid in bi-weekly installments, the installment cannot be paid at the full retention

incentive percentage rate established by the service agreement. For example, the employee accepts a 10 percent retention incentive and signs an agreement for 1 year of service. If the DoD Component chooses to pay in biweekly installments, the payments must be at less than 10 percent of the employee's biweekly rate of basic pay. The remaining balance will be paid in full upon completion of the service period.

c. Except for retention incentives authorized in accordance with Paragraphs 6.1.a.(3) or 6.1.a.(4), DoD Components may begin payments of relocation incentives without affecting the payment of an existing retention incentive.

6.3. SERVICE AGREEMENT REQUIREMENTS. Employee service agreements required for retention incentives must specify:

a. The employee's name, the title, series or occupational code, and grade or pay level of his or her position.

b. The period of service (in months and years) agreed to by the employee.

c. The actual beginning and ending dates of the service period.

(1) The service period must begin on the first day of a pay period and end on the last day of a pay period.

(2) For a retention incentive authorized in accordance with Paragraphs 6.1.a.(3) or 6.1.a.(4), the service period may not extend past the date on which the employee's position is actually affected by the closure or relocation of the employee's office, facility, activity, or organization. For example, the service period may not extend past the date the employee's position moves to a new geographic location or the date the employee's position is eliminated.

d. The retention incentive percentage rate, the method of payment, and, if paid in installments, the method of installment payments (i.e., equal percentage rates or reduced percentage rates per installment with a final lump-sum payment of the accrued but unpaid amount of the incentive).

e. The conditions under which the authorized management official must terminate the service agreement:

(1) The employee is demoted or separated for cause;

(2) The employee receives a rating of record of less than "Fully Successful" or equivalent; or

(3) The employee otherwise fails to fulfill the terms of the service agreement.

(4) For incentives authorized in accordance with Paragraphs 6.1.a.(3) or 6.1.a.(4):

(a) The closure or relocation is cancelled.

- (b) The employee moves to a position not affected by the closure or relocation.
- (c) The employee accepts an offer to relocate within the organization.
- (d) The employee moves to a position within the organization that is not covered by his or her service agreement.
- f. The terms or conditions that may result in termination of the service agreement, such as insufficient funds or reassignment to a different type of position.
- g. The extent to which periods of time on detail, in a nonpay status, or in a paid leave status (other than such periods of time due to military service, which are considered creditable pursuant to Section 353.107 of Title 5, CFR) count towards completion of the service period.
- h. The consequence of both employee and management decisions to terminate service agreements, as required by Section 575.310(d) of Title 5, CFR, including the conditions under which management must pay an additional retention incentive payment for partially completed service under Section 575.311(e) and (f) of Title 5, CFR.
- i. A statement that termination of a retention incentive is not grievable or appealable.

6.4. CONTINUATION, REDUCTION, AND TERMINATION OF RETENTION INCENTIVES.

a. Continuation. An authorized management official will review and certify, on no less than an annual basis, the continuing need for retention incentive payments, or reduce or terminate the payments. Incentives must be reduced or terminated whenever payment at the level originally approved is no longer warranted. Factors to be considered include:

- (1) Amount, if any, necessary to retain the employee (or group of employees).
- (2) Availability of qualified candidates.
- (3) Budget conditions.
- (4) Other supporting factors.

b. Reduction. For a retention incentive that is paid without a service agreement, an authorized management official must reduce the retention incentive when payment is no longer warranted at the level originally approved after considering factors, such as those listed in Section 575.311(f)(3) of Title 5, CFR.

c. Termination.

(1) Retention Incentive Without a Service Agreement.

- (a) A retention incentive paid without a service agreement must be terminated when:

1. The employee moves to a different position not covered by the original determination.
2. Conditions change such that the original determination to pay the incentive no longer applies.
3. The employee is demoted or separated for cause.
4. The employee receives a rating of record of less than “Fully Successful” or equivalent.

(b) The authorized management official may unilaterally terminate a retention incentive paid without a service agreement based solely on the management needs of the DoD Component (e.g., when there are insufficient funds to continue the planned retention incentive payments).

(c) The authorized management official must notify the employee in writing when a retention incentive is terminated in accordance with this paragraph. Employee entitlement to scheduled incentive payments is as specified in Section 575.311(h) of Title 5, CFR.

(2) Retention Incentive Paid Under a Service Agreement.

(a) The authorized management official must terminate a service agreement when any of the conditions stated in Sections 575.311(a) or (b) of Title 5, CFR, are met.

(b) In addition to the terminating reasons cited in Paragraph 6.4.c.(2)(a), for an employee authorized an incentive in accordance with Paragraphs 6.1.a.(3) or 6.1.a.(4), the authorized management official must terminate the service agreement if any of the conditions stated in Section 575.314(g)(2) of Title 5, CFR are met.

(c) An authorized management official may unilaterally terminate the agreement based solely on management needs, such as reduction in force or insufficient funds.

(d) The authorized management official must notify an employee in writing when an employee’s service agreement is terminated.

(e) Employee entitlement to retention payments in the event an agreement is terminated is as specified in Sections 575.311(c), 575.311(d), 575.314(g)(3), and 575.314(g)(4) of Title 5, CFR.

d. Grievances or Appeals. Employees may not grieve or appeal decisions to reduce or terminate a retention incentive or to terminate a retention incentive service agreement.

SECTION 7: SUPERVISORY DIFFERENTIALS

7.1. DELEGATION AND USE OF AUTHORITY.

a. Except as provided in Paragraph 7.1.d., the authority to approve payment of supervisory differentials pursuant to Section 5755 of Title 5, U.S.C., and Subpart D of Part 575 of Title 5, CFR, is delegated to the authorized management official subject to the authority, direction, and control of the DoD Component head and the Component's chain of supervision.

b. Supervisory differentials, including the amount of such differentials, must be reviewed and approved by an official who is at a higher level than the official making the initial decision, unless no official at a higher level exists in the agency. Designations to make such offers must be in writing and be included in local operating guidance.

c. Approving officials will establish criteria for such differentials to comply with Part 575.404 of Title 5, CFR, and to ensure consistent treatment of employees in similar situations. Criteria applied in each case when determining to authorize the supervisory differential and the amount of the payment must comply with that established by OPM pursuant to Part 575.404(b) of Title 5, CFR.

d. Only the Secretary or Deputy Secretary of Defense may approve a supervisory differential for an individual appointed to a Schedule C position, as defined in Part 213 of Title 5, CFR.

7.2. ELIGIBILITY CRITERIA.

a. A supervisory differential may be paid to a General Schedule employee who supervises one or more civilian employees not covered by the General Schedule if one or more of such subordinate civilian employees would, in the absence of such a differential, be paid more than the supervisory employee. The differential may be paid to an employee who meets the definition of supervisor in Section 7103(a)(10) of Title 5, U.S.C., and the criteria in Section 5755 of Title 5, U.S.C.

b. A supervisory differential will be paid in the same manner and at the same time as basic pay, although it will not be considered a part of basic pay. The supervisory differential may not cause the supervisor's annual continuing pay to exceed the annual continuing pay of the highest paid subordinate by more than 3 percent.

c. For the purposes of this volume, a supervisory differential is not payable to an employee to whom Chapter 51 of Title 5, U.S.C., does not apply.

d. The supervision of a nonappropriated fund employee does not provide a basis for payment of a supervisory differential.

e. A supervisory differential is not payable if the subordinate is a foreign national (direct or indirect-hire) employee.

7.3. REDUCTION OR TERMINATION. An approving official may alter or terminate a supervisory differential at his or her discretion. In addition to the criteria listed in Part 575.406 of Title 5, CFR, if required reductions and terminations are not made in a timely manner, the resulting payments are overpayments and are subject to the debt collection process outlined in Volume 8 of DoD 7000.14-R.

7.4. DOCUMENTATION AND RECORDS. Each approving official is responsible for ensuring that the basis for awarding, adjusting, or terminating any supervisory differential is documented. Such documentation must contain sufficient information to allow reconstruction of the action, including the basis for determining the amount of the differential and the comparison of continuing pay required by Part 575.405(b) of Title 5, CFR.

GLOSSARY

G.1. ACRONYMS.

ASD(M&RA)	Assistant Secretary of Defense for Manpower and Reserve Affairs
CFR	Code of Federal Regulations
DASD(CPP)	Deputy Assistant Secretary of Defense for Civilian Personnel Policy
OPM	Office of Personnel Management
U.S.C.	United States Code

G.2. DEFINITIONS. These terms and their definitions are for the purpose of this issuance.

authorized management official. An official who exercises personnel appointing authority as delegated by his or her DoD Component head to take final action on matters pertaining to the employment, direction, and general administration of personnel.

officials who exercise personnel appointing authority. An official delegated the authority to take final action on matters pertaining to the employment, direction, and general administration of personnel.

REFERENCES

Code of Federal Regulations, Title 5

DoD 7000.14-R, "Department of Defense Financial Management Regulation (FMR)," date varies by volume

DoD Directive 1400.25, "DoD Civilian Personnel Management System," November 25, 1996

DoD Directive 5124.02, "Under Secretary of Defense for Personnel and Readiness (USD(P&R))," June 23, 2008

United States Code, Title 5