

**UPDATE TO DPM 575-1
AS OF
MAY 20, 2005**

The guidelines in DPM 575-1, Payment of Recruitment and Relocation Bonuses and Retention Allowances, must be used in conjunction with the memorandum issued by Patricia A. Prospero on May 20, 2005. Until DPM 575-1 is revised to incorporate the policy changes identified in the memorandum, the two documents must be used together to ensure that incentives are issued in accordance with the interim regulations.

Questions should be directed to DeShawn.Shepard@dot.gov, Departmental Office of Human Resource Management.

CHAPTER 2
RECRUITMENT BONUSES

SECTION 1 - PURPOSE

This chapter establishes the Department's recruitment bonus plan and provides guidance necessary to implement the provisions of Subpart A of Part 575, Title 5, Code of Federal Regulations, Recruitment Bonuses. It authorizes the Department to pay a recruitment bonus of up to 25 percent of basic pay to an employee newly appointed without a definite time limitation or an individual to whom a written offer of employment without time limitation has been made, provided there is a written determination that, in the absence of such a bonus, difficulty would be encountered in filling the position with a highly qualified candidate.

SECTION 2 - COVERAGE

The Department may pay a recruitment bonus to an employee who is newly appointed to--

1. A position under the General Schedule, including a position covered by the Performance Management and Recognition System;
2. A senior level position;
3. A position in the Senior Executive Service;
4. A position as a law enforcement officer, as defined in 5 U.S.C. 8331(20) or 8401(17);
5. A position under the Executive Schedule (LEVEL I through LEVEL V), or a position the rate of which is fixed by law at a rate equal to an Executive Schedule rate; or
6. An executive branch position filled by Presidential appointment.

A recruitment bonus may not be paid to the Secretary of Transportation or an individual appointed to a position in the expectation of becoming the Secretary without prior approval from the Director, Office of Personnel Management.

SECTION 3 - APPROVAL AND PAYMENT PROCEDURES

1. General A recruitment bonus must be based on a written determination that, in the absence of such a bonus, the Department would encounter difficulty in filling a position with a highly qualified candidate. Each written determination shall be made before the employee actually enters on duty in the position for which he/she was recruited. While groups of positions that have been difficult to fill in the past, and may continue to be difficult to fill, may be targeted as recruitment bonus positions, any determination to pay a bonus must be made on a case-by-case basis for each newly appointed employee. Before a recruitment bonus can be paid, the recipient must sign a written service agreement that provides the employee will serve within the Department for not less than 12 months, and that if he/she separates for reasons other than involuntary separation prior to expiration of the agreement, the employee will be indebted to the Department for a prorated amount of the bonus.

2. Criteria In determining whether a recruitment bonus is appropriate, and the amount of any such payment, the following factors shall be considered:
 - (a) The success of recent efforts to recruit highly qualified candidates for similar positions, including indicators such as offer acceptance rates, the proportion of positions filled, and the length of time required to fill similar positions;
 - (b) Recent turnover in similar positions;
 - (c) Labor-market factors that may affect the ability of the Department to recruit highly qualified candidates for similar positions now or in the future;
 - (d) Special qualifications needed for the position; and
 - (e) The practicality of using the superior qualifications appointment authority provided by 5 U.S.C. 5333 and 5 CFR 531.203(b) alone or in combination with a recruitment bonus.

3. Payment of Bonus

- (a) Percentage Determination A recruitment bonus shall be calculated as a percentage of the employee's rate of basic pay up to and including 25 percent. Reviewing officials must consider the criteria in paragraph 2. above when determining the bonus amount.
- (b) Approval Each request to pay a recruitment bonus must be forwarded to the reviewing official. Upon approval by the reviewing official, the request will be forwarded to the approving official. These requests should be submitted to the Office of the Secretary of Transportation, Director of Personnel, M-10. A recruitment bonus may not be paid until authorized by the approving official.
- (c) Payment A recruitment bonus is to be paid in a single lump-sum, and payment should be made within 2 pay periods after the affected employee enters on duty. A recruitment bonus is not considered part of an employee's rate of basic pay.

SECTION 4 - SERVICE AGREEMENT

- 1. Duration The service requirement resulting from acceptance of a recruitment bonus is a minimum of 12 months.
- 2. Recovery of recruitment bonus
 - (a) With the exception of involuntary separation, when an employee fails to complete the period of employment under a service agreement, he/she will be indebted to the Department and will be required to repay the recruitment bonus on a pro rata basis.
 - (b) To determine a separated employee's indebtedness to the Department, divide the total amount of the employee's recruitment bonus by the number of months obligated to serve. Subtract the number of full months of the service obligation completed, and multiply the remainder by the amount representing the monthly bonus. The following illustrates the computation.

An employee who received a \$5,000 recruitment bonus, incurring a 12 month service requirement, separates after 6 months and 17 days of service. To compute the employees indebtedness, divide the \$5,000 bonus by 12 and

arrive at \$416.67. Since only full months are credited toward fulfilling the service requirement, the employee has served 6 months of his/her obligation. Therefore, multiply \$416.67 by 6 and the employee's debt to the Department is \$2,500.02.

- (c) Debts owed by an employee will be collected under the Department's collection procedures (DOT Order 2700.14A), in conformance with Section 5514 of title 5, United States Code and Subpart K of Part 550 of Title 5, Code of Federal Regulations.
- (d) In accordance with established procedures, collection of a debt may be waived in whole or in part by the Department, if it is determined that recovery would be against equity and good conscience or against the public interest.

SECTION 5 - REPORTS

Operating administrations shall keep a record of each recruitment bonus determination and make those records available to the Director of Personnel, OST, M-10, upon request. The record shall contain the recipient's name, the amount of the bonus (percentage and dollar amount), justification for paying the bonus, and the service obligation incurred. Further, each operating administration shall prepare a written report on the internal use of recruitment bonuses during the previous fiscal year and forward it to the Director of Personnel, OST, M-10, no later than November 15 of each year. Each report shall include the number of employees to whom a recruitment bonus was offered during the previous fiscal year, the percentage of salary offered, the number of employees who accepted the offer of a recruitment bonus during that fiscal year, and an evaluation of the overall effect of the payment of recruitment bonuses on the ability of the administration to fill key positions with high quality candidates.

CHAPTER 3

RELOCATION BONUSES

SECTION 1 - PURPOSE

This chapter establishes the Department's relocation bonus plan and provides guidance necessary to implement the provisions of Subpart B of Part 575, Title 5, Code of Federal Regulations, Relocation Bonuses. It authorizes the Department to pay a relocation bonus of up to 25 percent of basic pay to an employee who is appointed without a break in service and without time limitation to a position in a different commuting area or who is serving under an appointment without time limitation and whose duty station is changed temporarily to a different commuting area. A relocation bonus may only be paid to a current employee.

SECTION 2 - COVERAGE

The Department may pay a relocation bonus to an employee who is moving to--

1. A position under the General Schedule, including a position covered by the Performance Management and Recognition System;
2. A senior level position;
3. A position in the Senior Executive Service;
4. A position as a law enforcement officer, as defined in 5 U.S.C. 8331(20) or 8401(17);
5. A position under the Executive Schedule (LEVEL I through LEVEL V), or a position the rate of which is fixed by law at a rate equal to an Executive Schedule rate; or
6. An executive branch position filled by Presidential appointment.

A relocation bonus **may not** be paid to the Secretary of Transportation or an individual appointed to a position in the expectation of becoming the Secretary without prior approval from the Director, Office of Personnel Management.

SECTION 3 - APPROVAL AND PAYMENT PROCEDURES

1. General A relocation bonus must be based on a written determination made before the employee enters on duty in the position warranting payment that, in the absence of such a bonus, the Department would encounter difficulty in filling a position with a highly qualified candidate. While groups of positions that have been difficult to fill in the past, and may continue to be difficult to fill, may be targeted as relocation bonus positions, any determination to pay a bonus must be made on a case-by-case basis for each employee. Before a relocation bonus can be paid, the recipient must sign a written service agreement that provides the employee will serve within the Department for not less than 12 months, and that if he/she separates for reasons other than involuntary separation prior to expiration of the agreement, the employee will be indebted to the Department for a prorated amount of the bonus.
2. Criteria In determining whether a relocation bonus is appropriate, and the amount of such payment, the following shall be considered as applicable in the case at hand:
 - (a) The success of recent efforts to recruit highly qualified candidates for similar positions, including indicators such as offer acceptance rates, the proportion of positions filled, and the length of time required to fill similar positions;
 - (b) Recent turnover in similar positions;
 - (c) Labor-market factors that may affect the ability of the Department to recruit highly qualified candidates for similar positions now or in the future; and
 - (d) Special qualifications needed for the position.
3. Payment of Bonus
 - (a) Percentage Determination A relocation bonus shall be calculated as a percentage of the employee's rate of basic pay up to and including 25 percent. Reviewing officials must consider the criteria in paragraph 2. above when determining the bonus amount.

- (b) Approval Each request to pay a relocation bonus must be forwarded to the reviewing official. Upon approval by the reviewing official, the request will be forwarded to the approving official. Requests should be submitted to the Office of the Secretary of Transportation, Director of Personnel, M-10. A relocation bonus may not be paid until authorized by the approving official.
- (c) Payment A relocation bonus is to be paid in a single lump-sum, and payment should be made within 2 pay periods after the affected employee relocates. A relocation bonus is not considered part of an employee's rate of basic pay.

SECTION 4 - SERVICE AGREEMENT

1. Duration The service requirement resulting from acceptance of a relocation bonus is a minimum of 12 months.
2. Recovery of relocation bonus
 - (a) With the exception of involuntary separation, when an employee fails to complete the period of employment under a service agreement, he/she will be indebted to the Department and will be required to repay the relocation bonus on a pro rata basis.
 - (b) To determine a separated employee's indebtedness to the Department, divide the total amount of the employee's relocation bonus by the number of months obligated to serve. Subtract the number of full months of the service obligation completed, and multiply the remainder by the amount representing the monthly bonus. The following illustrates the computation.

An employee who received a \$5,000 relocation bonus, incurring a 12 month service requirement, separates after 5 months and 17 days of service. To compute the employees indebtedness, divide the \$5,000 bonus by 12 and arrive at \$416.67. Since only full months are credited toward fulfilling the service requirement, the employee has served 6 months of his/her obligation. Therefore, multiply \$416.67 by 6 and the employee's debt to the Department is \$2,500.02.

- (c) Debts owed by an employee will be collected under the Department's collection procedures (DOT Order 2700.14A), in conformance with Section 5514 of title 5, United States Code and Subpart K of Part 550 of Title 5, Code of Federal Regulations.
- (d) In accordance with established procedures, collection of a debt may be waived in whole or in part by the Department, if it is determined that recovery would be against equity and good conscience or against the public interest.

SECTION 5 - REPORTS

Operating administrations shall keep a record of each relocation bonus determination and make those records available to the Director of Personnel, OST, M-10, upon request. The record shall contain the recipient's name, the amount of the bonus (percentage and dollar amount), justification for paying the bonus, and the service obligation incurred. Further, each operating administration shall prepare a written report on the internal use of relocation bonuses during the previous fiscal year and forward it to the Director of Personnel, OST, M-10, no later than November 15 of each year. Each report shall include the number of employees to whom a relocation bonus was offered during the previous fiscal year, the percentage of salary offered, the number of employees who accepted the offer of a relocation bonus during that fiscal year, and an evaluation of the overall effect of the payment of relocation bonuses on the ability of the administration to fill key positions with high quality candidates.

CHAPTER 4

RETENTION ALLOWANCES

SECTION 1 - PURPOSE

This chapter establishes the Department's retention allowance plan and provides guidance necessary to implement the provisions of Subpart C of Part 575, Title 5, Code of Federal Regulations, Retention Allowances. It authorizes the Department to pay a retention allowance of up to 25 percent of basic pay to a current permanent employee if the unusually high or unique qualifications of the employee or a special need of the Department for the employee's services makes it essential to retain the employee, and the Department determines that the employee would be likely to leave Federal service in the absence of a retention allowance.

SECTION 2 - COVERAGE

The Department may pay a retention allowance to an employee who holds--

- a. A General Schedule position, including a position covered by the Performance Management and Recognition System;
- b. A senior level position;
- c. A Senior Executive Service position;
- d. A position as a law enforcement officer, as defined in 5 U.S.C. 8331(20) or 8401(17);
- e. A position under the Executive Schedule (LEVEL I through (LEVEL V), or a position for which the rate of pay is fixed by law at a rate equal to an Executive Schedule rate; or
- f. An executive branch position filled by Presidential appointment.

A retention allowance may not be paid to the Secretary of Transportation without the prior approval of the Director, Office of Personnel Management.

SECTION 3 - APPROVAL, PAYMENT, AND REVIEW PROCEDURES

1. General A retention allowance may be paid only to an employee who has completed 1 year of continuous service with the Department, immediately prior to such payment, or been

employed by the Department for a period established under a service agreement resulting from the payment of a recruitment or relocation bonus, whichever is later. Further, the Department may pay a retention allowance only to an employee who is likely to leave Federal service for non-Federal employment. The allowance may not be paid to an employee who is likely to leave his/her position to accept employment in the legislative, judicial, or executive branches of the Federal Government, whether in the same or a different agency.

2. Criteria In determining whether a retention allowance is appropriate, and in determining the amount of such payment, the following factors shall be considered:
 - (a) 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; and
 - (b) The availability in the labor market of candidates for employment who, with minimal training or disruption of service to the public, could perform the full range of duties and responsibilities assigned to the position held by the employee.
3. Documentation Each allowance paid under the chapter shall be based on a written determination that the unusual qualifications of the employee or a special need of the Department for the employee's services makes it essential to retain the employee and that, in the absence of the allowance, the employee would likely leave the Department to accept non-Federal employment.

The determination must be based on a written description of the extent to which the employee's departure would affect the Department's ability to carry out an activity or perform a function that is essential to achieving its goals.

4. Payment of allowance

- (a) Percentage Determination A retention allowance is a percentage of an employee's rate of basic pay up to and including 25 percent. Reviewing officials must consider the criteria in paragraph 2. above when determining the amount of an allowance.

- (b) Approval Each request to pay a retention allowance must be forwarded to the reviewing official. Upon approval by the reviewing official, the request will be forwarded to the approving official. Such requests should be submitted to the Office of the Secretary of Transportation, Director of Personnel, M-10. A retention allowance may not be paid until authorized by the approving official. Additionally, a retention allowance may not be approved for an employee if or to the extent that the allowance, when added to other continuing payments received by the employee, would cause the annual rate of all continuing payments to exceed the rate payable for Level I of the Executive Schedule.
- (c) Payment A retention allowance is paid bi-weekly and is to be included in the normal pay check. It shall be paid in the same manner as normal pay; i.e., the allowance shall be paid at an hourly rate for each hour during which the employee receives basic pay. However, a retention allowance is not considered basic pay for any reason.
- (d) Review Payment of a retention allowance may continue as long as the conditions originating its payment exist. At a minimum, each determination to pay an allowance must be reviewed annually to determine if payment is still warranted. A written determination to continue payment must be certified by the approving official.

5. Reduction or Termination of allowance

- (a) The Department may reduce or terminate a retention allowance when it determines:
 - (1) A lesser amount (or none at all) would be sufficient to retain the employee;
 - (2) Labor-market factors make it more likely to recruit a candidate with qualifications similar to those possessed by the employee;
 - (3) The need for the services of the employee has been reduced to a level that makes it unnecessary to continue payment at the level originally approved, (or at all); or
 - (4) Budgetary considerations make it difficult to continue payment at the level originally approved, (or at all).

- (b) The reduction or termination of a retention allowance may not be appealed. However, this is not meant to extinguish or lessen any right or remedy under subchapter II of chapter 12 of title 5, United States, Code, or any other law referred to in 5 U.S.C. 2302(d).

SECTION 4 - REPORTS

1. Each operating administration shall keep a record of each retention allowance determination and make those records available to the Director of Personnel, OST, M-10, upon request. The record shall contain the recipient's name, the amount of the allowance (percentage and dollar amount), and justification for paying the allowance. Further, each administration shall prepare a written report on its use of retention allowances during the previous fiscal year and forward it to the Director of Personnel, OST, M-10, no later than November 15 of each year. The report shall include the number of employees who received a retention allowance during that fiscal year, the percentage of salary received by each employee, and an evaluation of the overall effect of the payment of retention allowances on the ability of the agency to retain high quality employees in key positions.
2. The Consolidated Personnel Management Information System (CPMIS) will automatically submit all required retention allowance data through the established procedures in the Central Personnel Data File (CPDF) to OPM as individual personnel actions are processed and documented in the CPMIS.



U.S. Department of
Transportation

Office of the Secretary
of Transportation

Memorandum

Subject: Recruitment, Retention and Relocation Interim Regulations

Date: **MAY 20 2005**

Nancy A. Mooney
for: Patricia A. Prospero
Director, Departmental Office
of Human Resource Management

Reply to
Attn. of:

To: Human Resources Council Members

In accordance with the Federal Workforce Flexibility Act of 2004, the Office of Personnel Management has issued interim regulations modifying previous recruitment, retention and relocation allowance regulations. These interim regulations do not, however, allow for immediate use of interagency recruitment and retention incentives. OPM has decided to seek comment on the use and potential impact of such incentives prior to implementation.

The authority to grant recruitment, retention, and relocation incentives up to 25 percent within DOT is delegated to the heads of Operating Administrations and heads of Offices within the Office of the Secretary. The authority may be delegated no further than one level below the head of an Operating Administration. Within the Office of the Secretary, this authority remains with the Deputy Secretary and Office Heads.

To assist in monitoring the effectiveness of these new flexibilities, you are asked to report on your use of each incentive on October 30, 2005 and again March 1, 2006. Reports must be submitted to the Director, Departmental Office of Human Resource Management and must include the type of incentive granted, the approving official, an explanation of why the incentive was used, and the length of the service agreement. Sample reporting forms are attached.

In addition to adhering to the interim regulations, you must follow DOT specific policy outlined in this memorandum in conjunction with DPM 575-1, *Payment of Recruitment and Relocation Bonuses and Retention Allowances*. DPM 575-1 will be revised to incorporate these policy changes and the final regulations. Until that revision is complete, the policy guidelines in this memorandum must be used in conjunction with DPM 575-1 (<http://dothr.ost.dot.gov/HRPolicy/Number/L575-01.pdf>) to issue recruitment, relocation and retention incentives. The new DOT specific policy is below:

- An employee's special rate or locality rate of pay, as applicable, must be used to compute recruitment, relocation and retention incentives.

- The Assistant Secretary for Administration must concur on all requests to waive the 50-mile requirement for relocation incentives. The request must be approved by an authorized official - within the delegations of this guidance – before being sent to the Assistant Secretary for Administration through the Director, Departmental Office of Human Resource Management, for concurrence.
- Requests for incentives above 25 percent must be submitted to the Assistant Secretary for Administration, through the Director, Departmental Office of Human Resource Management, for concurrence. If the Assistant Secretary for Administration concurs with the request, it will be submitted to OPM for approval.
- The Secretary or Deputy Secretary must approve all incentives for their eligible direct reports.
- A service agreement must be implemented for all recruitment and relocation incentives whether paid in installments or as a lump sum. Service agreements must include the length of the service period, the amount of the incentive, how the incentive will be distributed to the employee, the conditions under which the incentive may be terminated, and the conditions for repayment if the employee does not complete the service agreement.
- Service agreements are required for retention incentives paid in any format other than biweekly installments of the maximum approved for an employee. The maximum retention allowance for an individual is 25 percent and the maximum for a group is 10 percent. If the retention allowance for an individual is approved for 15 percent, a service agreement must be implemented unless incentive is paid in equal biweekly installments.
- A service agreement of at least 12 months must be established for all recruitment and relocation incentives.
- A rating of fully successful (or equivalent) or higher is required for all retention and relocation allowances.
- Incentives may be paid at the start of a service agreement; as lump sum installments throughout the service agreement; at the end of a service agreement; or through biweekly installment payments. A combination of any of the aforementioned payment options may also be used.
- Recruitment incentives may not be paid before an employee enters on duty.
- Recruitment, retention and/or relocation allowances implemented before May 1, 2005 and in accordance with the regulations at that time will remain in effect until their expiration. All new agreements must adhere to these guidelines and the interim regulations.

- The following types of positions are excluded from receiving recruitment, retention and relocation incentives (1) a position for which the President appoints the individual with or without Senate consent; (2) non career SES positions; (3) appointments that are excepted from the competitive service by reason of their confidential, policy-determining, policy-making, or policy advocating character.

The interim regulations are effective May 13, 2005 and are available at <http://www.regulations.gov/fredpdfs/05-09550.pdf>. You are asked to pay close attention to the specific questions on the use of recruitment and retention incentives for current employees moving from one Federal agency to another Federal agency. All comments must be submitted to DeShawn Shepard, OST/M-13, Nassif Building room 7411 or via email at DeShawn.Shepard@dot.gov **no later than June 22, 2005**.

OPM has also revised its fact sheets and examples of calculating recruitment, relocation, and retention incentive payments. This information is available at <http://www.opm.gov/oca/pay/HTML/factindx.asp>. If you have any questions or need further information, DeShawn may be reached on (202) 366-9435.

Attachments

SAMPLE RECRUITMENT INCENTIVE REPORT

Operating Administration

Period Report Covers

Contact Name and Number

	Recruitment Incentive #1	Recruitment Incentive #2
1. Annual Salary**		
2. Incentive as a Percent of Annual Salary		
3. Position Title and Series		
4. Grade and Pay Plan		
5. Length of Service Agreement (months)		
6. Geographic Area		
7. Name and Title of Approving Official		
8. Synopsis of justification for offering a recruitment incentive.		
	Recruitment Incentive #3	Recruitment Incentive #4
1. Annual Salary**		
2. Incentive as a Percent of Annual Salary		
3. Position Title and Series		
4. Grade and Pay Plan		
5. Length of Service Agreement (months)		
6. Geographic Area		
7. Name and Title of Approving Official		
8. Synopsis of justification for offering a recruitment incentive.		

**Annual salary includes locality pay and special salary rates.

SAMPLE RETENTION INCENTIVE REPORT

Operating Administration

Period Report Covers

Contact Name and Number

Annual Salary	Incentive as % of Annual Salary	Position Title/Job Series	Grade and Pay Plan	Geographic Area (City, State)	Incentive Paid Biweekly or as lump sum

Narrative (Identify the reason(s) for using a retention incentive.)

SAMPLE RELOCATION INCENTIVE REPORT

Operating Administration

Period Report Covers

Contact Name and Number

	Relocation Incentive #1	Relocation Incentive #2
Annual Salary**		
Incentive as a Percent of Annual Salary		
Position Title and Series		
Grade and Pay Plan		
Length of Service Agreement (months)		
Geographic Area (from city/state to city/state)		
Name and Title of Approving Official		
Synopsis of justification for offering a recruitment incentive.		
	Relocation Incentive #3	Relocation Incentive #4
Annual Salary**		
Incentive as a Percent of Annual Salary		
Position Title and Series		
Grade and Pay Plan		
Length of Service Agreement (months)		
Geographic Area (from city/state to city/state)		
Name and Title of Approving Official		
Synopsis of justification for offering a recruitment incentive.		

**Annual salary includes locality pay and special salary rates.