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# HRDG 4500 - Recruitment and Retention Incentives - Section F

Last Modified:

## **Subchapter 4500 - Recruitment and Retention Incentives**

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A retention incentive of up to 25 percent of basic pay may be paid to a current employee if it is determined, in writing, that:

- The employee's unusually high or unique qualifications (i.e. competencies) or a special need of the agency makes it essential to retain him or her, **and**
- In the absence of a retention **incentive, he or she** would be likely to leave the Federal service for any reason. (5 CFR 575.301 and 304 [b]).

In order to pay the incentive, the employee must be serving under an appointment without time limitation and must have completed at least 1 year of continuous service with the agency.

**What is a  
Retention  
Incentive?**

You may pay a group retention incentive of up to 10% of an employee's rate of basic pay to a group or category of employees based on a written determination that the category of employees have (5 CFR 575. 309[a][2]):

- (1) Unusually high or unique qualifications (i.e. competencies), or
- (2) That the program has a special need for the employees' services that makes it essential to retain them in that category or group, **and**
- (3) That it is reasonable to presume that there is a high risk that a significant number of these employees are likely to leave Federal service without the incentives.

**NOTE:** When determining the percentage level of incentive (dollar amount), ensure that it complies with any Division, Program, Agency, and/or OPM limits.

The following table compares the maximum retention incentive amounts that would be payable to an employee for various service period lengths. The maximum incentive amount is calculated by multiplying the employee's annual rate of basic pay (in effect at the beginning of the service period) x maximum incentive percentage x length of the service period. The maximum incentive an agency may authorize is 25 percent or, with OPM approval based on a critical agency need, 50 percent. At no time may an incentive exceed 100 percent of the employee's rate of basic pay.

Note: The amounts shown are the maximum incentive amounts you may pay for the stated period of service. (The maximum incentive amount under the 50 percent cap is shown in italics.) You may always choose to pay a lower incentive rate for the same period of service. (See 5 CFR 575.109 and 575.209.)

### Examples for Rate of Basic Pay of \$94,796

Examples for Calculating Maximum SA Retention Incentive Lengths	If Length of the Service Agreement is:	The Formula (annual rate x maximum incentive percentage x years in service period) is:	And the Maximum Incentive Amount is:
	1/2 year	\$94,796 x 25% x .5 years	\$11,849.50
		\$94,796 x 50% x .5 years	\$23,699
	1 year	\$94,796 x 25% x 1 year	\$23,699
		\$94,796 x 50% x 1 year	\$47,398
	1 1/2 years	\$94,796 x 25% x 1.5 years	\$35,548.50
		\$94,796 x 50% x 1.5 years	\$71,097
	2 years	\$94,796 x 25% x 2 years	\$47,398
		\$94,796 x 50% x 2 years	\$94,796
	2 1/2 years	\$94,796 x 25% x 2.5 years	\$59,247.50
		\$94,796 x 40% x 2.5 years	\$94,796
	3 years	\$94,796 x 25% x 3 years	\$71,097
		\$94,796 x 33 1/3% x 3	\$94,796

A retention incentive may not be paid to:

## **Exclusions**

- An employee appointed by the President, with or without the advice and consent of the Senate;
- A non-career appointee in the Senior Executive Service (SES) (5USC 3132 [a] [7];
- An employee in a position excepted from the competitive service by reason of its confidential, policy-determining, policy-making, or policy-advocating character; or
- An individual that:
  - is designated or
  - who is expected to receive an appointment as the head of USDA.
- An SES limited term appointee or limited emergency appointee ( 5 USC 3132 [a][5] & [6]) when the appointment must be cleared through the White House Office of Presidential Personnel. (FR 49359 Vol. 78, No. 157 dtd 8/14/13)

You must define a category/group of employees narrowly using the justification criteria and include information on the:

## **Definition of "Category or Group of Employees"**

- Occupational series,
- Grade level,
- Distinctive job duties,
- Unique qualifications,
- Assignment to a special project,
- Minimum agency service requirements,
- Organizational/team designation,
- Geographic location, and/or

Performance level (this may not be used alone to justify an allowance. It may be used as a supporting factor or in setting the allowance rate only to the extent that it directly relates to the "What is a Retention Allowance?" and "Justification Criteria" sections). (5 CFR 575.305 [d] [iii].)

A retention incentive may be paid in each biweekly pay check, but it is not considered to be part of basic pay; therefore, payment of the allowance does not affect the employee's future pay entitlements such as retirement, life insurance, premium pay, etc.

**Conditions** The annual rate of all continuing payments to an employee who receives a retention allowance may not exceed the rate payable for Level I of the Executive Schedule. At the time of an increase in one or more nondiscretionary continuing payments to an employee, the amount of a retention allowance will be reduced to the extent necessary to ensure that the annual rate of all continuing payments does not exceed the rate payable for Level I of the Executive Schedule.

When deciding whether to approve the payment of a retention allowance incentive, you must consider:

- Special or unique competencies required for the position;
- 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 availability in the labor market of candidates for employment who, with minimal training or disruption of services to the public, could perform the full range of duties and responsibilities assigned to the position held by the employee;
- The likely duration of the incentive;
- The likely effects of such payment on the morale of co-workers;
- Funding availability;
- The current and expected performance level of the employee; and,
- The relationship of a retention incentive to such payments as previous recruitment or relocation bonuses for which a service agreement has been completed, salary based on superior qualifications, performance awards, etc., that affect the aggregate monies received by an employee.
- The ability/effectiveness of using non-pay authorities to help retain the employees instead or in addition to retention incentives such as:
  - Special Training;
  - Work schedule flexibilities; or
  - Improving working conditions.
- The desirability of the duties, work, or organizational environment, or geographic location of the position.
- Salaries typically paid outside the Federal government.
- The quality and availability of potential sources of employees that are identified in any succession plan (e.g., succession plans required for leadership positions) who possess the competencies required for the position and who, with minimal training, cost, and 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. (ER 49359 Vol. 78, No. 157 dtd

**Justification  
Criteria for  
Individuals**

When deciding whether to recommend or approve a group retention incentive, consider how the justification criteria in “Justification Criteria for Individuals” relates to determining whether a group or category of employees:

**Justification  
Criteria for  
Group  
Incentives**

- Has unusually high or unique qualifications (i.e., competencies) or
- The Program has a special need for their services that makes it essential to retain these employees **and**
- That it is reasonable to presume that a high risk exists that a significant number of these employees are likely to leave Federal service without the incentive.

In other words, consider all of the factors together when deciding whether or not a group incentive is appropriate. 5 CFR 575.306 ( c ).

A retention incentive may be paid:

**Payment  
Methods**

- In installments after the completion of a specified period(s) of service; or,
- As a single lump-sum payment after completion of the full service period.

The incentive may not be paid in advance of fulfilling a service agreement. The payment of the incentive is subject to the aggregate pay limitation (5CFR 530 part B). The incentive is not part of an employee's rate of basic pay.

Programs with a critical need may request, in writing, that HRD obtain a waiver from OPM through OHRM to waive the retention incentive percentage payable to an individual employee or a group of employees.

An approved OPM waiver would permit a Program who has demonstrated a critical need to pay an incentive of up to 50%. In addition to the justification criteria found in this section, Programs must also determine that the employee's (or group of employees') unusually high or unique qualifications (i.e., competencies) are critical to the successful accomplishment of the Program's mission, a project or initiative (e.g. programs or projects to a national emergency or implementing a new law or critical management initiative).

**Waiver of  
Incentive  
Percentage**

Waiver requests must include:

- A description of the work requirements and responsibilities;
- A description of the group/category of employees and the number of employees to be covered by the incentive;
- A description of the critical Program need which the incentive would address;
- Supporting documentation;
- Proposed incentive percentage rate and a justification for that percentage;
- Timing and method for the incentive payments;
- Amount of required service period; and,

Any other pertinent information.

Programs may unilaterally terminate a service agreement based solely on management needs. For example, an incentive may be terminated if an employee's position is affected:

- By a Reduction-in-Force;
- By insufficient funds;
- When conditions no longer warrant payment at the level originally approved or at all; or,
- When the Program assigned the employee to a different position that is not within the terms of the service agreement.

If Programs terminate an agreement for the above conditions, the employee is entitled to keep any incentive payments that are attributable to completed service and to receive any portion or payment owed by the Program for completed service.

Incentives must be terminated if the employee:

- Is demoted or separated for cause, i.e., unacceptable performance or conduct;
- Received a rating of record of less than “Fully Successful” or equivalent, or
- Otherwise fails to fulfill the terms of the agreement.

**Continuation, Reduction or Termination of an Incentive** If a Program terminates an incentive for any of the above reasons, the employee is entitled to keep incentive payments already paid that are attributable to completed service. Unless otherwise agreed to in the service agreement, a Program is not obligated to pay additional amounts when an employee receives payment amounts that are less than the amount that is attributable to the completed portion of service.

Programs must notify employees, in writing, when incentives are terminated.

Programs must reduce or terminate an incentive where no service agreement exists whenever payment at the original level is no longer warranted. The Administrator or the Assistant Secretary for Administration, USDA, may consider the following factors when determining whether or not to reduce or terminate an incentive:

- Whether a lesser amount (or none at all) is sufficient to

Step	Who:	Does What:
<b>Process for Paying Retention Incentives</b>	<b>1</b> Requesting Official	Consults the Justification Criteria in this section and, working with HRO, develops written justification using Form AD-1073.
		Ensures that the percentage level of the incentive (dollar amount), complies with any Division, Program, Agency, and/or OPM limits.
		Completes the service agreement (AD-1074) including adding any additional requirements.
		Obtains the employee's signature on the AD-1074.
		Forwards the package through the Program's chain of command to the Agency Administrator.
	<b>2</b> Agency Administrator	Reviews and signs the Form <a href="#">AD-1073</a> as the Recommending Official. The signed package is forwarded to HRO.
	<b>3</b> HRO	Reviews the package for completeness and submits it to the HR Policy Branch (HRPB).
	<b>4</b> HRPB	Prepares an official HRD request and submits it along with the package to OHRM for the ASA's decision.
	<b>5</b> OHRM	Once a decision is rendered, returns the package to the HRPB who notifies HRO.
	<b>6</b> HRO	Notifies the Program of the decision and requests any other needed documentation.

HRO must promptly submit a report of each determination as part of its regular submission to OPM's Central Personnel Data File (DM 4050- 575, Chapter 2).

Employees (including groups of employees) receiving retention incentives must sign a written service agreement except as indicated below. There is no minimum or maximum amount of time required. (USDA-DM-4050-575-001 Chapter 3, Section 4, dated June 21, 2010).

Service agreements must:

- Address the length of service period being requested in the initial request for approval to utilize the incentive. There is no minimum or maximum required service period.
- Identify the beginning and ending dates of the service period. It must start on the first day of a pay period and end on the last.
- Specify:
  - The percentage rate;
  - If the incentive will be paid in installments or as a lump-sum payment at the end of the service period;
  - If the incentive will be paid as installments at a lower dollar amount with the balance paid as a lump-sum at the end of the service period;
  - The timing of the incentive payment(s);
  - The condition(s) under which the Program must terminate the agreement before the employee completes the agreed upon service;
  - The effect of a termination, including the conditions under which the Program will pay an additional incentive payment for partially completed service; and,
  - Any other terms or conditions that, if violated, will result in termination of the agreement.

## **Service Agreements**

Service agreements are not required:

- If the incentive is paid in biweekly installments and
- Each installment is paid at the full incentive percentage rate approved.

A service agreement may not begin and/or payment may not begin during a period of employment for which a service agreement is in effect for a recruitment incentive.

Once the service period for a retention incentive begins or once payments begin, a Program may pay a relocation incentive.

Programs with a critical need may forward a written request to the HR Policy Branch for incentives of up to 50% for an employee or a group of employees. The Process in the previous section must be followed. With the ASA's concurrence, OHRM will petition OPM for a waiver to allow the requested amount.

In addition to the previously mentioned justification criteria, the following must also be addressed:

**Process for  
Requesting  
Waivers to  
Allow for  
Incentives of  
up to 50%**

- A description of the employee's work requirements and responsibilities or, for a group incentive, a description of the group or category of employees and the number of employees to be covered by the proposed incentive;
- A description of the critical program need which the incentive would address;
- Documentation to support the written determination that the employee's (or group of employees) unusually high or unique qualifications (i.e., competencies) are **critical** to the successful accomplishment of an important Program mission, project or, initiative (e.g., Programs or projects related to a national emergency or implementing a new law or critical management initiative);
- The proposed percentage rate and a justification for that percentage;
- Timing and method for making the payments;
- The service period required; and,

Any other pertinent information to support the waiver request.

**Authority to  
Recommend**

Agency Administrators are delegated the authority to recommend a retention incentive for a GS-1 through GS-15 employees, prevailing rate (wage) positions, and for a group or category of employees. This delegation may not be further re-delegated.

	<b>If Allowance Is:</b>	<b>Then the Approving Official Is:</b>	<b>Notes:</b>
<b>Authority to Approve</b>	Up to 25% of basic pay for a GS-1 to GS-15 employee/ or a prevailing rate (wage) position or up to 10% for a group or category of employees	The Assistant Secretary for Administration	<p>Authority may be re-delegated to the Director, OHRM, USDA. Requests must be submitted to OHRM at least 30 days in advance of the proposed effective date. Re-approvals, reductions or terminations must be submitted to OHRM at least 60 days prior to the expiration of the current incentive.</p> <p>For employees appointed to:</p> <ul style="list-style-type: none"> <li>• A senior-level or scientific or professional position paid under 5 U.S.C. 5376;</li> <li>• A Senior Executive Service position paid under 5 U.S.C. 5383;</li> <li>• A position under the Executive Schedule established under 5 U.S.C. Chapter 5311-5317, or a position the rate of pay for which is fixed by law at a rate equal to a rate for the Executive Schedule; or</li> </ul>
	For an SES employee	Secretary of Agriculture	
	Up to 50% for an individual employee or a group category of employees	OPM	

	<b>At Least Annually Step      Recommending &amp;              Approving Officials Must:</b>	<b>And:</b>
<b>Annual Review Process</b>	<b>1</b> Consult the Reduction/Termination Justification criteria in this section and review the original determination	Certify, in writing, whether payment is still warranted based on the original determination.
	<b>2</b> Submit re-approval requests to the HR Policy Branch (HRPB) at least 90 days prior to expiration of current incentive. HRPB will submit the request to OHRM for ASA review and approval.	
	<b>3</b> Provide a copy of the certification/termination decision to the employee 30 days prior to its effective date	Must advise the employee, in writing, that the decision is not appealable or grievable (this does not extinguish or lessen any right or remedy under 5 USC 12, Subchapter 2, or any laws referred to in 5 U.S.C. 2302[d]).

Reference: DM 4050-575-001, Pay Administration- Recruitment, Relocation, and Retention Incentives, Chapter 3, Section 5, dated 06/21/2010.

The SPO must maintain the following information:

- Employee Name
- Position Title
- Series , Grade & Step
- Annual (Starting) Salary
- Copy of Signed Justification including a copy of AD-1073.

## **Records**

**Note:** Programs submit above information to the SPO within 60 calendar days.

Records may be destroyed by the SPO three (3) years after the date of approval, upon completion of the service agreement, or upon termination of the incentive or differential payment, whichever is later. Longer retention is permitted if required for business use. (See: [DAA-GRS2016-00150011](#).)

## **Reports**

HRD will periodically review the use and effectiveness of these allowances. During these reviews Programs will be asked to provide a written evaluation of the effect of the payment of retention allowances on the ability to retain high quality employees in key positions.

HRD will provide reports and data to OHRM upon request.

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