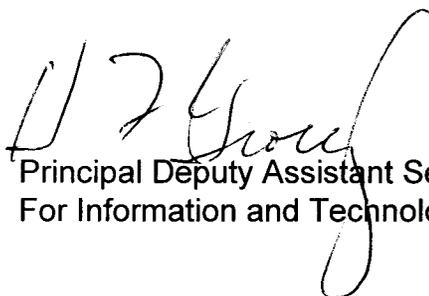


RETENTION ALLOWANCES

- 1. REASON FOR ISSUE:** This Directive revises Department of Veterans Affairs (VA) policy on retention allowances.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES:** In addition to the authority for individual retention allowances, this Directive provides the authority for retention allowances for groups or categories of employees. It also revises VA policy on the evidence required to document that an employee is likely to leave Federal service.
- 3. RESPONSIBLE OFFICE:** The Customer Advisory and Consulting Group (051), Office of the Deputy Assistant Secretary for Human Resources Management.
- 4. RELATED DIRECTIVE/HANDBOOK:** VA Directive 5575.3, Retention Allowances and VA Handbook 5575.3/1, Retention Allowances.
- 5. RESCISSION:** MP-5, Part I, Chapter 575, Section C, "Retention Allowances," change 2, dated April 13, 1995.

CERTIFIED BY:

BY DIRECTION OF THE SECRETARY
OF VETERANS AFFAIRS:


Principal Deputy Assistant Secretary
For Information and Technology


Eugene A. Brickhouse
Assistant Secretary for Human
Resources and Administration

Distribution: RPC: 5062
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RETENTION ALLOWANCES

1. PURPOSE. This Directive revises Department of Veterans Affairs (VA) policy and procedures for authorizing retention allowances to retain critical VA employees otherwise likely to leave Federal service.

2. POLICY

a. To be eligible for retention allowances, employees must be serving on appointments without time limit or for a minimum of 2 years, have completed 1 year of current continuous service, have no unfulfilled recruitment or relocation service obligations, and be serving in a position or assignment listed in paragraphs 2b or 2c. **Title 38 employees appointed under 38 U.S.C 7405 and 7306 are not eligible to receive retention allowances.**

b. Retention allowances may be authorized for individual employees who occupy General Schedule (GS) positions paid under 5 U.S.C. 5332 (including "hybrid" positions such as pharmacist and occupational therapist); senior-level or scientific or professional positions paid under 5 U.S.C. 5376; Senior Executive Service positions paid under 5 U.S.C. 5383; law enforcement officer positions as defined by 5 U.S.C. 8331(20) or 8401(17), whether or not under the GS; Executive Schedule positions established under 5 U.S.C., chapter 53, subchapter II; positions for which pay is fixed by law at a rate equal to an Executive Schedule rate; or executive branch positions filled by Presidential appointment. Allowances may also be authorized on an individual basis for title 38 employees on full-time permanent appointments under 38 U.S.C. 7401(1) or as Under Secretary for Health.

c. Retention allowances may be authorized for a group or category of employees occupying GS positions paid under 5 U.S.C. 5332 and law enforcement officer positions as defined by 5 U.S.C. 8331(20) or 8401(17), whether or not under the GS. Group authorizations may also be approved for employees in title 38 assignments who have full-time permanent appointments under 38 U.S.C. 7401(1), except physicians or dentists in receipt of special pay under 38 U.S.C. 7431.

d. Retention allowances may not be authorized for a group or category of employees who occupy senior-level or scientific or professional positions paid under 5 U.S.C. 5376; Senior Executive Service positions paid under 5 U.S.C. 5383; Executive Schedule position established under subchapter II, chapter 53 of title 5; executive branch positions filled by Presidential appointment; or physicians and dentists in receipt of special pay under 38 U.S.C. 7431.

e. An approving official may authorize a retention allowance of up to 25 percent of basic pay for an individual VA employee described in paragraph 2b of this directive, provided that the official determines that:

(1) a special VA need exists for the employee's services or that the employee has unusually high or unique qualifications; and

(2) the employee would likely leave Federal service in the absence of the allowance.

f. An approving official may authorize a retention allowance of up to 10 percent of basic pay for a group or category of employees described in paragraph 2c of this directive, provided that the official determines that:

(1) A special VA need exists for the employees' services or that the category of employees has unusually high or unique qualifications; and

(2) There is a high risk that a significant number of employees in the category would likely leave Federal service in the absence of the allowance.

g. The Office of Personnel Management (OPM) may authorize retention allowances in excess of 10 percent, but not in excess of 25 percent, of basic pay for a group or category of employees. Requests for allowances of more than 10 percent for a group or category of employees must meet the criteria in 5 CFR 575.305(d) and may be submitted through channels to the Customer Advisory and Consulting Group (051) for consideration.

h. Retention allowances are not to be used as a substitute for special salary rates, which should be used to address pay disparities for an occupation or to correct perceived internal pay misalignment. Also, they are not to be used as a substitute for scarce specialty or geographic location special pay for physicians and dentists, which should be initially used to assist in the retention of these employees.

i. Individual and group allowances will be reviewed and approved by a VA official higher than the official who is recommending the allowance, unless there is no higher official. Written approvals that address the criteria specified in paragraph 2 of VA Handbook 5575.3 are required. An allowance may be terminated at any time when conditions warrant. (See par. 9 in VA Handbook 5575.3.)

j. Retention allowances will not be paid to any individual appointed on a time-limited basis of less than two years; as experts or consultants; on a without compensation basis; to non-appropriated fund excepted service positions in Veterans Canteen Service; to Federal Wage System positions; as Secretary of Veterans Affairs or to a position in the expectation of appointment as Secretary; under authority of 38 U.S.C. 7405 to part-time or temporary full-time title 38 positions or under authority of 38 U.S.C. 7306 to positions in the Office of the Under Secretary for Health. They also may not be paid to individuals with scholarship obligations to VA resulting from education or training activities.

k. A retention allowance will not be paid to a VA employee who is likely to leave for employment in another Federal agency or a Government-controlled corporation, the Tennessee Valley Authority, the Central Intelligence Agency, the Panama Canal Commission, the National Security Agency, the General Accounting Office, or the Defense Intelligence

Agency. Regulations permit payment of retention allowances only when an employee is likely to leave the Federal Government.

I. The approval of retention allowances for individual physicians and dentists in receipt of special pay, particularly any discretionary form of special pay, will occur only in the most unusual circumstances. Approval of allowances for groups or categories of physicians or dentists will not be made.

3. RESPONSIBILITIES

a. An official at a higher level than the one recommending the payment must approve retention allowances. Officials must carefully review and follow the mandatory procedures in VA Handbook 5575.3 before proceeding with a retention allowance.

b. The Secretary, or designee, is the approving official for retention allowances for employees occupying positions centralized to that office.

c. Administration Heads, Assistant Secretaries, Other Key Officials, and Deputy Assistant Secretaries, or their designees will recommend retention allowances for employees occupying positions in their organization which are centralized to the Secretary. They, or their designees, approve retention allowances for employees occupying Headquarters (HQ) positions in their organizations that are not centralized to the Secretary; and employees occupying field positions centralized to their offices.

d. Network Directors, or their designees may approve retention allowances for employees in noncentralized positions under their jurisdiction provided that the amount of the allowance, when combined with all other VA payments, does not exceed the aggregate limit on pay.

e. Facility Directors may approve retention allowances for employees in noncentralized positions under their jurisdiction provided that the amount of the allowance, when combined with all other VA payments, does not exceed the aggregate limit on pay.

4. REFERENCES

a. 5 CFR part 530, subpart B; and part 575, subpart C.

b. 5 U.S.C. 5307, and 5754.

c. 38 U.S.C. 7401(1) and 7410.

5. DEFINITIONS

a. Retention allowances are payments made in conjunction with basic pay to a VA employee or group of employees whose retention has been determined to be essential

because of unusually high or unique qualifications or a special VA need and who would, absent the bonus, be likely to leave Federal service.

b. Employee, for retention allowance purposes, means an employee who is serving under appointment without time limitation or for a period of at least two years.

NOTE: *This does not include title 38 employees appointed on a part-time or temporary full-time basis under 38 U.S.C. 7405 or those appointed under 38 U.S.C 7306.*

c. Rate of basic pay means the rate of pay fixed by law or administrative action for the position held by an employee or, in the case of an employee entitled to grade or pay retention, the employee's retained rate of pay, before deductions and exclusive of additional pay of any kind, such as payments for overtime, interim geographic adjustments under subpart A of 5 CFR Part 531, any GS locality-based comparability payments which may be initiated by OPM on or after January 1, 1994, or special pay for physicians and dentists under 38 U.S.C. Chapter 74, subchapter III.