PAY ADMINISTRATION

1. REASON FOR ISSUE: To revise Department of Veterans Affairs (VA) procedures regarding pay administration.

2. SUMMARY OF CONTENTS/MAJOR CHANGES: This handbook contains mandatory VA procedures on pay administration. The pages in this issuance replace the corresponding page numbers in VA Handbook 5007. Revised text is contained in [brackets] to adjust or meet new requirements for P.L. 114-315, 115-182, 116-12 and 5 U.S.C. § 5596 and 38 U.S.C. §§ 7404, 7431-7433. These changes will be incorporated into the electronic version of VA Handbook 5007 maintained on the Office of the Chief Human Capital Officer Website and the VA Publications Website. Significant changes include:

   a. Adds the definition of “aggregate pay limit” for title 5 and title 38 occupations.

   b. Removes calendar year limitations for consultants and attendings, and special duty nurses; changes the annual total of fee payments to EX-I for all positions (other than physicians, dentists, and podiatrists); and no more than $300,000 in fee payments for all fee-basis appointments for physicians, dentists, and podiatrists in a calendar year;

   c. Adds for employees who hold both a fee-basis and another full-time, part-time, or intermittent appointment that the combination of basic pay cannot exceed the aggregate pay limit;

   d. Adds that Human Resources Management (HRM) officials will review payments associated with fee-basis and regular appointments and aggregate pay projected reports prior to authorizing fee-basis appointments to ensure they do not exceed the aggregate pay limit; clarifies that HRM officials will notify key management officials when a fee-basis employee is nearing the aggregate pay limit; and that in no case may the total of fee-basis payments cause the employee’s earnings to exceed the aggregate pay limit;

   e. Adds that recruitment, relocation and retention incentives may not be approved for title 38 occupations in situations where incentive payments cause the employee to exceed the aggregate pay limit;

   f. Establishes the aggregate pay limit policy for physicians, dentists, and podiatrists and clarifies that the title 5 deferral process is not applicable to title 38 occupations;

   g. Adds that incentive payments for title 38 occupations must be terminated and no further payments made when it is determined that the incentive would cause the employee’s earnings to exceed the aggregate pay limit;
h. Adds that the recruitment/relocation service agreement (RSAs) that the employee understands VA must terminate the agreement or reduce incentive payments if the employee’s earnings are at or near the aggregate pay limit; the retention incentive Statement of Understanding (SOU) and RSA that the employee understands the incentive will be reduced or terminated if the employee’s earnings are at or near the aggregate pay limit; an approving official must terminate the RSA or reduce incentive payments if the employee’s earnings are at or near the aggregate pay limit;

i. Clarifies that Part VII, Chapter 2, paragraph 3, subparagraphs a and b, apply to title 5 occupations only; if an employee’s earnings reach the aggregate pay limit in a calendar year, excess earnings will be cut back and will not be paid out;

j. Adds that the deferral process for title 5 occupations is not applicable to title 38 occupations;

k. Clarifies definitions on annual pay, base pay, and total compensation;

l. Clarifies that the Under Secretary for Health approves annual pay for pay table 6 and modifies the approval levels for Medical Center Directors and Network Directors; the Network Director approves annual pay above $350,000 up to $400,000; the Facility Director can approve pay up to the maximum rate of the pay table, and annual pay up to $350,000; base pay rates will only be increased if the Executive Order adjustment does not cause the employee’s salary to exceed the aggregate pay limit;

m. Adds that market pay adjustments processed due to a retroactive biennial review, when an administrative determination is made, may be processed.

n. Adds that VA Form 10-0432 must be forwarded through the appropriate chain of command to the designated approving official so that it can be coded and disbursed only during the last pay period of the tax year and that performance pay disbursements will only be paid out during the last pay period of the tax year; adds that performance pay must be disbursed only during the last pay period of the tax year to allow for payment of base and longevity and/or market pay adjustments throughout the calendar year, up to the aggregate pay limit.

o. Adds that physicians, dentists and podiatrists who are at or near the $400,000 aggregate pay limit will be given performance goals and objectives, but may only receive the amount that does not exceed the aggregate pay limit; performance pay actions will be documented with a standard remark; the disbursement of performance pay will be placed on hold when a physician, dentist or podiatrist has a pending performance or conduct based allegation; performance payments will be held pending a review and final determination of the action to be taken.
3. RESPONSIBLE OFFICE: Compensation and Classification Service (055) at vacocomp@va.gov, Office of the Chief Human Capital Officer. These changes will be incorporated into the electronic versions of VA Handbook 5007 maintained on the Office of the Chief Human Capital Officer Website and the VA Publications Website.


5. RESCISSIONS: None.

CERTIFIED BY:  

/s/  
Karen L. Brazell  
Principal Executive Director, Office of Acquisition, Logistics and Construction and Chief Acquisition Officer, and Acting Assistant Secretary for Enterprise Integration

BY DIRECTION OF THE SECRETARY OF VETERANS AFFAIRS:

/s/  
Daniel R. Sitterly  
Assistant Secretary for Human Resources and Administration/Operations, Security, and Preparedness

DISTRIBUTION: Electronic only
PART II. SETTING RATES OF PAY UPON APPOINTMENT

CHAPTER 1. GENERAL

1. PURPOSE. This part provides Department of Veterans Affairs (VA) mandatory guidance and procedures for determining initial rates of basic pay for personnel appointed or designated under certain title 38 authorities, personnel occupying positions subject to 5 U.S.C., chapter 51, and personnel subject to the Federal Wage System. This chapter excludes Senior Executive Service employees, members of the Board of Veterans’ Appeals, Senior-Level and Executive Level employees.

2. RESPONSIBILITIES.

a. The Secretary or designee shall approve rates of pay for employees under their jurisdiction upon initial entry into a covered position, whether upon movement from within or outside the Department.

b. Administration Heads, Assistant Secretaries, Other Key Officials, and Deputy Assistant Secretaries or their designees shall approve the salary level for initial placement for employees under their jurisdiction. They will recommend the salary level for employees in positions centralized to the Secretary.

c. [Office of the Chief Human Capital Officer (OCHCO) staff shall provide oversight and guidance to management officials in the administration of the provisions of this part. OCHCO will advise management officials on exercising their discretion to set pay and conduct periodic reviews to ensure compliance with this policy.]

d. Network directors, and equivalent in VA, may approve pay determinations for employees occupying non-centralized positions in their organizations.

e. Facility directors may approve the salary level for initial placement of employees under their jurisdiction.

3. DEFINITIONS.

a. **Highest Applicable Rate Range.** The rate range applicable to an employee’s position based on the position of record and official worksite that provides the highest rates of basic pay, excluding any retained rates. For example, if a rate range of special rates is higher than locality rates, then the special rate range is considered the highest applicable rate range. If no special rates apply, then locality rates are considered the highest applicable rate range.

b. **Underlying Rate of Basic Pay.** A GS base rate, a title 38 base rate (except for
physicians, dentists and registered nurses) or a law enforcement officer base rate of pay. The underlying rate of basic pay does not include the locality pay supplement or special rate supplement.

[c. **Aggregate Pay Limit.** All VA employees are subject to an aggregate pay limit. This limit represents the total compensation that an employee may receive in a calendar year and must be considered when certain salaries, incentives, awards and other compensation are authorized. Under no circumstances may employees be authorized compensation in excess of the aggregate pay limit applicable to their occupation. Information regarding the various aggregate pay limits for both Title 5 and Title 38 employees can be found in VA Handbook 5007, Part VII, Chapter 2, Aggregate Pay Limits.]
(a) Details of surveys conducted, to include the names of officials and the health care establishments contacted, the date of the contact, information regarding what specific services or duties are included in quoted prices and any other pertinent information used as a factor in setting rates; or

(b) If fee rates are being set using Medicare or other fee schedules, documentation regarding specific procedure codes, how discounts were calculated and the basis for the discounts (e.g., subtracting out a portion of the Medicare rate since services are being provided at the facility); or

(c) Copies of local or regional compensation survey information published by a third party; or

(d) Information on other method(s) used in setting fee basis rates of pay.

c. **Special Duty Nurses.** These individuals will be compensated on a fee basis according to the specific service or procedure performed. Fees will not exceed those charged in the community for similar work.

d. **Physicians Performing Medical Officer of the Day or Admitting Physician Duties.**

(1) Facility Directors will establish and approve fees for periods of coverage for Medical Officers of the Day (MODs) providing medical supervision on wards, and for Admitting Physicians providing medical supervision in admitting areas during nights, evenings, weekends, and holidays, when VA staff physicians do not perform these assignments as part of their assigned patient care duties. Periods of coverage will be determined according to need, with fees set according to the average locality rate for similar coverage, not to exceed the hourly equivalent of the step 1 rate on the Physician, Dentist [and Podiatrist] Base and Longevity Pay Schedule. The following factors will be considered in setting these fees:

(a) Fees paid in community health care facilities, particularly as they relate to the level of activity and number of patients seen and the complexity of patient care.

(b) Benefits provided, particularly the value of VA’s malpractice coverage.

(c) Variations in qualifications requirements.

(2) If the fees determined under subparagraph (1) above exceed the step 1 rate on the Physician, Dentist [and Podiatrist] Base and Longevity Pay Schedule and it is not possible to obtain MOD and admitting coverage, the Facility Director may approve an exception to the fee limitation. If an exception is approved, facilities should document how rates are set and must maintain all information used to establish fee rates in order to make periodic rate reviews.
(3) In no case will part-time or intermittent appointments be used to obtain MOD or Admitting Physician services. However, individuals with part-time or intermittent appointments may also receive fee basis compensation under this paragraph for a separate portion of time, subject to the annual limitation in paragraph 4. See also chapter 5 of part VIII for information about dual employment restrictions.

(4) In no case may non-career residents be used for MOD service or for a combination of MOD and Admitting Physician duties.
e. Use of Non-Career Residents as Admitting Physicians.

(1) Facility directors may appoint non-career residents as fee-basis Admitting Physicians during nights, weekends, and holidays only when the following conditions have been met, as certified by the Facility Director in the approval document:

   (a) The Dean’s Committee has determined admitting physician duty is not a valid part of the residents’ training experience.

   (b) No other means of obtaining admitting coverage is available.

(2) Fees will be established in the same manner as outlined in subparagraph d(1), above, and paid to non-career residents in addition to their stipends.

(3) An exemption to the dual compensation restrictions has been granted for non-career residents performing Admitting Physician duties only; they may not be used for any other purpose.

4. ANNUAL LIMITATIONS ON PAY.

   a. The total amount of payments [for all fee-basis appointments (other than for physicians, dentists, and podiatrists)] may not exceed the rate for EX-I in a calendar year. The total amount of payments for all fee-basis appointments for physicians, dentists, and podiatrists may not exceed $300,000 in a calendar year.]

   [ ]

   [ ]

   [b. For employees (other than physicians, podiatrists and dentists), who hold both fee basis and another full-time, part-time or intermittent appointment, the total fee basis earnings plus compensation from any other appointment may not exceed the aggregate pay limit applicable to the employee’s non-fee-basis appointment. For physicians, podiatrists and dentists who hold both fee basis and another full-time, part-time or intermittent appointment, the total fee basis earnings plus total compensation from any other appointment, as outlined in Part IX, paragraph 5 (L), may not exceed the annual pay (excluding expenses) received by the President of the United States.

   c.] Nothing in this paragraph or appendix shall obligate VA to use the services of fee-basis personnel to the maximum extent permitted.
5. MONITORING FEE-BASIS PAYMENTS.

a. Human Resources Management (HRM) officials, or designees, will monitor fee-basis salary limitations, provide technical advice, guidance, and assistance to officials regarding salary limitations, and will maintain necessary records and documentation regarding fee payments.

[b. HRM officials will regularly review the payments associated with fee-basis and part-time or intermittent appointments to ensure an employee’s combined earnings do not exceed the aggregate pay limit.

c. HRM officials will regularly review aggregate pay projected reports in HRSmart prior to authorizing fee-basis appointments to ensure fee-basis payments will not cause the employee’s earnings to exceed the aggregate pay limit.]

[d.] HRM officials will code the approved annual pay limitation for each fee-basis employee into the [HRSmart] system. The [HRSmart] system will generate a biweekly message to the facility when a fee-basis employee is within ten percent (10%) of reaching the annual pay limitation in the employee’s master record.

[e.] HRM officials will be responsible for notifying key management officials (i.e., service chiefs, Chief of Staff, Medical Center Director) when a fee-basis employee is nearing the [aggregate]pay limit. In no case may the total of fee payments exceed the rate [ ] [for the corresponding position listed in paragraph 4 of this appendix, or cause the employee’s earnings, when combined with other appointments, to exceed the aggregate pay limit]. Additional information regarding aggregate pay limitations can be found in VA Handbook 5007, Part VII, Chapter 2.
CHAPTER 2. RECRUITMENT AND RELOCATION INCENTIVES

1. GENERAL.

a. Recruitment and relocation incentives may be used to appoint high quality employees in positions that are likely to be difficult to fill without such incentives. These incentives are authorized under 5 U.S.C. § 5753, extended to title 38 employees under the authority of 38 U.S.C. § 7410, and are governed by regulations in 5 CFR part 575, subparts A and B, and the provisions of this chapter.

b. Subject to the approval requirements in paragraph 5 and the procedures contained in this chapter, recruitment and relocation incentives of up to 25 % of an employee’s annual rate of basic pay in effect at the beginning of the service period multiplied by the number of years in a service agreement (four-year maximum) may be authorized to high quality employees in positions that are likely difficult to fill without such incentives. Approving officials may authorize group recruitment incentives of up to 25 percent for a targeted group or category of similar positions that have been difficult to fill in the past or that may be difficult to fill in the future. The targeted group or category of employees authorized to receive a group recruitment incentive must be narrowly defined using the factors listed in subparagraph 8e of this chapter. Individual incentives or group recruitment incentives greater than 25 percent require special approval by the Office of Personnel Management (OPM) for title 5 employees or the Under Secretary for Health for title 38 employees. Total incentive payments may not exceed 100 percent of an employee’s annual rate of basic pay. [Incentives may not be approved for title 38 occupations in situations where payments would cause the employee’s earnings to exceed the aggregate pay limit.] Incentives are not considered basic pay for any purpose. When calculating a recruitment or relocation incentive, an employee’s rate of basic pay includes any locality-based comparability payment under 5 CFR part 531, subpart F, or any special rate under 5 CFR part 530, subpart C or 38 U.S.C. § 7455, but excludes additional pay of any kind, such as night shift differential or environmental differential. For the purposes of this chapter, market pay for physicians and dentists under 38 U.S.C. § 7431(c) will be included in basic pay. For the purposes of this chapter, special pay for pharmacist executives and nurse executives will be included in basic pay.
Prior to authorizing a recruitment or relocation incentive, organizations must first fully justify the need for the incentive. Appendix VI-A contains VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives, which must be used in both the justification and subsequent authorization of incentives. Section A, Justification of Incentive, should be completed as soon as an organization considers the use of an incentive in order to determine if it is justified. Section A must be completed and signed by all appropriate officials prior to advertising incentives on a vacancy announcement. Once an incentive is justified for a vacant position, the vacancy announcement must contain a statement that the incentive may be authorized. Paragraph 7 contains factors that must be addressed to justify incentives and Appendix VI-A contains guidance for addressing each factor and instructions for completing VA Form 10016. All group recruitment incentives must be reviewed and recertified by the approving official on at least an annual basis to determine whether the group of positions is still likely to be difficult to fill. If the approving official determines that the specified group of positions are no longer likely to be difficult to fill, then a recruitment incentive may not be offered to newly appointed employees in that group.

Once a candidate is selected to receive an incentive, organizations must complete Section B, Authorization of Incentive, of VA Form 10016. Section B contains information on the candidate’s qualifications, the authorized percentage, payment method, service obligation length and other information specific to the individual. If delays in the recruitment process result in a candidate being authorized to receive an incentive more than six months (not to exceed one year) from the date Section A was originally approved, a separate memorandum certifying the conditions described in Section A still exist must be signed and dated by the appropriate authorizing official and attached to the original VA Form 10016. This phase of the authorization process must also include a completed service agreement signed by the candidate and the approving official specifying the terms and conditions for which the incentive is payable. VA Form 10016 and the service agreement must be approved before a candidate enters on duty. Approvals may not be made on a retroactive basis. Appendix VI-B contains a sample recruitment/relocation service agreement and instructions for completion.

Except for positions centralized to the Office of the Secretary, approving officials may delegate to an official at a level no lower than a candidate’s potential supervisor the authority to offer a recruitment incentive when necessary to make a timely offer of employment. Section A of VA Form 10016 must be completed prior to or at the time of such delegation. The delegation must be in writing and specify the conditions under which an incentive may be offered, including payment range and time period in which the delegation is in effect. The delegation may also include a candidate’s necessary qualifications, skill level, service agreement requirements, and other conditions specified by the approving official. A copy of the delegation will be filed in the servicing human resources office and maintained with the completed VA Form 10016 and employee service agreement. The approving official, not the delegated official, must ultimately sign VA Form 10016.
[f. Approving officials, in consultation with HRM and budget officials, also have the flexibility to authorize relocation allowances under the Permanent Change of Station (PCS), to include the Appraised Value Offer (AVO) program. The justification and approval process for authorizing relocation allowances are separate and distinct from procedures for authorizing recruitment and relocation incentives covered by this chapter. The process for authorizing relocation allowances is covered in the Federal Travel Regulations. The Office of Management’s Travel Policy Service’s policy guidance related to the authorization of relocation allowances under PCS, including the AVO program, is located in VA Finance Policy, Volume XIV, Chapter 8. In addition, VA Handbook 5005 provides the basic criteria and approval procedures for utilization of PCS/relocation allowances.]

2. COVERAGE.

a. Recruitment incentives may be paid to full-time and part-time employees; recruitment incentives may not be paid to intermittent employees except when approved at the Network Director, Area Director, Deputy Assistant Secretary level, or higher.

b. Relocation incentives may be paid to full-time employees only; relocation incentives may not be paid to part-time or intermittent employees.

c. Subject to the employment status above and the eligibility requirements in paragraph 6 below, incentives may be offered to employees in the following positions or appointments:

(1) **Title 5 and [Title 38]Hybrid Positions.** General Schedule (GS) positions paid under 5 U.S.C. § 5332 (including "hybrid" positions listed under 38 U.S.C. § 7401(3) or approved for 38 U.S.C. § 7401(3) hybrid status by the [Assistant Secretary for Human Resources and Administration/Operations, Security, and Preparedness] in accordance with VA Handbook 5005, Part II, Chapter 3, Section A, paragraph 2), 5 U.S.C. § 5305 or 38 U.S.C. § 7455; senior-level or scientific and professional positions paid under 5 U.S.C. § 5376; Senior Executive Service (SES) positions paid under 5 U.S.C. § 5383; law enforcement officer positions as defined by 5 CFR § 550.103; Executive Schedule positions paid under 5 U.S.C. § 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; and Federal Wage System positions.
11. AGGREGATE LIMIT ON COMPENSATION. An employee may not receive any portion of an incentive that, when added to the annual rate of the employee's continuing payments and any lump sum payments received earlier in the calendar year, would exceed aggregate limits on pay. [For title 5 employees, any excess portion of the incentive may not be paid until the beginning of the next calendar year. The title 5 deferral process does not apply to physicians, podiatrists, or dentists appointed under 38 U.S.C. § 7401(1) because of the compensation limitations set out in 38 U.S.C. § 7431(e)(4).] Refer to VA Handbook 5007, Part VII, Chapter 2 for information on aggregate pay limits. Local HRM officials will inform an incentive recipient affected by an aggregate pay limit and include an explanation in the service agreement.
12. RECRUITMENT OR RELOCATION SERVICE AGREEMENT.

a. In order to receive a recruitment incentive, employees must sign a service agreement and agree to complete a specified period of service in VA, or at a specific duty station. For a relocation incentive, the service must be completed at a specific duty station or with a successor agency in the event of a transfer of function. Incentive recipients must complete the obligated service period or repay the incentive unless repayment is waived (see paragraph 15c). A sample service agreement is provided in Appendix VI-B.

b. The service agreement must include the commencement and termination dates of the required service period. Except as provided in the agreement, the required service period for recruitment incentives must begin upon the commencement of service with VA. For relocation incentives, the required service period must begin after the employee establishes a residence in the new geographic area. In order to continue to receive relocation incentive payments, the employee must maintain a residence in the new geographic area, as defined under 6b(2), for the duration of the service period. The service period for both recruitment and relocation incentives must begin at the beginning of a pay period and terminate on the last day of a pay period. If service with VA does not begin on the first day of a pay period, VA must delay the service period commencement date so that the required service period begins on the first day of the first pay period beginning on or after the commencement of service with VA or establishment of a residence.

c. A service agreement commencement date may be delayed until after the employee completes an initial period of formal training or required probationary period when continued employment in the position is contingent on successful completion of the formal training or probationary period. However, the determination to pay a recruitment incentive must be made before the employee enters on duty in the position and the service agreement must specify that if the employee does not successfully complete the training or probationary period before the service period commences, VA is not obligated to pay any portion of the recruitment incentive to the employee.

d. The service agreement must specify the total amount of the incentive, the method of paying the incentive, the timing and amount of each incentive payment, the specific conditions under which VA must terminate a service agreement, the specific conditions under which VA may terminate a service agreement, and the effect of termination of a service agreement on any additional payments for partially completed service. The service agreement may include any other terms or conditions that, if violated, will result in a termination of the service agreement. For example, the service agreement may specify the employee’s work schedule, type of position, and the duties that are expected to be performed. In addition, the service agreement may address the extent to which a period of time on detail or in paid leave status is creditable toward the completion of the service period.

e. The service agreement must be signed and dated by the employee and the requesting official and attached to the completed VA Form 10016, Justification and Authorization of Recruitment and Relocation Incentives. The approved VA Form 10016 and service agreement will be filed on the temporary side of the employee’s e-OPF until the completion of the required service period. Copies of the service agreement will be given to the employee and the servicing fiscal office and one will be kept with the documentation file.
entitled to retain incentive payments previously paid by VA that is attributable to the completed portion of the service period. If the employee received incentive payments that are less than the amount that would be attributable to the completed portion of the service period, VA is not obligated to pay the employee the amount attributable to completed service, unless VA agreed to such payment under the terms of the service agreement. If the employee received incentive payments in excess of the amount that would be attributable to the completed portion of the service period, the employee must repay the excess amount.

c. The approving official must terminate a service agreement and the employee must repay the entire recruitment incentive when the employee is separated as a result of material false or inaccurate statements, or deception or fraud in examination or appointment, or as a result of failing to meet employment qualifications.

d. The approving official must terminate a relocation service agreement if the employee fails to maintain residency in the new geographic area, as defined under 6b(2), for the duration of the service period. If a service agreement is terminated under this subparagraph, the employee is entitled to retain incentive payments previously paid by VA that are attributable to the completed portion of the service period for which the employee maintained a residence in the designated geographic area. If the employee received incentive payments after moving out of the designated geographic area, the employee must repay the excess amount received.

[e. Incentive payments for employees in title 38 occupations must be terminated and no further payments made, when it is determined that incentive payments would cause the employee's earnings to exceed the aggregate pay limit.]

[f. An employee must be notified in writing when a service agreement is terminated. The termination of a service agreement is not grievable or appealable.

15. REPAYMENT REQUIREMENTS.

a. General. An employee who fails to complete a service obligation or otherwise fulfill the terms of a service agreement shall be indebted to the Federal Government for incentive payments received in excess of the amount that would be attributable to the completed portion of the service period, and must repay the excess amount of the incentive on a prorated basis, unless a waiver is approved. A repayment requirement also occurs when a service agreement is terminated by the approving official under the conditions in subparagraph 14b or 14c.

b. Determining the Amount of Repayment Obligation. The following calculations apply only when an employee is entitled to retain payments that are attributable to completed service. They do not apply when a service agreement is terminated under paragraph 14c since the employee must repay the entire incentive.

(1) Credit will be granted for each full biweekly pay period in the service period completed by the employee.
(2) If the incentive was paid in equal bi-weekly installments, a repayment obligation will not exist unless there is a reduction in the employee’s work hours.

(3) For breached or terminated service agreements, determine the repayment obligation as follows:
CHAPTER 3. RETENTION INCENTIVES
OTHER THAN FOR CLOSURE OR RELOCATION
OF EMPLOYING OFFICE, FACILITY OR ORGANIZATION

1. GENERAL.

a. Retention incentives may be used to retain full-time or part-time employees with high or unique qualifications or whose services are essential to a special VA need and are likely to leave Federal service without an incentive. These incentives are authorized under 5 U.S.C. § 5754, extended to title 38 employees under the authority of 38 U.S.C. § 7410, and are governed by regulations at 5 CFR part 575, subpart C, and the provisions of this chapter. For retention incentives based on the closure or relocation of the employee’s office, facility or organization refer to Appendix VI-Q, Retention Incentive Due to the Closure or Relocation of Employing Office, Facility or Organization.

b. Subject to the requirements in this chapter, approving officials may authorize individual retention incentives of up to 25 percent of an employee’s rate of basic pay or group incentives up to 10 percent of an employee’s rate of basic pay. Individual incentives greater than 25 percent or group incentives greater than 10 percent require special approval by the Office of Personnel Management (OPM) for title 5 employees or the Under Secretary for Health for title 38 employees. [Incentives may not be approved for title 38 occupations in situations where payments would cause the employee’s earnings to exceed the aggregate pay limit.] When calculating a retention incentive, an employee’s rate of basic pay includes any locality-based comparability payment under 5 CFR part 531, subpart F, or any special rate under 5 CFR part 530, subpart C or 38 U.S.C. § 7455 but excludes additional pay of any kind such as night shift differential or environmental differential. For the purposes of this chapter, market pay for physicians, dentists, and podiatrists under 38 U.S.C. § 7431(c) will be included in basic pay. For the purposes of this chapter, special pay for pharmacist executives and nurse executives will be included in basic pay.

c. Approving officials must review and approve each retention incentive in writing. Incentives will be effective the beginning of the first pay period after the appropriate official approves the request. Approvals may not be made on a retroactive basis.

d. All retention incentives must be reviewed and recertified on at least an annual basis. Incentives that are not reviewed and recertified as required will be automatically terminated by VA’s human resources personnel processing system or manually terminated by the servicing human resources office. When automatically terminated, VA’s human resources personnel processing system will generate an alert message advising the servicing human resources office to issue an appropriate termination letter to the employee. Once terminated, retention incentives may not be reinstated or reapproved retroactively. The termination of an incentive is not grievable or appealable as authorization is based solely on the needs of the Department.
e. A retention incentive is an effective tool only when strategically and prudently used to retain employees with high or unique qualifications or whose services are essential to a special VA need when such employees are likely to leave Federal service without an incentive. A retention incentive is not appropriate when used primarily to compensate high performing employees for their services or essential employees who are not likely to leave Federal service. The proper administration of retention incentives requires periodic reviews (at least annually) to determine the need for continued use and persistent efforts to reduce or eliminate retention incentives as documented in an organization’s workforce and succession plans.
c. **Lump Sum.** Full payment may be made after the completion of the obligated service period. A service agreement is required. Payment will generally not be made unless the employee completes the entire obligated service period. In limited extenuating circumstances, employees may receive payment for a period of service that is less than the obligated service period if such conditions are specified in the agreement.

10. **AGGREGATE LIMIT ON COMPENSATION.** An employee may not receive any portion of an incentive that, when added to the annual rate of the employee's continuing payments and any lump sum payments received earlier in the calendar year, would exceed the aggregate pay limit. For title 5 positions, any excess portion of the incentive may not be paid until the beginning of the next calendar year. [The title 5 deferral process does not apply to physicians, podiatrists, or dentists appointed under title 38 because of the compensation limitations set out in 38 U.S.C. § 7431(e)(4).] Refer to Part VII, Chapter 2 for information on aggregate pay limits. Human Resources officials will inform an incentive recipient affected by an aggregate pay limitation and include an explanation in the service agreement or statement of understanding.

11. **RETENTION SERVICE AGREEMENT.**

a. All employees[, including a group or category of employees,] who are authorized to receive payments in installments or as a lump sum, or are authorized to receive an incentive greater than 25 percent must sign a Retention Service Agreement [(RSA)] and agree to complete a specified period of service in VA (or a successor agency in the event of a transfer of function). Service in a non-pay status will not count toward satisfying the service obligation and will extend the period of obligated service by an equal amount of time. A [(RSA)] is not required for employees authorized to receive an individual retention incentive of 25 percent or less, or for employees covered by a group authorization, when the individual or group incentive is paid at the full authorized percentage on a biweekly basis. A sample service agreement is provided in Appendix VI-P.

b. The service agreement must include the length of the required service period and the commencement and termination dates of the required service period. The required service period must begin on the first day of a pay period and end on the last day of a pay period.

c. The service agreement must specify the percentage authorized and the payment method.

d. The service agreement will include the conditions under which VA must terminate the service agreement before the employee completes the agreed-upon service period. VA must terminate the service agreement if an employee is demoted or separated for cause, receives a rating of record of less than “Fully Successful” or equivalent, otherwise fails to fulfill the terms of the service agreement, or when the conditions giving rise to the original determination to authorize the retention incentive no longer exists. [For employees in title 38 occupations, VA must terminate a service agreement, or reduce incentive payments, if the employee's earnings are at or projected to exceed the aggregate pay limit.]
e. The RSA must include the conditions under which VA may terminate the service agreement. Examples include insufficient funds, management needs, reassignment of the employee to another position, or other extenuating circumstances beyond the employee’s control such as death, severe illness, or accidents. When the service agreement is terminated for reasons beyond the control of the employee, payment may be made for completed periods of service.
f. The RSA may include any other terms or conditions that, if violated, will result in a termination of the service agreement. For example, the service agreement may specify the employee’s work schedule, the required service period, type of position, the duties that are expected to be performed, and the extent to which periods of time on detail or in paid leave status are creditable toward the completion of the service period.

g. The RSA, signed by the employee and the requesting official, must be included in the request for approval of an incentive, except an agreement for an SES, title 38 SES-equivalent or SL incentive which is signed after the incentive has been approved by the Secretary for designee. After the request is approved, the signed and dated service agreement will be filed on the temporary side of the employee’s electronic official personnel folder (e-OPF) until completion of the required service. Copies of the service agreement will be given to the employee and the servicing fiscal office and one will be maintained in accordance with paragraph 16.

12. STATEMENT OF UNDERSTANDING (SOU).

a. A Statement of Understanding (SOU) is required for all employees authorized an individual retention incentive of 25 percent or less, or group retention incentive which is paid at the full authorized percentage on a biweekly basis. A sample SOU is provided in Appendix VI-D.

b. The SOU will include the employee’s position title, occupation title, series, grade, step, percentage authorized, and a statement that payments will be made on a biweekly basis at the full percentage rate based on the number of regular hours worked and the employee’s rate of pay. The SOU must advise that the incentive will not be paid for overtime and periods of non-pay and may be terminated or reduced at any time based on the needs of the Department. The SOU must state that the incentive will be terminated if the employee’s rating of record is less than “Fully Successful” or equivalent, or if it is not properly reviewed and recertified after one year by the approving official, and that termination or reduction of the incentive at any time is not an adverse action and may not be grieved.

c. The SOU must be signed by the employee and the requesting official and attached to the incentive authorization. A SOU for an SES, title 38 SES-equivalent, or SL employee is signed after the incentive has been approved by the Secretary or designee. After the incentive is approved, the authorization and the SOU must be filed on the temporary side of the employee’s e-OPF and maintained in accordance with the records retention requirements in paragraph 16.

13. TERMINATION OF A RETENTION INCENTIVE.

a. An approving official may unilaterally terminate a retention incentive based solely on the management needs of VA. For example, VA may terminate an incentive when the employee’s position is affected by a reduction in force, when there are insufficient funds to continue the planned payments, when conditions no longer warrant payment at the level originally approved (or at any level), or when VA assigns the employee to a different position (if the different position is not within the terms of the service agreement...
or SOU). [Incentive payments for employees in title 38 occupations must be terminated and no further payments made, when it is determined that incentive payments would cause the employee’s earnings to exceed the aggregate pay limit.] If an authorized VA official terminates an incentive under this subparagraph, the employee is entitled to receive the incentive through the end of the pay period in which the incentive is terminated.
SAMPLE RECRUITMENT/RELOCATION SERVICE AGREEMENT

As a condition of being paid a recruitment/relocation incentive of (amount/percentage) in connection with my appointment on a (full time or part time and number of normal hours each bi-weekly pay period) basis, to the position of (position) at (VA facility) effective (month, day, and year), I agree to serve (number bi-weekly pay periods) bi-weekly pay periods of employment with the Department of Veterans Affairs (VA) and, in the event of a transfer of function, to complete all remaining obligated service with the successor agency. Service in a non-pay status will not count towards satisfaction of this obligation. Any time in a non-pay status will postpone my service obligation to VA and will extend my period of obligated service by a number of days equal to the number of days spent in a non-pay status.

I understand that the incentive will be paid to me as (method of payment) on (timing and amount of each payment). My service period begins on (must be first day of a pay period) and ends on (must be last day of a pay period). (If applicable add, “The commencement period of my service agreement is delayed until I successfully complete a 1-year probationary period.”) I understand VA is not obligated to pay any portion of the incentive if I fail to successfully complete the probationary period.

[Include the following paragraph for relocation incentives only:

I understand that I must establish and maintain a residence in a different geographic area than where I presently reside in order to receive relocation incentive payments. I understand I will be in violation of the terms of this agreement if I fail to maintain residence in the new geographic area for the duration of the specified service period. I understand that I am only entitled to retain incentive payments previously paid by VA that are attributable to the completed portion of the service period for which I maintained a residence in the designated geographic area. A breach of this agreement may result in indebtedness to the Federal Government for incentive payments received in excess of the amount that would be attributable to the completed portion of the service period specified in this agreement.]

I understand VA may unilaterally terminate this agreement based solely on the management needs of VA. If this occurs, I will be entitled to all recruitment/relocation incentive payments that are attributable to completed service and to retain any portion of an incentive payment received that is attributable to uncompleted service. [I understand the termination of a service agreement is not grievable or appealable. If I am hired in a title 38 occupation, I understand VA must terminate this agreement or reduce incentive payments if my earnings are at or projected to exceed the aggregate pay limit.]

I understand this agreement will be terminated if I am demoted, separated for cause, receive a rating of record of less than “Fully Successful” or equivalent, or fail to fulfill other terms of this agreement (such as by reducing my work hours or changing positions). If this occurs, I am entitled to retain incentive payments previously paid by VA that are attributable to the completed portion of the service period. If, at the time the
agreement is terminated, I have received incentive payments that are less than the amount that would be attributable to the completed portion of the service period, VA will not be obligated to pay any additional amount attributable to completed service. If, at the time this agreement is terminated, I have received incentive payments in excess of the amount attributable to the completed portion of the service period, I understand that I must repay that excess amount. I further agree that any amount I am obligated to refund will be a debt due the United States, which I hereby agree to pay in full as directed by VA, unless the Secretary of Veterans Affairs (or designee) determines that failure to complete the obligated service was for reasons beyond my control or that repayment is against equity and good conscience and not in the best interest of the Government.

(Add information for aggregate limit on pay if applicable; other terms as appropriate).

I understand any recruitment/relocation incentive payments I receive will not be considered part of my basic pay for retirement, life insurance, worker’s compensation, lump-sum leave payments, severance pay, or any other benefits.

I understand this agreement is valid only when signed by me, the recommending official, and the approving official.

(signature and name of employee) (date)      (signature, name, and title of recommending official) (date)

APPROVED: I certify that payment of an incentive is appropriate in order to fill the above position.

(signature, name, and title of approving official) (date)
16. **Basis for Review Action:** Enter a narrative describing the factors considered in the review. (See VA Handbook 5007, Part VI, Chapter 3, paragraph 14, for review requirements.) Since retention incentives must be terminated when the conditions giving rise to the original determination no longer exist, it is important to review the original authorization. In the narrative description, you may describe (1) whether a lesser amount (or none at all) would be sufficient to retain the employee(s); (2) whether labor-market conditions make it more or less likely to recruit a candidate with the employee’s, or group of employees’ competencies; (3) whether the need for the employee’s or group of employees’ services has been reduced to a level that makes it unnecessary to continue payment at the level originally approved (or at all); and (4) whether budgetary constraints make it difficult to continue payment at the level originally approved (or at all). [For title 38 occupations, incentive payments must be reduced or terminated if the employee’s earnings are at or projected to exceed the aggregate pay limit.]

Periodic reviews and assessments of retention incentives are critical factors in properly managing this flexibility. Approving officials must actively engage in the review process at least annually to ensure continued incentives are in the best interest of the Government and that managers are efficiently using other staffing flexibilities and making progress in their workforce and succession planning efforts.

**NOTE:** Retention incentives that are not reviewed at least annually will be systematically terminated. Once terminated, retention incentives cannot be reinstated retroactively.

17. **Service Obligation Period:** Individual incentives greater than 25 percent, and incentives paid on other than a biweekly basis, require employees to sign a RSA (See Appendix VI-P) to remain with VA for a specified service obligation period. Enter the commencement date and termination date that correspond with the signed service agreement. A service agreement signed by the employee and approving official must be attached to this authorization. For SES, title 38 SES equivalent and SL incentives, the service agreement is signed and attached after the incentive is approved by the Secretary or designee. Note: All retention incentives may be unilaterally terminated based solely on the needs of the Department and reviewed at least annually regardless of the service obligation period stated in the service agreement.
APPENDIX D.

SAMPLE STATEMENT OF UNDERSTANDING/RETENTION INCENTIVE

I, ______________ (name) ____________, understand that the retention incentive that I am to receive as a _____ (title, series, grade, step) _____, currently earning _____ ($) _____ per year in _____ (service, division, or office) _____ at _____ (facility), city, _____ state, is being paid in order to retain my services in this position.

I understand that the incentive:

• will be _____ (X percent) _____ of my rate of basic pay (excluding any additional pay) in each bi-weekly pay period;

• will not be paid for overtime or periods in a non-pay status and that such periods will reduce the incentive amount received;

• will not be considered part of my basic pay for retirement, life insurance, worker’s compensation, lump-sum leave payments, severance pay, or any other benefits;

• must be terminated if my rating of record is less than ‘Fully Successful’ or equivalent;

• will be terminated after 26 pay periods if not reviewed and recertified by the appropriate approving official;

• will not be reinstated retroactively if terminated due to a delay in review or recertification;

• [will be reduced or terminated if my earnings are at or projected to exceed the aggregate pay limit if I am in a title 38 occupation, and that my incentive] may be reduced or terminated at any time and that this is not an adverse action.

I understand the total amount of Federal compensation I receive during the year may not exceed the aggregate limitation of $XXX.X[XX] for (year). [ ] [I understand the termination of a retention incentive is not grievable or appealable.]

(employee’s signature) _______________________  (date)
[signature, name and title of requesting official]    (date)

**NOTE:** A Statement of Understanding is required only if the retention incentive is to be paid in bi-weekly installments of equal amounts. If the retention incentive is paid in any other method, the employee must enter into a Retention Service Agreement (see sample in appendix VI-P).
SAMPLE RETENTION SERVICE AGREEMENT

As a condition of being paid a retention incentive of (percentage) percent in connection with my service on a (full-time or part-time basis and number of normal hours each bi-weekly pay period) basis, in the position of (position) at (VA facility), I agree to serve (number of) bi-weekly pay periods of employment with the Department of Veterans Affairs (VA). Service in a non-pay status will not count towards satisfaction of this obligation. Any portion of a pay period in a non-pay status will postpone the service obligation to VA and will extend the period of obligated service by an equal number of full bi-weekly pay periods.

I understand the incentive will be paid to me as (method of payment) on (timing and amount of each payment). My service period beginning date for this agreement is (must be first day of a pay period) and my service period ending date is (must be last day of a pay period).

I understand VA may unilaterally terminate this agreement based solely on the management needs of VA. If VA does so, I will be entitled to all retention incentive payments that are attributable to the already-completed portion of the service period.

I understand this agreement will be terminated if I am demoted or separated for cause, receive a rating of record of less than “Fully Successful” or equivalent, or fail to fulfill other terms of this agreement (such as reducing my work hours or changing positions). If this agreement is terminated under these conditions, I understand that I am entitled to retain any incentive payments previously paid by VA that are attributable to the completed portion of the service period. I understand that if I received incentive payments that are less than the amount that would be attributable to the completed portion of the service period, VA is not obligated to pay me the amount attributable to completed service.

[If in a title 38 occupation, I understand that this agreement will be terminated or retention incentive payments reduced if my earnings are at or projected to exceed the aggregate pay limit.].

I understand that I will be notified in writing of any reduction or termination of my retention incentive and will be entitled to receive incentive payments through the end of the pay period in which the written notice is provided or until I separate from VA employment, or whichever is sooner. [I understand the termination of a service agreement is not grievable or appealable.]

(Add information for aggregate limit on pay; other terms as appropriate).

[I understand that any retention incentive payments that I receive will not be considered part of my basic pay for retirement, life insurance, worker’s compensation, lump-sum leave payments, severance pay, or any other benefits.] I understand this agreement is valid only when signed by me, the recommending official, and the approving official.
(signature and name of employee) (date)    (signature, name, and title of requesting official) (date)

APPROVED: I certify that payment of an incentive is appropriate in order to retain this employee.

(signature, name and title of approving official) (date)
APPENDIX Q. RETENTION INCENTIVE DUE TO CLOSURE OR RELOCATION OF EMPLOYING OFFICE, FACILITY OR ORGANIZATION

1. GENERAL.

a. Retention incentives may be used to retain individual employees or a group of employees whose services are essential to a VA mission requirement during a period of time before the closure or relocation of the employee’s office, facility, or organization and the employee (or group of employees) would likely leave for a different position in the Federal service without a retention incentive. Policy and procedures for retention incentives for employees likely to leave for positions outside the Federal service are contained in chapter 3 of this part. [Incentives may not be approved for title 38 occupations in situations where payments would cause the employee’s earnings to exceed the aggregate pay limit.]

b. Individual retention incentives of up to 25 percent of an employee’s rate of basic pay in an installment or service period may be authorized under the procedures contained in this appendix.

c. Group retention incentives up to 10 percent of an employee’s rate of basic pay in an installment or service period may be authorized under the procedures contained in this appendix.

d. Approving officials must review and approve each retention incentive in writing. Incentives will be effective the beginning of the first pay period after the appropriate official approves the request. Approvals may not be made on a retroactive basis.

2. COVERAGE.

a. Individual Retention Incentives. Retention incentives may be authorized on an individual basis for employees who occupy the following types of positions or appointments provided the eligibility requirements of paragraph 5 are met.

(1) Title 5 and [Title 38] Hybrid Positions. General Schedule (GS) positions paid under 5 U.S.C. § 5332 (including "hybrid" positions listed under 38 U.S.C. § 7401(3)), 5 U.S.C. § 5305 or 38 U.S.C. § 7455; 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 CFR § 550.103; Executive Schedule positions paid under 5 U.S.C. § 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; and Federal Wage System positions.

(2) Title 38 Positions. Under the authority of 38 U.S.C. § 7421 and 38 U.S.C. §
7410, the Secretary has extended the provisions of 5 U.S.C. § 5754 to physicians, dentists, podiatrists, optometrists, chiropractors, registered nurses, physician assistants, and expanded-function dental auxiliaries appointed under 38 U.S.C. § 7401(1). Individuals appointed under 38 U.S.C. §§ 7405(a)(1)(A), 7405(a)(1)(B), and 7306 for a minimum period of at least one year are also covered.
completing the service period for which the incentive is being paid. Facilities should consider paying all or a significant portion of the retention incentive at the end of the full period of service required by the service agreement in order to maximize the effectiveness of the retention incentive.

(1) Installment Payments.

(a) Installment payments may be computed using the full retention incentive percentage rate (except for biweekly payments) or a reduced percentage rate. Each installment payment is derived by multiplying the full or reduced retention incentive percentage rate by the total rate of basic pay the employee earned during the installment period. If the retention incentive installment payment percentage is less than the full percentage rate (as required for biweekly payments), any accrued portion of the retention incentive not paid during the installment period must be paid as part of a final installment payment after completion of the full service period or after specified completed periods of service as specified under the terms of the service agreement.

(b) An employee’s biweekly rate of basic pay must be used to compute an installment payment or a lump sum payment. For example, an employee is authorized a retention incentive percentage rate of 10 percent and has a service agreement that provides for two retention incentive installment payments; one after the completion of 13 pay periods and the last payment after the completion of 26 pay periods. The employee’s biweekly rate of basic pay of $3,057.60 for 13 pay periods = $39,748.80 x 10% = $3,974.88. Based on this example, the employee is due $3,974.88 at the completion of 13 pay periods. The second installment payment is calculated at the end of 26 pay periods based on the actual biweekly basic pay earned.

(2) Lump Sum Payments. A retention incentive payment paid as a single lump-sum payment upon completion of the full-service period is derived by multiplying the retention incentive percentage rate by the total basic pay the employee earned during the full-service period. For example, an employee is authorized a retention percentage rate of 15 percent and the service agreement provides for a lump sum payment after completion of 26 pay periods (1 year) of service. If the employee earned $47,358 during the 26 pay periods of service, the employee will receive a $7,103.70 ($47,358 times 15%) retention incentive payment.

9. AGGREGATE LIMIT ON COMPENSATION. An employee may not receive any portion of an incentive that, when added to the annual rate of the employee’s continuing payments and any lump sum payments received earlier in the calendar year, would exceed the aggregate pay limit. For payments to title 38 employees (except for physicians, dentists, [podiatrists, nurse executives, pharmacy executives (pharmacists eligible to receive pharmacy executive special pay),] certified registered nurse anesthetists (CRNAs)) and title 5 employees, the aggregate limit on
compensation is [EX]-l. The [ ] [aggregate pay limit] for title 38 physicians, dentists, [podiatrists, nurse executives, and pharmacy executives (pharmacists eligible to receive pharmacy executive special pay)], is the annual pay (excluding expenses) received by the President of the United States as specified in 3 U.S.C. § 102. The aggregate [pay] limit on compensation for CRNAs is the annual pay received by the Vice President [of the United States. For an employee assigned to a title 5 position, any] excess portion of the incentive may not be paid until the beginning of the next calendar year (see Part VII, Chapter 2, on aggregate [pay] limits.) HRM officials will inform an incentive recipient affected by an aggregate [pay] limitation and include an explanation in the RSA. [The deferral process for title 5 occupations is not applicable to doctors, podiatrists, or dentists appointed under title 38]
10. RETENTION SERVICE AGREEMENT (RSA).

a. An employee must sign an RSA and agree to complete a specified period of service in VA in order to receive a retention incentive under the provisions of this appendix. Service in a non-pay status will not count toward satisfying the service obligation. Any time in a non-pay status will postpone the service receive a retention incentive under the provisions of this appendix. Service in a non-pay status will not count toward satisfying the service obligation. Any time in a non-pay status will postpone the service obligation to VA and will extend the period of obligated service by an equal amount of time. A sample RSA is provided in appendix VI-S.

b. At no time may the service period under a service agreement extend past the date on which the employee’s position is scheduled for relocation, closure or elimination, (e.g. the date the employee’s position moves to a new geographic location, the date the office, facility or organization is scheduled to close or the date the employee’s position is eliminated.)

c. The RSA must include the length of the required service period and the commencement and termination dates of the required service period. The required service period must begin on the first day of a pay period and end on the last day of a pay period.

d. The RSA must specify the retention incentive percentage rate approved under subparagraph 7b, to include whether the incentive will be paid in installments or in a lump-sum upon completion of the service period provided in the service agreement; whether any installment payments will be paid at less than the full retention incentive percentage rate with the accrued but unpaid incentive payment being paid in a lump sum upon completion of the full service period required by the service agreement; and the timing of incentive payments.

e. The RSA must include the conditions under which VA must terminate the RSA before the employee completes the agreed-upon service period. Generally, VA must terminate the RSA if any of the following instances occur: an employee is demoted or separated for cause; employee receives a rating of record of less than "Fully Successful" or equivalent; the employee otherwise fails to fulfill the terms of the RSA; the closure or relocation is cancelled or no longer affects the employee’s position; the employee moves to another position not affected by the closure or relocation (including another position within the same agency); or in situations involving relocation, the employee accepts an offer to relocate with his/her office, facility or organization.

f. The RSA must include the conditions under which VA may terminate the RSA. Examples include insufficient funds or other management needs.
[g. The RSA for employees in title 38 occupations must specify that the service agreement will be terminated, or retention incentive payments reduced, if the employee’s earnings are at or projected to exceed the aggregate pay limit.]

[h.] The RSA must specify the effect of a termination, including the conditions under which VA will pay an additional retention incentive payment for partially completed service.

[i.] The RSA may include any other terms or conditions that, if violated, will result in a termination of the service agreement. For example, the RSA may specify the employee’s work schedule, type of position, and the duties that are expected to be performed. In addition, the RSA may address the extent to which periods of time on detail or in paid leave status are creditable towards the completion of the service period.

[j.] The RSA, signed by the employee and the requesting official, must be included in the request for approval of an incentive. After the request is approved, the signed and dated RSA will be filed in the employee’s e-OPF until the completion of the required service. Copies of the RSA will be given to the employee and the servicing fiscal office and one will be kept with the documentation file (see paragraph 13).

11. TERMINATION OF A SERVICE AGREEMENT.

a. An approving official may unilaterally terminate an RSA based solely on the management needs of VA. For example, VA may terminate an RSA when there are insufficient funds to continue the planned retention incentive payments, when conditions no longer warrant payment at the level originally approved or at all, or when VA assigns the employee to a different position (if the different position is not within the terms of the service agreement). [For employee’s in title 38 occupations, an approving official must terminate this agreement or reduce incentive payments if the employee’s earnings are at or projected to exceed the aggregate pay limit.] If an authorized VA official terminates an RSA under this subparagraph, the employee is entitled to retain any retention incentive payments that are attributable to completed service and to receive any portion of a retention incentive payment owed by the agency for completed service.

b. An approving official must terminate an RSA if the employee is demoted or separated for cause (e.g. for unacceptable performance or misconduct); receives a rating of record of less than “Fully Successful” or equivalent; if the closure or relocation no longer affects the employee’s position; if the employee moves to another position not affected by the closure or relocation; if the employee accepts an offer to relocate with the office, facility or organization; or if the employee moves to a different position in the same office, facility or organization that is not covered by the service agreement. If an authorized VA official terminates an RSA under this subparagraph, the employee is entitled to retain any retention
incentive payments previously paid by VA that are attributable to the completed portion of the service period. If the employee received retention incentive payments that are less than the amount that would be attributable to the completed portion of the service period, VA is not obligated to pay the employee the amount attributable to completed service, unless VA agreed to such payment under the terms of the RSA.

c. The termination of a service agreement is not grievable or appealable.

d. An employee must be notified in writing when an RSA is terminated.

12. RECORDS. Records sufficient to reconstruct the action will be maintained at the approving level for a minimum of 3 years. In no instance will records be destroyed before completion of a service obligation. Each facility must keep a record of each determination to pay an incentive and make such records available for review upon request by [OCHCO]. These records will include, at a minimum: the request, the RSA, and supporting documentation described in paragraph 7. The union, upon request, will be provided copies of these records in accordance with governing laws, rules, and regulations.

13. REPORTS. VA must submit a report to OPM by March 31st of each year on the use of retention incentives based on closure or relocation of an office, facility or organization. Records shall also be made available to the union upon request. Not later than January 15th each facility or organization that has authorized retention incentives under this appendix must provide [OCHCO] (055) the following information for the previous year (Jan 1st through Dec 31st):

a. A description of how the authority to pay a retention incentive under this appendix was used;
APPENDIX S.
SAMPLE RSA - RETENTION INCENTIVE (DUE TO CLOSURE OR RELOCATION OF EMPLOYING OFFICE, FACILITY OR ORGANIZATION)

As a condition of being paid a retention incentive of (percentage amount) in connection with my service on a (full or part time basis and number of normal hours each biweekly pay period) basis, in the position of (position) at (VA facility), I agree to serve (number of biweekly pay periods) of employment with the (name of employing office, facility or organization, and specific location). Service in a non-pay status will not count towards satisfying this obligation. Any portion of a pay period in a non-pay status will merely postpone the service obligation to VA and will extend the period of obligated service by an equal number of pay periods.

I understand that the incentive will be paid to me as (method of payment) on (timing and amount of each payment). My service period beginning date for this agreement is (must be first day of a pay period) and my service period ending date is (must be last day of a pay period).

I understand VA may unilaterally terminate this agreement based solely on the management needs of VA. I will be entitled to all recruitment incentive payments that are attributable to completed service.

I understand that this agreement will be terminated if: I am demoted or separated for cause; receive a rating of record of less than “Fully Successful” or equivalent; if I voluntarily move to another position not affected by the relocation or closure; if I voluntarily move to a different position in the same office, facility or organization subject to closure or relocation that is not covered by the service agreement; or if I fail to fulfill other terms of this agreement (such as reducing my work hours). I understand that I am entitled to retain incentive payments previously paid by VA that are attributable to the completed portion of the service period. If I received incentive payments that are less than the amount that would be attributable to the completed portion of the service period, VA is not obligated to pay me the amount attributable to completed service.

[If in a title 38 occupation, I understand that this agreement will be terminated, or retention incentive payments reduced, if my earnings are at or projected to exceed the aggregate pay limit.]

I understand that this agreement will be terminated if: the closure or relocation is cancelled or no longer affects my position; if I accept an offer to relocate with the organization; if I am reassigned by a management official to another position not affected by the closure or relocation; or if I am reassigned by a management official to a different position in the same office, facility or organization subject to closure or relocation that is not covered by the service agreement. I understand that I am entitled to retain incentive payments previously paid by VA that are attributable to the completed
portion of the service period and I will receive any portion of the retention incentive owed for completed service.

I understand that I will be notified in writing of the reduction or termination of my retention incentive and will be entitled to receive incentive payments through the end of the pay period in which the written notice is provided or until I separate from VA employment, whichever is sooner.

(Add information for aggregate limit on pay; other terms as appropriate).
CHAPTER 2. AGGREGATE LIMITS

1. ADMINISTRATION OF AGGREGATE LIMITS.

a. The annual aggregate limitation on compensation in 5 CFR, part 530, subpart B, applies to all Department employees, including Senior Executive Service (SES); Senior-Level employees; General Schedule (GS) employees; Federal Wage system (FWS) employees; and title 38 employees except physicians, dentists, [podiatrists,] pharmacist executives, nurse executives, and certified registered nurse anesthetists (CRNAs) (see subparagraphs b, c, d and e). Such employees may not be paid aggregate compensation higher than Level I of the Executive Schedule (EL-I) in any calendar year.

b. If a certified agency performance appraisal system is established, Senior Executive Service (SES) employees may not be paid aggregate compensation higher than the annual base salary of the Vice-President of the United States.

c. Physicians, dentists [and podiatrists] appointed under 38 U.S.C. § 305, 7306, 7401(1), and 7405 may not be paid aggregate compensation in a calendar year higher than the annual pay (excluding expenses) received by the President of the United States.

d. Pharmacist executives in the following positions who are authorized special pay under part VIII, chapter 17 of this handbook may not be paid aggregate compensation in a calendar year higher than the annual pay (excluding expenses) received by the President of the United States.

(1) The VA Central Office Chief Consultant, Pharmacy Benefits Management Services (PBM);

(2) VA Central Office Deputy and Associate Chief Consultants, PBM;

(3) Consolidated Mail Outpatient Pharmacy (CMOP) Directors; and

(4) The Pharmacy Benefits Manager for each VISN.

e. CRNAs appointed under 38 U.S.C. §§ 7306, 7401(1) and 7405 may not be paid aggregate compensation in a calendar year higher than the annual pay received by the Vice President of the United States.

f. Nurse executives may not be paid aggregate compensation in a calendar year higher than the annual pay (excluding expenses) received by the President of the United States. A nurse executive is a registered nurse appointed under 38 U.S.C. §7401(1) or §7405a(1)(A), that is the one Chief of Nursing Service or equivalent position that represents the highest ranking nurse management position at a
VHA health care facility. For the purposes of this chapter, the Deputy Chief Nursing Officer (appointed under 38 U.S.C. §7401(1) or §7405(a)(1)(A)) and the Chief Nursing Officer (appointed under 38 U.S.C. § 7306) of the Office of Nursing Services in VA Central Office are also considered nurse executives.
3. PROCEDURES FOR ADMINISTRATION OF THE AGGREGATE LIMITATION ON COMPENSATION

a. Making Determinations [for Title 5 Occupations and Title 38 Hybrid Occupations]. Using the CFR and the following table, HRM officials should determine if [an] employee’s pay has reached the aggregate limit in a calendar year. Payments over the limit (lump sum payments of excess amounts) must be deferred to the following calendar year and will count toward the aggregate limit in the new year.

b. Lump-Sum Payment of Excess Amounts[ for Title 5 Occupations and Title 38 Hybrid Occupations]. If an employee is due a lump-sum payment of an excess amount, HRM officials need only consider the employee’s estimated basic pay in the coming year in deciding how much of the excess amount may be paid in full before any other component at the beginning of a calendar year.

c. Aggregate Pay for Certain Title 38 Occupations. The deferral process for title 5 occupations is not applicable to doctors, podiatrists, or dentists appointed under title 38. Doctors, podiatrists, or dentists appointed under title 38 whose total compensation is projected to exceed the aggregate pay limit in a calendar year will have earnings cutback on a biweekly basis to ensure employees receive the maximum annual pay each pay period without exceeding the aggregate pay limit in the calendar year. If an employee does not ultimately receive total compensation in excess of the aggregate pay limit, biweekly amounts previously cutback will be paid to the employee in the pay period in which and to the extent that cutback amounts do not exceed the aggregate pay limit. For separated employees, biweekly amounts previously cutback will be paid to the employee 30 days after separation to the extent cutback amounts do not exceed the aggregate pay limit. Any compensation in excess of the aggregate pay limit will not be deferred to the following calendar year and will not be paid.

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<tr>
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</tr>
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</table>

| **Payment NOT Counted Towards the Limit** |
| Back pay due to an unjustified personnel action under 5 U.S.C. § 5596 |
| Nonforeign area cost-of-living allowances under 5 U.S.C. § 5941(a)(1) |
| Overtime pay under the Fair Labor Standards Act, as amended, and 5 CFR §551 |
| Severance pay under 5 U.S.C. § 5595 |
| Lump sum payments for accumulated and accrued annual leave on separation under 5 U.S.C. § 5551,5552 |
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## PAY ADMINISTRATION

### PART IX. PAY FOR VHA PHYSICIANS, DENTISTS, AND PODIATRISTS

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PART IX. PAY FOR VHA PHYSICIANS, DENTISTS [AND PODIATRISTS]

1. SCOPE. This part contains mandatory pay administration regulations and procedures for Veterans Health Administration (VHA) physicians and dentists in the Department of Veterans Affairs (VA) appointed under the authority of 38 U.S.C. §§ 305, 7306, 7401(1), 7405(a)(1)(A). The Secretary retains authority to act on pay matters involving the Under Secretary for Health.


3. EXCLUSIONS. The following categories of physicians, dentists, and podiatrists are ineligible for pay under this part:
   a. Interns and residents (whether paid by stipend or through a disbursement agreement) appointed under 38 U.S.C. § 7406;
   b. Fee-basis employees appointed under 38 U.S.C. § 7405(a)(2);
   c. Fellows (including special fellows such as Health Services Research and Development, Medical Informatics, Advanced Geriatrics, and Advanced Spinal Cord Injury) appointed under 38 U.S.C. § 7405(a)(1)(D);
   d. Research trainees employed as Associate Investigators appointed under 38 U.S.C. § 7405(a)(1)(D); and
   e. Physicians, dentists, and podiatrists employed at the Manila Outpatient Clinic who are foreign nationals paid under local national pay schedules established by the Department of State (DOS).

4. GENERAL. The pay of VHA physicians, dentists, and podiatrists consists of three elements: base pay, market pay, and performance pay. This policy is intended to make possible the recruitment and retention of the best qualified workforce capable of providing high quality care for eligible veterans. VA is committed to assuring that the levels of annual pay (base pay plus market pay) for VHA physicians, dentists, and podiatrists are fixed at levels reasonably comparable with the income of non-VA physicians, dentists, and podiatrists performing like services.

5. DEFINITIONS.
   a. Aggregate Pay. The sum of all payments made to a physician, dentist, or podiatrist in a calendar year, exclusive of lump sum annual leave, reimbursement of travel, backpay, and severance. Physicians, dentists, and podiatrists appointed under 38 U.S.C. § 305, § 7306, 7401(1), and 7405(a)(1)(A) may not be paid aggregate compensation in a calendar year higher than the annual pay (excluding expenses) received by the President of the United States.
b. **Annual Pay.** The sum of the base [and longevity] pay rate and market pay. Annual pay is basic pay only for purposes of computing civil service retirement benefits, lump sum annual leave payments, life insurance, thrift savings plan, work injury compensation claims, severance pay, recruitment, relocation, and retention incentives, continuation of pay, and advances in pay.

c. **Base and Longevity Pay Schedule.** A table consisting of 15 rates of base pay, designated as steps 1 through 15. Physicians, dentists[, and podiatrists] advance on the table at the rate of one step for every 2 years of VHA service.

d. **Base Pay Rate.** The rate for a step on the Physician, Dentist[, and Podiatrist] Base and Longevity Pay Schedule.

e. **Change in Assignment.** A permanent change in official duty station, change in duty basis (i.e., to/from full-time, part-time or intermittent), change in tier, or a significant change in duties or assignments as determined by an appropriate management official.

f. **Longevity Step Increase.** Advancement to the next higher step of the grade based upon completing the required waiting period of two years (104 weeks) of creditable service.

g. **Management Official.** A person who has supervisory authority over staff or program management responsibility.

h. **Market Pay.** A component of [ ] [annual] pay intended to reflect the recruitment and retention needs for the specialty or assignment of a particular VHA physician, dentist, or podiatrist.

i. **Performance Pay.** A component of compensation paid to recognize the achievement of specific goals and performance objectives prescribed on a fiscal year basis by an appropriate management official. The purpose of performance pay is to improve the quality of care and health care outcomes through the achievement of specific goals and objectives related to the clinical, academic and research missions of VA. Performance pay is paid as a lump sum in accordance with paragraph 12 of this part.

j. **Tier.** A level within the annual pay range for an assignment or specialty.

k. **Tier Exception.** Approval to exceed the maximum amount of a tier in the nationwide pay range under the provisions of paragraph 14d or Appendix IX-B.
[I.] **Total [ ] Compensation.** The sum of all payments made to a physician, dentist[, or podiatrist.] Includes base pay, market pay, performance pay, recruitment, relocation[,] retention incentives[, and incentive awards.] In Alaska, Hawaii, and Puerto Rico, where the Office of Personnel Management has approved a non-foreign cost-of-living allowance (COLA) under 5 U.S.C. § 5941, total [compensation] also includes the COLA.

[m.] **Year.** For purposes of determining base pay under paragraph 7, a year is 52 calendar weeks.

6. **RESPONSIBILITIES.**

   a. **Secretary.**

      (1) Establishes the market pay of the Under Secretary for Health utilizing an appropriate health care labor market.

      (2) Approves nationwide annual pay ranges after consideration of recommendations of the Under Secretary for Health and after concurrence by the General Counsel and the Assistant Secretary for [Human Resources and Administration/Operations, Security, and Preparedness.]

   b. **Under Secretary for Health (or Designee).**

      (1) Recommends annual pay ranges for each specialty or assignment to the Secretary at least once every two years (this authority may not be redelegated);

      (2) Establishes a Steering Committee comprised of management representatives to develop recommendations for annual pay ranges for each specialty or assignment. The Steering Committee may include no more than one physician, one dentist, and one podiatrist executive serving in a Deputy Under Secretary, Principal Deputy Under Secretary, Network Director, or Facility Director position. The Steering Committee reviews available national pay sources and recommends applicable sources that describe overall compensation practices in broad geographic scope;

      (3) Establishes VHA performance guidelines and objectives for performance pay determinations;

      (4) Approves annual pay (plus non-foreign COLA where applicable) for employees under his/her jurisdiction and annual pay for all VHA physicians, dentists[, and podiatrists] [for Pay Table 6 assignments];

      (5) Approves performance pay amounts for physicians, dentists, and podiatrists in VACO and those in positions centralized to the Secretary or the Under
Secretary for Health;

(6) Approves requests for exceptions to the nationwide pay ranges in accordance with the provisions of appendix B of this part;

(7) Ensures physicians, dentists[, and podiatrists] in VACO, and those in positions centralized to the Secretary or the Under Secretary for Health, have a market pay review at least once every 24 months and at such other times deemed necessary;

(8) Approves assignment to tier and annual pay for tier [ ] [2] national program assignments; and

(9) Approves assignment to tier and annual pay for those physicians, dentists, and podiatrists assigned to any tier on the Executive annual pay range.

c. **Network Directors (or Designee).**

(1) Review and recommend approval or disapproval of annual pay (plus non-foreign COLA where applicable) in excess of $350,000 per annum[ ];

[(2)]  Approve annual pay (plus non-foreign COLA where applicable) up to [$400,000] per annum for physicians, dentists[ and podiatrists] under their jurisdiction;

[(3)]  Establish VISN performance goals and approve performance pay amounts for physicians, dentists[ and podiatrists] under their jurisdiction;

[(4)]  Ensure physicians, dentists[ and podiatrists] under their jurisdiction have a market pay review at least once every 24 months and at such other times deemed necessary;

[(5)]  Approve all annual pay and performance pay amounts for facility Chiefs of Staff and Deputy Chiefs of Staff; and

[(6)]  Approve assignment to tier and annual pay for tier 3 network assignments.

d. **Facility Directors (or Designee).**

(1) Approve assignment to tier and annual pay (plus non-foreign COLA where applicable) up to the maximum rate on the applicable pay table for the corresponding assignment/specialty, not to exceed [ ] [$350,000] per annum for individuals under their jurisdiction (excluding Chief of Staff and Deputy Chiefs of Staff). Performance pay and recruitment, retention, and relocation
incentives are approved without regard to the limitations prescribed under paragraph 14d of this part. The approval of incentives may not be redelegated; and

(2) Approve performance pay amounts for physicians, dentists, and podiatrists at their facility, except Chiefs of Staff and Deputy Chiefs of Staff. The authority to make performance pay decisions may be delegated to an appropriate management official.

e. **Chiefs of Staff and Other Management Officials.**
   
   (1) Establish and communicate performance goals and objectives to individual physicians, dentists[ and podiatrists] employed at their facility;

   (2) Make annual pay recommendations by completing VA Form 10-0432A, Market Pay Review and Approval Form and performance pay recommendations or decisions, as appropriate; and

   (3) Ensure physicians, dentists, and podiatrists at their facility receive a market pay review at least once every 24 months and at such other times deemed necessary.

f. [Chief Human Capital Officer]. The Chief Human Capital Officer (CHCO) advises the Under Secretary for Health and other key officials on the regulations, policies, and procedures contained in this part.

g. **Human Resources Management Officials.**

   (1) Advise facility management on the regulations, policies, and procedures contained in this part;

   (2) Ensure that the policies and procedures concerning physician, dentist[ and podiatrist] pay as described in this part are adhered to;

   (3) Perform a technical review of all market pay recommendations;

   (4) Ensure that covered employees are aware of the policies governing the establishment and adjustment of physician, dentist[ and podiatrist] pay; and

   (5) Prepare requests and ensure compliance for exceptions to annual pay limitations in accordance with the procedures in paragraph 14.

7. **BASE PAY**

   a. Each physician, dentist, and podiatrist covered by this part is entitled to a base pay rate determined under the Physician, Dentist[ and Podiatrist] Base and Longevity Pay Schedule.
b. The Physician, Dentist[ and Podiatrist] Base and Longevity Pay Schedule contains 15 rates of base pay, designated as steps 1 through 15. The rates of pay that correspond to each step are published annually on the Office of [Chief Human Capital Officer] website at https://vaww.va.gov/OHRM/.

c. The base pay rate payable to a physician, dentist, or podiatrist is determined by the number of total years of service worked as a physician, dentist, or podiatrist in the VHA as reflected by his/her VA service date. The total years of service will be applied to the step rate payable as follows. For the purposes of this paragraph, 104 weeks of creditable service will be counted as two years of service.

<table>
<thead>
<tr>
<th>Total Service (as determined by VA service date)</th>
<th>Rate Payable</th>
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<tbody>
<tr>
<td>Two years or less</td>
<td>Step 1</td>
</tr>
<tr>
<td>More than 2 years and not more than 4 years</td>
<td>Step 2</td>
</tr>
<tr>
<td>More than 4 years and not more than 6 years</td>
<td>Step 3</td>
</tr>
<tr>
<td>More than 6 years and not more than 8 years</td>
<td>Step 4</td>
</tr>
<tr>
<td>More than 8 years and not more than 10 years</td>
<td>Step 5</td>
</tr>
<tr>
<td>More than 10 years and not more than 12 years</td>
<td>Step 6</td>
</tr>
<tr>
<td>More than 12 years and not more than 14 years</td>
<td>Step 7</td>
</tr>
<tr>
<td>More than 14 years and not more than 16 years</td>
<td>Step 8</td>
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<td>More than 16 years and not more than 18 years</td>
<td>Step 9</td>
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<td>More than 18 years and not more than 20 years</td>
<td>Step 10</td>
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<tr>
<td>More than 20 years and not more than 22 years</td>
<td>Step 11</td>
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<tr>
<td>More than 22 years and not more than 24 years</td>
<td>Step 12</td>
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<tr>
<td>More than 24 years and not more than 26 years</td>
<td>Step 13</td>
</tr>
<tr>
<td>More than 26 years and not more than 28 years</td>
<td>Step 14</td>
</tr>
<tr>
<td>More than 28 years</td>
<td>Step 15</td>
</tr>
</tbody>
</table>

**NOTE:** A description of the types of service creditable towards the calculation of the VA service date are contained in appendix A of this part.

d. Base pay rates are adjusted on the same effective date and by the same percentage as any General Schedule adjustment under 5 U.S.C. § 5303, exclusive of locality comparability payments under 5 U.S.C. § 5304. [If such an adjustment would cause the employee’s annual pay (sum of base and longevity pay rate and market pay) to exceed the amount of annual pay (excluding expenses) received by the President of the United States as specified in 3 U.S.C. § 102, the employee’s biweekly pay will be reduced by the amount of pay projected to exceed the aggregate pay limit in the calendar year. See Part VIII Chapter 2, paragraph 3c. The following remark will be contained on the SF50 of any General Schedule adjustment that results in an annual pay rate in excess of the annual limitation: “The amount of annual pay (base pay plus market pay) received may be limited by 38 U.S.C. § 7431(e)(4) and 3 U.S.C. § 102.”]

e. Since the step rate is based solely on tenure, a physician, dentist, or podiatrist
may not be adjusted higher or lower in step, except for corrections under subparagraph f below.

f. A physician, dentist [or podiatrist] with unverified prior VHA service at the time of appointment will be placed at Step 1. Upon receipt of the employee’s Merged Record Personnel Folder, the step will be redetermined in accordance with the provisions of subparagraph c above. The responsible Human Resources office will process any step adjustment resulting from this review as a retroactive correction to the appointment action. When processing a correction of this type, the appropriate management official should review the previous recommendation of the provider’s market pay to ensure the prior service was properly considered and if necessary, the approving official may also recommend retroactively correcting market pay at this time. This may result in an increase or decrease in the market pay component.
8. LONGEVITY STEP INCREASES.

a. **Eligibility.** Longevity step increases (LSIs) will be granted to physicians, dentists [and podiatrists] that are receiving less than the maximum step rate (step 15) on the Physician, Dentist[, and Podiatrist] Base and Longevity Pay Schedule. If such an increase would cause the employee’s annual pay (sum of base and [longevity pay rate and] market pay) to exceed the amount of annual pay (excluding expenses) received by the President of the United States as specified in 3 U.S.C. § 102, the [employee’s biweekly pay will be reduced by the amount of pay projected to exceed the aggregate pay limit in the calendar year. See Part VIII Chapter 2, paragraph 3c.] The following remark will be used for LSIs that result in an annual pay rate in excess of the annual limitation: “[The amount of] annual pay (base pay plus market pay) [received may be limited] by 38 U.S.C. § 7431(e)(4) and 3 U.S.C. § 102.” See paragraph 14c for information regarding the annual pay limitation.

b. **LSI Waiting Period.** Each eligible physician, dentist[ and podiatrist] will be advanced one step upon completion of two years (104 weeks) of creditable service in VHA.

c. **Creditable Service.** The following service is counted as creditable in the computation of waiting periods for longevity step increases:

1. Continuous paid full-time, part-time, or intermittent assignment on an indefinite or time limited basis, in the VHA under authority of 38 U.S.C. §§ 7401(1), 7405(a)(1)(A) or 7306.

   **NOTE:** *The period spent in part-time service is covered as though it had been performed on the basis of full-time service. For an intermittent employee, 1 day of credit is given for each day of service in a pay status; 520 compensable days are equivalent to a waiting period of 104 calendar weeks; the accumulation of 520 compensable days must extend over a period of not less than 104 calendar weeks.*

2. Time elapsing on annual, sick or other leave with pay, including periods for which annual or sick leave is advanced.

3. Leave without pay not to exceed a total of 30 calendar days in the LSI waiting period.
(4) Active military duty when otherwise creditable service is interrupted.

(5) Any period of 120 calendar days or less between discharge or termination of active military service and re-employment under mandatory provisions of any statute or regulation.

(6) Actual service rendered prior to an extended absence on leave without pay, regardless of the length of such absence, which is due to injury or illness incurred as a direct result of employment.

(7) Consideration of unique circumstances, qualifications or credentials, if any, and the comparison of these circumstances to the equivalent compensation level of non-VA physicians, dentists, or podiatrists in the local health care labor market; and

(8) In Alaska, Hawaii, and Puerto Rico, the Office of Personnel Management has approved a non-foreign cost-of-living allowance (COLA) under 5 U.S.C. § 5941 which is intended to address living costs substantially higher than those in Washington, DC, and/or conditions of environment substantially different from those in the Continental United States. The non-foreign COLA for physicians, dentists, and podiatrists is calculated as a percentage of the employee’s base pay only (the rate for a step on the Physician, Dentist[ and Podiatrist] Base and Longevity Pay Schedule). When determining market pay amounts for providers in these areas, the appropriate management official should consider the COLA amount the provider will receive to ensure the provider is adequately, but not excessively, compensated for these issues.

**NOTE:** The following factors should be taken into consideration when making market pay recommendations and approvals. Where a provider spends a significant amount of time away from clinical duties within his/her specialty or assignment, the time spent away from clinical duties may impact on the provider’s level of experience in the specialty or assignment, availability to work in the specialty or assignment, and/or accomplishments in the specialty or assignment, and may therefore be considered when recommending a market pay amount.

i. A recommendation of annual pay using VA Form 10-0432A, Market Pay Review and Approval Form will normally be recommended, and a final decision made prior to the effective date of appointment. In unusual circumstances, a physician, dentist, or podiatrist may be appointed without a market pay review. The following conditions apply:

1. The physician, dentist, or podiatrist will be paid only the applicable base pay rate on the Base and Longevity Pay Schedule until the market pay review and recommendation is approved.

2. The physician, dentist, or podiatrist must be reviewed by the appropriate management official within the 30 days following the effective date of appointment.
(3) Once the market pay recommendation action is approved, the market pay rate will be retroactive to the effective date of the appointment.

j. Market pay recommendations are taken into consideration by the appropriate approving official. The approving official determines the amount of market pay to be paid a physician, dentist, and podiatrist after consideration of the annual pay (the sum of the base pay rate and market pay) recommended by the appropriate management official. The approving official’s decision is final.

10. MARKET PAY ADJUSTMENTS FOR INDIVIDUAL PHYSICIANS, DENTISTS [AND PODIATRISTS]

a. At least once every 24 months, the market pay of each physician, dentist, and podiatrist is reviewed by the appropriate approving official in accordance with the criteria in paragraph 9h. Each physician, dentist [and podiatrist] will be provided a written notice of the results of the review, even if the review does not result in a pay adjustment. The Notification of Personnel Action, SF-50, as well as the Market Pay Review and Approval Form VA 10-0432A, serve as the written notice. If an adjustment is made as a result of the biennial review, [ ] [to the extent that VHA makes an administrative determination that an employee has been affected by an unjustified or unwarranted personnel action that resulted in the denial of market pay otherwise due to the employee] the effective date of such change will be retroactive to the first pay period following the biennial review due date.[ The market pay adjustments processed due to a retroactive biennial review, may be processed under the Back-Pay Act as prescribed in 5 U.S.C. § 5596, if applicable.]

b. The market pay of a physician, dentist [or podiatrist] is also reviewed upon change in assignment, change in board certification, reduction of clinical privileges, and at any such additional times as deemed necessary or appropriate by an appropriate management official. Change in assignment refers to a permanent change in official duty station, change in duty basis (i.e., to/from full-time, part-time or intermittent), change in tier, or a significant change in duties or assignments as determined by an appropriate management official, such as call duty rotations, or assignment to/from a Community Based Outpatient Clinic. Employees who have multiple assignments at their facility or multiple facilities, as provided for in paragraphs 9e and 9f above, will have their market pay reviewed at any time that their primary or secondary assignment changes. Employees who have multiple assignments at their facility or multiple facilities, as provided for in paragraphs 9e and 9f above, will have their market pay reviewed at any time that their primary or secondary assignment changes. A market pay review, and any subsequent adjustment made based on a change in assignment, is effective the first pay period following approval.

c. A market pay review cannot result in a reduction in market pay for a physician, dentist[or podiatrist] remaining in the same position or assignment at the same duty station, unless there is a change in board certification or reduction of privileges. Market pay may also be reduced upon change in assignment or as the result of a correction to the appointment action under the provisions of paragraph 7f.
d. The market pay amount authorized by the approving official is a final decision. There is no reconsideration process. However, employees may request reconsideration of a tier determination under the provisions of paragraph 11 below.

11. RECONSIDERATION OF TIER DETERMINATION.

a. If a physician, dentist [or podiatrist] believes that his/her tier determination is improper based on the nature of his/her assignment, the employee may submit a request for reconsideration to the official that approved the tier recommendation. These reconsideration procedures do not apply to appointment actions.

(1) The request for reconsideration must be submitted in writing to the approving official (i.e., the official who approved the tier recommendation) within 30 days of the end of the pay period in which the pay determination is effected.

(2) The request must cite specific facts and circumstances that support the employee’s belief that his/her tier determination is inappropriate.

b. If the Facility Director was the approving official on the original action, the Facility Director will consult with the VISN Chief Medical Officer regarding the reconsideration request. The facility director will consider the recommendation of the Chief Medical Officer and make a final decision regarding the tier reconsideration request. The Facility Director will provide a decision to the employee in writing. The Facility Director’s final decision will be filed with the VA Form 10-0432A.

c. Any tier adjustments resulting from a reconsideration will be effective the beginning of the first pay period after the approving official’s decision.

d. The decision of the approving official is final. There is no further reconsideration.

e. If the original action was taken at the Network level or above, the approving official's decision is final.
12. PERFORMANCE PAY.

a. The purpose of performance pay is to improve the overall quality of care and health care outcomes through the achievement of specific goals and objectives related to the clinical, academic and research missions of VA. Performance pay is intended to recognize the degree to which an individual physician, dentist, or podiatrist achieves specific goals and performance objectives prescribed on a fiscal year basis by an appropriate management official. Physicians, dentists [and podiatrists] not excluded under paragraph 3 of this part are eligible to receive performance pay. The amount is determined solely at the discretion of the approving official based on the achievement of the specified goals and objectives and is paid annually as a lump sum.

b. The amount of performance pay established should be commensurate with the complexity and scope of the goals and objectives. The amount paid to any individual may vary based on the degree of execution and individual achievement of specified goals and objectives.

c. The amount of performance pay payable to any individual physician, dentist, or podiatrist in a fiscal year is determined by the approving official based on the goals and objectives specified for the fiscal year. The amount payable may not exceed the lower of:

(1) $15,000, or

(2) The amount that is equal to 7.5% of the annual pay in effect for the physician, dentist [or podiatrist] on September 30th of the fiscal year during the period of time under review.

   NOTE: The amount payable as performance pay to a part-time or intermittent employee shall generally be prorated based on the full-time equivalent salary. However, if there is no qualitative or quantitative difference between the expected contributions of a part-time employee and a similarly situated full-time employee (e.g. when the same performance goals and objectives are used by both full-time, part-time employee) their performance pay amounts should be equal.

d. Physicians, dentists [and podiatrists] must be advised of the specific goals and objectives that will be measured in determining their eligibility for performance pay and the maximum monetary value associated with those goals and objectives. These goals and objectives and the maximum amount of performance pay available in connection with achieving the specified goals and objectives must be communicated by an appropriate management official to the individual physician, dentist, or podiatrist within 90 days of the beginning of each fiscal year. For newly hired physicians, dentists [and podiatrists], goals and objectives must be communicated within 30 days of their entrance on duty. [In the event a performance pay goal or objective must be added, changed, or removed after it has been communicated to the employee, the change must be documented on VA Form 10-0432, Performance Pay Recommendation and Approval, and the employee must be notified of the change. Any changes made to performance pay goals or objectives must be communicated to the employee prior to

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July 1 to provide at least a 90-day period for the employee to achieve the goal or objective.] VA Form 10-0432 will be used to document when goals and objectives are communicated to each employee. Physicians, dentists [and podiatrists] hired after July 1 are not eligible for performance pay based on their performance within that fiscal year.

e. Performance goals and objectives are generally developed locally and will differ from performance standards used for the Executive Career Field (ECF) or proficiency rating systems. Examples of categories that may be addressed include outcomes, reduction of waiting times, patient panel sizes, research achievements, performance of compensation and pension exams or other additional tasks, timely completion of medical record documentation, adequacy of medical record documentation for billing purposes, patient satisfaction, exemplary conduct or behavior, teaching students or others, innovations, national priorities, and other areas where improvements, efficiencies or increased effectiveness are identified. Goals and objectives may also be set at the Network or Headquarters level.
f. At the end of each fiscal year, each supervisor evaluates the degree to which each covered individual achieved the performance goals and objectives communicated at the beginning of the fiscal year. VA Form 10-0432 must be completed and include a description of the performance goals and objectives achieved by the individual that supports the amount of performance pay. VA Form 10-0432 must also be completed if the employee has not successfully met the communicated performance goals and objectives and therefore is not being recommended to receive performance pay. In addition, supervisors and managers must document to what extent a performance or conduct related disciplinary/adverse action impacted an individual’s ability to achieve performance pay goals and objectives and what effect, if any, the action had on the performance pay decision. Further, supervisors and managers must document to what extent the performance of part-time or intermittent work, and the effect, if any, the performance of non-clinical duties has had on the performance pay decision. VA Form 10-0432 must be forwarded through the appropriate chain of command to the designated approving official [in sufficient time for the action to be coded in HRSmart for processing and disbursement only during the last pay period paid in the calendar year. In most cases, the last pay period in the calendar year is pay period 25.] Performance pay disbursements may not be made until VA Form 10-0432 is signed by the supervisor and employee and approved by the appropriate management official.

[g. Physicians, dentists, and podiatrists whose pay is at or projected to exceed the $400,000 aggregate pay limit will be given goals and objectives but will only receive performance pay to the extent that it does not cause their earnings to exceed the aggregate pay limit, even if that means they receive $0 for meeting their assigned goals and objectives.

h. A standard remark will be documented on any performance pay action stating: “Any amount of performance pay that would cause the employee to exceed the aggregate pay limit provided in 38 U.S.C. § 7431(e)(4) and 3 U.S.C. § 102 will be reduced.”

i. Disbursement of performance pay will be placed on hold when a physician, dentist or podiatrist has pending performance or conduct based allegations, a reduction of clinical privileges, or loss of licensure. Performance payments will be withheld pending a review and final determination of the action to be taken.

j. Performance payments must be coded in HRSmart and disbursed to employees only during the last pay period of the tax year, to allow the Defense Accounting and Finance System (DFAS) to process base and longevity pay rate and/or market pay adjustments throughout the year, up to the aggregate pay limit.

k. Physicians, dentists [and podiatrists] who separate from VA employment prior to September 30 are not eligible for performance pay based on their performance within that fiscal year.
[l.] For physicians, dentists and podiatrists who transfer during the fiscal year, the gaining facility will consult with the previous supervisor to determine the appropriate performance pay amount. For individuals who change positions during the year, performance under previously specified performance goals and objectives will be considered, and previous supervisors will be consulted as applicable, in determining the appropriate performance pay amount.

[m.] A physician's, dentist's or podiatrist's failure to meet the criteria for performance pay may not be the sole basis for an adverse personnel action against that individual.
13. MARKET PAY RECOMMENDATION AND APPROVAL.


(1) The appropriate management official will complete and submit VA Form 10-0432A, Market Pay Review and Approval Form. The appropriate management official is responsible for recommending the appropriate pay table, tier level and market pay amount (considering the combined sum of the base pay and market pay) for individual physicians, dentists [and podiatrists]. The appropriate management official is also responsible for evaluating the annual pay (base and longevity pay rate and market pay) to include pay table and tier assignment of each physician, dentist [and podiatrist] under their jurisdiction at least once every 24 months (biennial review) and at such other times deemed necessary by the appropriate management official. A change in duty basis (i.e., to/from full-time, part-time, or intermittent), change in tier, or a significant change in duties or assignments as determined by an appropriate management official, such as call duty rotations, or assignment to/from a Community Based Outpatient Clinic will also require a re-evaluation of the market pay and tier.

(2) The appropriate management official will recommend the following with regard to pay for individual physicians, dentists [or podiatrists]:

(a) The appropriate specialty or assignment and pay table;

(b) The appropriate tier for the physician, dentist [or podiatrist] using the tier definitions contained in paragraph 9 of this part or the tier definition associated with the pay table, as appropriate; and

(c) A rate or an appropriate range of market pay for the physician, dentist, or podiatrist considering the criteria in paragraph 9 of this part, other pay elements authorized for the individual (e.g., base pay, recruitment, relocation, or retention incentive, COLA), and the nationwide minimum and maximum amounts of annual pay prescribed by the Secretary for the specialty or assignment.

(3) Annual pay recommendations will be taken into consideration by the appropriate approving official. The approving official determines the amount of annual pay to be paid a physician, dentist [or podiatrist] after consideration of the recommendation of the appropriate management official. The approving official's decision is final.

(4) The HRM Official, or designee (or a representative of VHA Workforce Management and Consulting Office for VACO pay actions) will provide a technical review for all physician, dentist [and podiatrist] annual pay determinations.
14. PAY LIMITATIONS AND EXCEPTIONS.

a. Except as provided in subparagraph b and subject to subparagraph c below, the annual pay of a physician, dentist [or podiatrist] may not be less than the minimum amount, nor more than the maximum amount of the applicable pay range and tier for the corresponding specialty/assignment. For part time employees, the full-time equivalent (i.e., not prorated) annual pay will be used to determine whether the annual pay is within the applicable pay range and tier.

b. The annual pay for a physician, dentist [or podiatrist] may exceed the maximum amount of the applicable pay range and tier for the corresponding specialty/assignment only as a result of a longevity step increase to base pay (see paragraph 8) or as a result of a statutory general increase in base pay (see paragraph 7d). Exceptions to the maximum of the applicable pay range and tier for the corresponding specialty/assignment are permitted in unusual circumstances and may be requested under the provisions of subparagraph 14d below for individual exceptions or appendix B of this part for specialty or facility-wide exceptions.

c. In no instance may the aggregate pay (base pay; market pay; performance pay; recruitment, relocation, and retention incentive; and any other payment under title 38 authority) received by a VHA physician, dentist [or podiatrist] in a calendar year exceed the annual pay rate (excluding expenses) of the President of the United States as specified in 3 U.S.C. § 102. For part time employees, the actual earnings (i.e., annual pay is prorated) will be considered when determining whether this aggregate pay limitation will be exceeded. [For detailed information on the aggregate pay limit refer to Handbook 5007, Section VII, Chapter 2, Aggregate Limits.]

d. Annual pay (plus non-foreign COLA where applicable) in excess of the applicable pay range maximum of the pay table for the corresponding assignment/specialty or in excess of [ ] $350,000] shall require higher level approval unless the increase is the result of a longevity step increase or a statutory general increase in base pay. For part time employees, the full-time equivalent (i.e., not prorated) annual pay will be considered when determining whether an exception is required.
(1) The Medical Center Director is the approving official for annual pay up to the maximum pay range of the pay table for the corresponding assignment/specialty, not to exceed $350,000, and may also approve a tier exception for employees in pay tables 1, 2, 3 that does not exceed the maximum for the pay table up to $350,000. The determination to approve a tier exception at this level will be based on a narrative justification that includes pertinent information on the recruitment and retention history of the position, the unique or exceptional qualifications of the individual, or other circumstances at the specific facility. The Medical Center Director may not approve tier exceptions for employees in pay tables 5 and 6.

(2) The Network Director is the approving official for annual pay greater than the maximum rate of the pay table for the corresponding assignment/specialty, not to exceed $400,000 for employees under their jurisdiction. They may also approve a tier exception for employees in pay tables 1, 2, 3, 5. The Network Director is the approving official for Pay Table 5 assignments for Chiefs of Staff and Deputy Chiefs of Staff, not to exceed the maximum rate of the next highest tier. Network offices shall establish procedures for submission of requests for exceptions to the pay limitation.

(3) The Under Secretary for Health is the approving official for all tier exceptions not covered in paragraphs 14(d)(1) and (2) above. The Under Secretary for Health is the approving official for annual pay for employees assigned to Pay Table 6. Requests to exceed (or further exceed) the tier shall be submitted through the Network Director to VHA’s Workforce Management and Consulting Office (10A2A) and shall contain the following information:

(a) A narrative justification for the proposed amount of annual pay, including any pertinent information on the recruitment and retention history of the position occupied or to be occupied by the physician, dentist (or podiatrist), the unique or exceptional qualifications of the individual, or other circumstances at the specific facility; and

(b) The annual pay recommendation as documented on VA Form 10-0432A.

(4) Exceptions under subparagraphs (1), (2) or (3) above will be disapproved if the approving official determines that a lesser amount of market pay is sufficient to be competitive for the recruitment and retention of a physician, dentist (or podiatrist) in the market for the required skills.

e. Exceptions requiring VACO approval under subparagraphs 14b and 14d(3) will be effective the beginning of the first pay period beginning on or after the date of approval, or 30 days from the date of receipt in VACO, whichever is earlier.

f. Annual pay for the Under Secretary shall be subject to the provisions of paragraphs 18 and 19 of this part.

15. PAY RATES INCIDENT TO CERTAIN PERSONNEL ACTIONS.
a. Appointments, Reappointments, Conversions, and Transfers from Other Agencies.

(1) **Employees Without Prior VHA Service.** Employees without prior VHA service as a physician, dentist [or podiatrist] (including those with other Federal service) are placed at step 1 on the Physician, Dentist [and Podiatrist] Base and Longevity Schedule. The annual pay and tier are recommended by the appropriate management official under the provisions of paragraph 13.

(2) **Employees With Prior VHA Service.** Employees with prior VHA service as a physician, dentist [or podiatrist] are placed at a step on the Physician, Dentist [and Podiatrist] Base and Longevity Schedule according to their prior service. Instructions for calculating the VA Service Date are contained in appendix A of this part. A chart depicting the appropriate step rate based on the length of service is contained in paragraph 7c of this part. The annual pay and tier are recommended by the appropriate management official under the provisions of paragraph 13.

b. Changes in Assignment.

(1) **At the Same Facility or Upon Transfer to a Different Facility.** Individuals will retain their step on the Base and Longevity Pay Schedule. The market pay and tier for the new assignment are recommended by the appropriate management official under the provisions of paragraph 13. If such an assignment results in a reduction in market pay, the affected employee is not entitled to retain the higher rate of market pay. However, if the assignment is involuntary, management may offer retention of market pay if a reduction would be against equity and good conscience or against the public interest. The decision not to grant retention of market pay is not appealable. See subparagraph 16 below for notice requirements when an involuntary assignment in connection with a disciplinary action results in a pay reduction.

(2) **Temporary Assignments and Details.** Individuals temporarily assigned to a position with a different pay range or tier, [or to a position with different responsibilities, complexity and scope,] may receive a market pay adjustment after serving in the assignment for 60 days or more. Temporary assignments and details that result in a change in market pay must be documented by an official personnel action under the provisions of VA Handbook 5005. Temporary assignments and details to a lower tier may not result in a reduction of an individual’s existing market pay rate. Upon termination of a temporary assignment or detail, an individual’s market pay is returned to the amount payable prior to the temporary assignment or detail.

c. Changes in Duty Basis (Part-Time to Full-Time or Full-Time to Part-Time or Intermittent). Conversions from a part-time to a full-time duty basis or a full-time to a part-time or intermittent duty basis through a conversion action are considered a change in assignment. Individuals will retain their step on the Base and Longevity Pay Schedule. The market pay and tier are re-evaluated by the appropriate management official under the provisions of paragraph 13. If the change in duty basis results in a
reduction in market pay, the affected employee is not eligible to retain the higher rate of market pay.

d. **Loss of Board Certification and Other Changes in Assignment.** Individuals will retain their step on the Base and Longevity Pay Schedule. If a loss of board certification, reduction in privileges, or other changes in assignment result in a reduction in market pay, the affected employee is not entitled to retain the higher rate of market pay.

e. **Simultaneous Pay Changes.** Employees eligible for two or more pay changes on the same date shall have them processed in the order which provides the maximum benefit. However, when a general adjustment to the Base and Longevity Pay Schedule is made, that general adjustment is processed first.

16. **NOTICE REQUIREMENTS FOR REDUCTIONS IN MARKET PAY.** Physicians, dentists [and podiatrists] must be notified in writing when an involuntary assignment in connection with a disciplinary action will result in a reduction in market pay. The notice must provide at least a 30-day advance notice of the effective date of the reduction, the amount of the reduction, and any appropriate appeal rights with regard to the new assignment, as defined in VA Handbook 5021.
21. PAY FOR THE UNDER SECRETARY FOR HEALTH.

a. Base pay for the Under Secretary for Health shall be determined in accordance with 5 U.S.C. § 5314, i.e., Level III of the Executive Schedule.

b. The Under Secretary for Health who is a physician or dentist shall be eligible for market pay. The Secretary determines the amount of market pay payable to the Under Secretary, after considering the recommendations of the Assistant Secretary for Human Resources and Administration/Operations, Security, and Preparedness.

c. The Under Secretary for Health is not eligible for performance pay.

d. Annual pay for the Under Secretary shall be subject to the provisions of paragraphs 18 and 19 of this part.

22. DOCUMENTATION.

a. Annual pay recommendations for new appointments, biennial reviews or reviews based on change in assignment will be documented and approved using VA Form 10-0432A, Market Pay Review and Approval Form. VA Form 10-0432A is filed in the employee’s e-OPF.

[b. Performance pay recommendations will be documented and approved using VA Form 10-0432, Performance Pay Recommendation & Approval. VA Form 10-0432 is filed in the employee’s e-OPF.]

23. REFERENCES.


e. Public Law 116-12 (April 8, 2019) A bill to amend title 38, United States Code, to clarify the grade and pay of podiatrists of the Department of Veterans Affairs.

f. 5 U.S.C. § 5596 (April 7, 2020) Back pay due to unjustified personnel action]
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g. 38 U.S.C. § 7404 (April 7, 2020) Grade and pay scales

h. 38 U.S.C. § 7431 (April 7, 2020) Pay

i. 38 U.S.C. § 7432 (April 7, 2020) Pay of Under Secretary for Health

j. 38 U.S.C. § 7433 (April 7, 2020) Administrative Matters
APPENDIX B. EXCEPTIONS TO THE MAXIMUM OF THE ANNUAL PAY RANGE ON A SPECIALTY OR FACILITY-SPECIFIC BASIS

1. GENERAL.

   a. In accordance with VA Handbook 5007, Part IX, paragraph 14, the annual pay for a physician, dentist [or podiatrist] may not exceed the maximum amount in the nationwide pay range prescribed by the Secretary for a specialty or assignment.

   b. It is expected that the maximum amount in the nationwide pay range will meet most pay and staffing needs. However, an exception to the maximum may be granted on an individual, specialty or assignment, and/or facility-specific basis if such action is necessary to recruit or retain well qualified physicians, dentists [and podiatrists].

   c. This part sets forth procedures regarding specialty or assignment and/or facility-specific exceptions. See paragraph 14d of part IX for instructions for requesting exceptions to the pay range on an individual basis.

   d. Exceptions to the maximum amount in the nationwide pay range will only be considered if failure to approve the exception would significantly impair a facility's ability to recruit and retain well qualified physicians, dentists [and podiatrists].

   e. Exceptions to the maximum amount of a nationwide pay range are not required for physicians, dentists [or podiatrists] who will exceed the pay range due to a longevity step increase or a statutory general increase in pay.

2. FACILITY DIRECTOR OR REQUESTING OFFICIAL RESPONSIBILITIES.

   a. Identifying the need for and requesting exceptions;

   b. Reducing or canceling previously approved exceptions when they determine the exceptions are no longer warranted, and notifying VHA's Management Support Office through the appropriate VISN Director (10N__/10A2) of the reasons for reduction or cancellation; and

   c. Coordinating requests for specialty/assignment and/or facility-specific exceptions and decisions to reduce or cancel previously approved exceptions with VA facilities located in the same labor market.

3. CRITERIA FOR APPROVAL. Each facility submitting a request for an exception to the maximum in the pay range on a specialty or assignment, and/or facility-specific basis must demonstrate that a higher maximum is necessary to maintain adequate staffing. Factors to consider include:
a. Higher Maximum Rates

(1) There is evidence or anecdotal information that the maximum rates in the community are higher than VA’s maximum rate for the specialty or assignment. However, higher rates in the community may not be the sole basis for making a request for an exception to the maximum of the market pay range; and
(2) Employees are quitting for pay and the potential exists for an adverse impact on patient care;

b. **Quality of Candidates.** Historical evidence indicates that the quality of or a lack of candidates is unacceptable because of higher pay rates being offered in the labor market for the assignment or specialty. Documentation of specific recruitment efforts must be provided to support this factor;

c. **Alternative Job Offers.** There is evidence that applicants and employees are being offered higher rates of pay for the same assignment or specialty in the labor market; and

d. **Other Criteria.** The facility may submit any evidence of pay-related staffing problems which seriously hamper or have the potential to seriously hamper its ability to recruit and retain physicians, dentists [and podiatrists] in the specialty or assignment.

4. **REQUESTING EXCEPTIONS.**

a. Requests for exceptions to the maximum of the nationwide pay range [ ] will be sent to the appropriate Network Director for approval.

[b.] All requests shall include the following:

1. The specialty or assignment for which the exception is requested;

2. The amount of maximum pay requested;

3. The reasons for the request, including documentation specific to the criteria in paragraph 3; and

4. Any other pertinent information.

5. **EFFECTING EXCEPTIONS.** When an exception is approved, employees in the assignment or specialty may be referred [ ] [for a market pay review] as deemed necessary by an appropriate management official.

6. **REDUCTION OR CANCELLATION OF EXCEPTIONS TO THE MAXIMUM IN THE NATIONWIDE PAY RANGE.**

a. When an exception under this appendix is reduced or canceled, current employees will retain their rate of pay.

b. Facility Directors will report any reductions or cancellations of previously
approved exceptions to the appropriate Network Director (10N__/10A2).