

PAY ADMINISTRATION

1. **REASON FOR ISSUE.** To revise Department of Veterans Affairs (VA) policy regarding Recruitment, Relocation and Retention Incentives (3R's).
2. **SUMMARY OF CONTENTS/MAJOR CHANGES.** This appendix outlines policy regulations resulting from the Schedule Policy/Career changes, as well as updates to the 3R's incentives. These updates are made in accordance with [5 U.S.C. §§ 5753-5754](#) and [5 C.F.R. part 575, subparts A-C](#). This appendix also simplifies and streamlines the existing policy.
3. **RESPONSIBLE OFFICE.** Office of Human Resources and Administration (HRA) (006), Office of the Chief Human Capital Officer (OCHCO) (05), Compensation and Classification Service (CCS) (055).
4. **RELATED DIRECTIVE.** VA Directive 5007.
5. **RESCISSION(S).** Appendix N replaces [VA Handbook 5007, Part VI](#), Chapter 2, Chapter 3, and Chapter 4.

BY DIRECTION OF THE SECRETARY OF VETERANS AFFAIRS:

/s/
Mark R. Engelbaum
Assistant Secretary for
Human Resources and Administration

DISTRIBUTION: Electronic Only

APPENDIX N. Recruitment, Relocation and Retention Incentives (3R's)

1. PURPOSE AND AUTHORITY.

- a. This policy establishes procedures and provides guidelines using recruitment, relocation, and retention incentives (hereinafter referred to collectively as 3Rs).
- b. Incentives are authorized under [5 U.S.C §§ 5753-5754](#), and are governed by [5 C.F.R. part 575 \(subparts A-C\)](#), as implemented in this chapter. Incentives to title 38 employees are authorized under [38 U.S.C. § 7410\(a\)](#) in a consistent manner.

****Note:** *This policy should be read in conjunction with statute and regulations, as well as guidance from the Office of Personnel Management (OPM).*

2. SCOPE.

- a. Subject to employment status and eligibility requirements, incentives may be offered to employees in the following positions or appointments:
 - (1) Title 5 and Hybrid Title 38 Positions:
 - (a) General Schedule (GS) positions paid under [5 U.S.C. § 5332](#), including hybrid positions listed under [38 U.S.C. § 7401\(3\)](#);
 - (b) General Schedule (GS) positions, to include hybrid positions, paid under special salary authorities in [5 U.S.C. § 5305](#) or [38 U.S.C. § 7455](#);
 - (c) Law enforcement officer positions as defined in [5 C.F.R. § 550.103](#); and
 - (d) Federal Wage System positions.
 - (2) Title 38 Positions:
 - (a) Physicians, dentists, podiatrists, optometrists, chiropractors, registered nurses, physician assistants, and expanded-function (or dental) auxiliaries as defined in [38 U.S.C. § 7401\(1\)](#).

****Note:** *The policy for 3R incentives for SES, EQV, SL, and ST positions is outlined in VA Handbook 5027, Senior Executive Service. Employees in the Veterans Canteen Service (VCS) appointed under 38 U.S.C. Chapter 78 are excluded from the provisions of this chapter but are covered under the provisions of [VCS Directives and Standard Operating Procedures Human Resources](#).*

- b. Excluded positions for recruitment, relocation, and retention incentives include the following:
 - (1) Experts or consultants;
 - (2) Without compensation or fee basis appointees;
 - (3) Schedule Policy/Career;
 - (4) Residencies and Internships appointed under [38 U.S.C. § 7406](#); and
 - (5) Employees with VA scholarship obligations.

3. RESPONSIBILITIES.

- a. The Assistant Secretary for Human Resources and Administration (ASHRA) is responsible for approving an annual report on 3R incentives (referred to as the Annual 3Rs Report) for distribution to Under Secretaries, Assistant Secretaries, and Other Key Officials.
- b. OCHCO CCS is responsible for advising management officials on the policies and procedures contained within this Appendix, conducting oversight reviews to ensure compliance, and coordinating quarterly monitoring and annual reporting activities. To support these responsibilities, OCHCO CCS will coordinate with Center for Enterprise Human Resources Information Services (CEHRIS) to extract incentive data and will coordinate with servicing HR Offices to verify data accuracy and collect authorizations and documents required for analysis.
- c. Under Secretaries, Assistant Secretaries, other Key Officials, Deputy Assistant Secretaries, Facility Directors, and Veterans Benefits Administration and National Cemetery Administration equivalents are responsible for administering 3Rs in a manner that is both prudent and fiscally responsible. They must also ensure that incentives fully comply with the criteria and procedures established within this policy.
- d. Servicing HR offices are responsible for advising management officials on policy provisions and technical requirements; conducting technical reviews and concurring on justifications and authorizations before advertising incentives or onboarding employees; maintaining documentation sufficient for case reconstruction and preparing required reports; verifying service obligations, and notifying requesting officials if obligations are not met. Appropriate oversight must be established to ensure full compliance with VA policy and all applicable regulations.
- e. Supervisory officials must ensure that all incentive recipients maintain a rating of at least “Fully Successful” or equivalent. If a recipient’s rating falls below this standard, the servicing HR office must be contacted immediately to coordinate termination of the incentive. Additionally, supervisory officials are responsible for

ensuring that all required documentation for incentives is properly completed, approved, and submitted to the servicing HR office.

4. **DELEGATION OF AUTHORITY.** An approving official must be designated in accordance with the current Delegation of Authority (DOA) issued under [the Sergeant First Class Heath Robinson Honoring Our Promise to Address Comprehensive Toxics \(PACT Act\) of 2022 \(P.L. 117-168\)](#), as outlined in [38 U.S.C. § 706\(a\)\(b\)](#). This temporary DOA, effective through September 30, 2027, authorizes specific VA officials to fulfill these responsibilities and must be used for all 3R actions during its effective period. This temporary DOA is available on the [VA DOA Publications](#) site listed as DOA PACT Act Retention, Recruiting, and Relocation under document number 06212023. Redelegations are permitted only in accordance with Paragraph 5. For all 3R actions, the recommending official must be at least one level below the approving official. The approving official is at least one level higher than the employee's supervisor, unless there is no official at a higher level.
5. **RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES FOR SCHEDULE POLICY/CAREER EMPLOYEES.**
 - a. VA may continue to pay employees in Schedule Policy/Career any outstanding recruitment, relocation, or retention incentives under the terms of an applicable service agreement established prior to the employee's position moving into Schedule Policy/Career. Such employees are required to fulfill their agreed upon service period under the terms of an applicable service agreement.
 - b. Authorized agency officials may terminate a recruitment or relocation incentive service agreement for an employee whose position is moved into Schedule Policy/Career consistent with OPM regulations at [5 C.F.R. §§ 575.111\(a\)](#) or [575.211\(a\)](#).
 - c. VA may not approve new recruitment, relocation, or retention incentive authorizations or service agreements for employees appointed or moved into Schedule Policy/Career.
 - d. VA may continue to pay retention incentives without a service agreement to employees whose positions are moved into Schedule Policy/Career, provided that the authorized agency official determines that the payment otherwise continues to be warranted in consideration of the factors set forth in [5 C.F.R. § 575.311\(f\)](#).
6. **PROCEDURES FOR INTERNAL MONITORING, COMPLIANCE, AND ANNUAL CERTIFICATION.**
 - a. All VA officials, offices, and employees covered by this policy must comply with the criteria, procedures, and documentation requirements it establishes. Noncompliance may result in disallowance of incentives, recovery of funds, or other administrative actions as permitted by law and VA regulations. This policy

is issued under applicable federal statutes and OPM regulations, and governs the oversight and administration of recruitment, relocation, and retention incentives across VA offices and includes the following activities:

- (1) Quarterly Monitoring: OCHCO CCS reviews and analyzes incentive data to identify trends to ensure compliance.
 - (2) Annual Reporting: A consolidated 3Rs report is submitted to senior leadership to assess organization wide incentive use.
 - (3) Annual Certification: Leadership verifies the accuracy, appropriateness, and policy alignment of all incentives issued.
- b. OCHCO CCS prepares an annual 3Rs report and submits it to ASHRA by the second quarter of the fiscal year. The report is distributed to Under Secretaries, Assistant Secretaries, and other Key Officials and includes incentives data for each Administration and Staff Office to support the review of usage trends.
- c. Each Administration, Staff Office, and other Key Officials must complete an annual certification attesting to the strategic and prudent use of incentives. The certification requires reviewing the Annual 3Rs Report for accuracy, validating organizational data, outlining workforce and succession planning efforts to reduce reliance on incentives, and certifying compliance with VA policy, including initiating debt collection for unfulfilled service obligations and conducting technical reviews of debt waiver requests due to breach of service obligations. Certifications must be signed by the Under Secretary, Assistant Secretary, or other Key Officials and cannot be delegated. Completed certifications must be submitted to the Chief Human Capital Officer (05) by the end of the third quarter. Additionally, OCHCO Oversight and Effectiveness Service (054) will assess internal activities through on-site and virtual evaluations.

7. **RATE OF BASIC PAY.** For the purpose of calculating an incentive, an employee's rate of basic pay includes pharmacy and/or nurse executive special pay, a special rate under [5 C.F.R. part 530, subpart C](#), a locality payment under [5 C.F.R. part 531, subpart F](#), or similar payment under other legal authority, but excludes additional pay of any other kind. For title 38 employees paid under [38 U.S.C. § 7431](#) (i.e., physicians, dentists, podiatrists, optometrists) basic pay includes base pay and market pay. An incentive is not part of an employee's rate of basic pay for any purpose.
8. **AGGREGATE PAY LIMIT.** Total compensation must comply with applicable aggregate pay limits and must be considered when determining the incentive amount. The maximum total compensation an employee may receive in a calendar year, including basic pay and title 5 incentives, is defined by law ([5 C.F.R. § 530.202](#)). For most General Schedule (GS) employees, including hybrid title 5 employees, this limit equals Level I of the Executive Schedule in effect at the end of the applicable calendar year. Incentive payments made under [38 U.S.C. § 7410\(a\)](#) are excluded from aggregate pay limitations.
9. **RECRUITMENT INCENTIVES.**
 - a. Recruitment incentives may be paid to newly appointed employees, or an appointment of a former Federal employee following a 90-day break in service (unless excepted under 5 C.F.R. part 575.102). These incentives are authorized under 5 U.S.C. § 5753, and governed by 5 C.F.R. part 575, subpart A and this Appendix. Eligible and ineligible employee categories are specified in 5 C.F.R. §§ 575.103–575.104, including the exclusion of employees currently serving under a VA scholarship obligation. Recruitment incentives to title 38 employees are authorized under 38 U.S.C. § 7410(a) in a consistent manner.
 - b. Approvals: Recruitment incentives must be approved by an official designated as described under this appendix, section 4. Approval must be documented on [VA Form 10016](#) before the incentive is listed on a vacancy announcement, unless the position is covered by an OPM approved direct-hire authority under [5 C.F.R. part 337, subpart B](#). In limited circumstances when a highly qualified candidate is reachable through a noncompetitive hiring authority, a recruitment incentive may be offered without posting a vacancy announcement. Section A of [VA Form 10016](#) must be completed before extending a job offer, and Section B must be completed before the employee enters on duty. Retroactive approvals are prohibited under [5 C.F.R. § 575.108\(b\)](#).
 - c. Approval Criteria: Documentation in writing for the basis for determining that a position is likely difficult to fill considering the factors in [5 C.F.R. § 575.106\(b\)](#), justify the incentive, explain the amount, timing (e.g., lump sum), and service period. It must also state why the candidate would likely not accept the position without the incentive.

- d. **Payment:** The incentive must be the minimum amount necessary to secure the candidate and must meet the factors as outlined in [5 C.F.R. § 575.109](#). The amount may not exceed 25% of the employee's annual rate of basic pay at the start of the service period, multiplied by the number of years in the service agreement (up to 4 years). Incentives may be paid as an initial lump sum at the beginning of the service period, as equal biweekly payments each pay period, in up to four equal installments per year, as a final lump sum upon completion of the service agreement, or through a combination of these methods.
- e. **Waiver Authority:** When a critical need exists, the authorizing agency official may approve incentives up to 50% of an employee's annual basic pay per year of service, not to exceed 100% of annual basic pay at the beginning of the service period. Waiver determinations must document that the competencies required for the position are essential to the successful accomplishment of an important agency mission, project, or initiative, as outlined in [5 C.F.R. § 575.109 \(c\)\(1\)\(2\)](#). Waiver requests should be submitted and considered at the same time as the recruitment incentive request, which is typically during the vacancy request for hire. If PACT authority is being used, then the PACT Act guidelines must be followed instead of the rules in this section.
- f. **Service Agreement:** A recruitment incentive service agreement may not be initiated if the employee is currently serving a service period under a relocation or retention incentive agreement. Before the effective date of the service obligation period and payment, the employee must sign a written agreement with the requirements outlined in [5 C.F.R. § 575.110](#). The agreement must be filed, along with the VA Form 10016 and written justification, in the employees' Electronic Official Personnel Folder (eOPF) and maintained per record retention requirements.
- g. **Termination of Service Agreements:** VA must notify an employee in writing when terminating a service agreement. Termination of a service agreement cannot be grieved or appealed ([5 C.F.R. § 575.111\(c\)](#)).
 - (1) **Discretionary termination:** VA may terminate an agreement for management needs (e.g., reduction in force, insufficient funds, reassignment). The employee retains payments for completed service and any portion already received for uncompleted service.
 - (2) **Mandatory termination:** VA must terminate the agreement if the employee is demoted or separated for cause, receives a rating below "Fully Successful," or equivalent, or fails to meet the agreement terms. The employee retains payments for completed service but must repay any excess. VA will recover amounts owed under debt collection procedures ([5 C.F.R. § 575.111\(g\)](#)). If termination occurs due to material false or inaccurate statements, deception or fraud in examination or appointment, or failure to meet employment qualifications, the employee is required to

repay the full amount of all recruitment incentive payments received under the agreement (5 C.F.R. § 575.111(j)).

- h. Group Recruitment Incentives: VA may authorize a recruitment incentive for a narrowly defined group of employees when the group has unusually high or unique qualifications or VA has a special need for their services, and these positions would likely be difficult to fill without such incentives. When targeting a group of positions, it must clearly define the group based on factors as outlined in [5 C.F.R. § 575.106\(b\)](#) such as occupational series, grade level, specific job duties, required competencies, or geographic location. No recruitment incentive service agreement may be initiated during an employee's existing service period under relocation or retention incentive agreements.

10. RELOCATION INCENTIVES:

- a. Relocation incentives may be paid to a current VA employee who must relocate to accept a position or reassignment in a different geographic area, generally at least 50 miles from the employee's current duty station. The relocation may be permanent or temporary; however, any temporary relocation must last a minimum of 120 days. A relocation incentive may only be paid to an employee with a performance rating of "Fully Successful" or equivalent. Prior to receiving payment, employees must establish a residence in the new duty location, submit a written self-certification of their new address to the servicing HR office, and maintain that residence for the duration of the service agreement. These incentives are authorized under [5 U.S.C. § 5753](#), and governed by [5 C.F.R. part 575, subpart B](#), and this appendix. Eligible and ineligible categories are listed in [5 C.F.R. §§ 575.203–575.204](#). Incentives to title 38 employees are authorized under [38 U.S.C. § 7410\(a\)](#) in a consistent manner.
- b. Employees are ineligible for a relocation incentive if they are currently covered by a recruitment or relocation service agreement, fail to maintain residency in the new geographic area, or do not meet the required performance rating.
- c. Approvals: Relocation incentives must be approved by an official designated, as described under this appendix, section 4. Approval must be documented on [VA Form 10016](#) before advertising the incentive or before the employee enters on duty in the position to which relocated. Approval must be granted before the incentive is listed on a vacancy announcement, unless the position is covered by an OPM approved direct-hire authority under [5 C.F.R. part 337, subpart B](#). In limited circumstances when a highly qualified candidate is reachable through a noncompetitive hiring authority, a relocation incentive may be offered without posting a vacancy announcement. Section A of VA Form 10016 must be completed before extending a job offer, and Section B must be completed before the employee enters on duty. Retroactive approvals are prohibited under [5 C.F.R. § 575.208\(a\)](#).

- d. Approval Criteria: Documentation in writing must show why the position is hard to fill per [5 C.F.R. § 575.206\(b\)](#), justify the incentive, explain the amount, timing (e.g., lump sum), and service period. It must also state why the candidate would likely not accept the position without the incentive.
- e. Payment: The incentive must be the minimum necessary and must meet the factors as outlined in [5 C.F.R. § 575.209\(b\)](#). The amount may not exceed 25% of the employee's annual rate of basic pay at the start of the service period, multiplied by the number of years in the service agreement (up to 4 years). Incentives may be paid as an initial lump sum at the beginning of the service period, as equal biweekly payments each pay period, in up to four installments per year, as a final lump sum upon completion of the service agreement, or through a combination of these methods.
- f. Waiver Authority: Agencies may approve incentives of up to 50% of an employee's annual basic pay per year of service, not to exceed 100% of annual basic pay at the beginning of the service period, when a critical agency need exists. Waiver determinations must document that the competencies required for the position are essential to the successful accomplishment of an important agency mission, project, or initiative, as outlined in [5 C.F.R. § 575.209 \(c\)\(1\)\(2\)](#). Waiver requests should be submitted and considered at the same time as the incentive request, which is typically during the vacancy request for hire.
- g. Service Agreement: Before the effective date of the service obligation period and payment, the employee must sign a written agreement meeting the requirements as listed in [5 C.F.R. § 575.210](#). The agreement must be filed, along with VA Form 10016 and written justification, in the employee's Electronic Official Personnel Folder (eOPF) and maintained per record retention requirements.
- h. Termination of Service Agreements: VA must notify an employee in writing when terminating a service agreement. Termination of a service agreement cannot be grieved or appealed ([5 C.F.R. § 575.211\(c\)](#)).
 - (1) Discretionary termination: VA may terminate an agreement for management needs (e.g., reduction in force, insufficient funds, reassignment). The employee retains payments for completed service and any portion already received for uncompleted service.
 - (2) Mandatory termination: VA must terminate the agreement if the employee is demoted or separated for cause, receives a rating below "Fully Successful," or equivalent, or fails to meet the agreement terms. The employee retains payments for completed service but must repay any excess. VA will recover amounts subject to debt collection procedures ([5 C.F.R. § 575.211\(g\)](#)).

11. RETENTION INCENTIVES.

- a. A retention incentive may be paid to a current VA employee who occupies a position critical to the VA mission when it is determined that the employee possesses unusually high or unique qualifications, or when there is a special need for the employee's services that makes their retention essential. Except in limited circumstances described below, VA may authorize a retention incentive only if it is determined that the employee is likely to leave Federal service without the incentive. To qualify, an employee must have a performance rating of at least "Fully Successful" or equivalent. An individual or group retention incentive may be authorized after the employee has served 90 calendar days in a position authorized for the incentive. Service in related positions within the same occupational series may be combined to meet the 90-day requirement. The 90-day eligibility is based by the defined coverage as listed on VA Form 10017. Retention incentives are authorized under 5 U.S.C. § 5754, and governed by 5 C.F.R. part 575, subpart C, and this appendix. Incentives to title 38 employees are authorized under 38 U.S.C. § 7410(a) in a consistent manner. Eligible and ineligible categories are specified in 5 C.F.R. §§ 575.303–575.304.
- b. Under the limited circumstances described in 5 C.F.R. § 575.314, the VA may also authorize a retention incentive when it is critical to retain the employee during a period before the closure or relocation of an office, facility, activity, or organization, especially if the employee would likely leave for another Federal position in the absence of the incentive.
- c. Annual Certification. The authorized approving official must conduct a yearly review of any retention incentive approved for a period longer than 1 year and provide written certification that the incentive remains justified. If the required review and certification are not completed, the servicing HR office will automatically terminate the incentive. Once terminated, a retention incentive cannot be reinstated or retroactively reapproved.
- d. Employees are ineligible for a retention incentive if they do not meet the required performance rating, have received a recruitment or relocation incentive for the associated service period, or have previously received a retention incentive and have not fulfilled the associated service agreement.
- e. Approvals: Retention incentives must be approved by an official designated, as described under this appendix, section 4. Approval must be documented on VA Form 10017. Approvals may not be made on a retroactive basis.
- f. Approval Criteria: Approving officials must consider the factors as applicable consistent with 5 C.F.R. § 575.306(b). Factors must be documented in writing on VA form 10017. Requesting officials must certify and provide a written narrative that they are reasonably convinced an employee or group of employees are likely to leave Federal service in the absence of an incentive. The justification

must include evidence of the employee's intent to leave, such as documented job offer, communication regarding job interviews, or plan to retire.

- g. **Succession Plans:** The approving official must maintain an effective succession plan to reduce or eliminate reliance on retention incentives. Plans must address the availability of qualified candidates and strategies for recruitment, training, and workflow adjustments.
- h. **Payment:** The incentive must be the minimum necessary to retain the employee. Incentive rates for an individual employee may not exceed 25% of their annual rate of basic pay during the service period. For a group or category of employees, the retention incentive may not exceed 10% of the employee's rate of basic pay. Retention incentives may be paid as equal biweekly payments, in up to four equal installments per year, or as a final lump sum upon completion of the service agreement. Payments cannot be made prior to completion of the specified service period of service. For more information on retention incentive installments, see 5 C.F.R. § 575.309.
- i. **Waiver Authority:** Title 5 incentives for individual employees that exceed 25% (up to 50%), and incentives for groups or categories of employees that exceed 10% (up to 50%), must be approved by OPM based on a critical agency need. Documentation supporting the employee's unique qualifications and the position's importance to the agency's mission, as required under 5 C.F.R. § 575.311(e), must be submitted. The Under Secretary for Health may approve critical need waivers for title 38 employees under 38 U.S.C. § 7410(a), subject to the same documentation requirements. A signed service agreement is required for any incentive authorized under a waiver.
- j. **Service Agreements:** Before the effective date of the service obligation period and payment, the employee must sign a written agreement with the requirements listed in 5 C.F.R. § 575.310. The agreement must be filed, along with the completed VA Form 10017 and written justification, in the employee's eOPF and maintained per record retention requirements. A written agreement is not required if the incentive is paid in biweekly installments at the full authorized percentage rate. However, a signed service agreement is required for any incentive authorized a higher rate as a result of an approved waiver (5 C.F.R. § 575.309(e)(4)).
- k. **Statement of Understanding (SOU):** An SOU is required for all employees authorized to receive an individual retention incentive, or a group retention incentive paid at the authorized percentage on a biweekly basis. The SOU must include the employee's position title, occupation, series, grade, step, authorized percentage, and a statement confirming that the payments will be made biweekly at the authorized percentage rate, based on regular hours worked and the employee's rate of pay. It must specify that the incentive will not be paid for overtime or non-pay periods and may be terminated or reduced at any time based on Department needs. The SOU must also state that termination will

occur if the employee's rating of record falls below "Fully Successful" or equivalent, or if the incentive is not reviewed and recertified annually. It should note that termination or reduction is not considered an adverse action and may not be grieved. The SOU must be signed by both the employee and requesting official and it must be attached to the authorization submitted for approval.

- I. Termination of Retention Incentives: VA must notify an employee in writing when terminating a service agreement. Termination of a service agreement cannot be grieved or appealed (5 C.F.R. § 575.311(g)).
 - (1) Discretionary Termination: VA may terminate a retention incentive based solely on management needs, even if original conditions still exist. For example, VA may terminate a service agreement when there are insufficient funds to continue the planned retention incentive payments (see [5 C.F.R. § 575.311\(a\)](#)).
 - (2) (2) Mandatory Termination: VA must terminate if the employee is demoted or separated for cause, receives a rating below "Fully Successful," or otherwise fails to fulfill the terms such as leaves the position for which the incentive was approved ([5 C.F.R. § 575.311\(b\)](#)). When terminated, the employee may keep payments for completed service but is not entitled to additional amounts unless specified in the agreement.
- m. Group Retention Incentives: VA may authorize a retention incentive for a narrowly defined group or category of employees when the group has unusually high or unique qualifications or VA has a special need for their services, and there is a high risk that a significant number would leave without the incentive. The targeted category must be defined using factors as outlined in 5 C.F.R. § 575.306(c). In addition to the factors, requests to pay group retention incentives must clearly and narrowly define the targeted group or category of employees and address the occupational series, grade levels, and distinctive job duties. Group retention incentives may not exceed 10% of each employee's annual rate of basic pay unless an approved waiver authorizes a higher amount, as described in section h of this subpart.

12. TEMPORARY AUTHORITY.

- a. Under [Section 909](#) of the PACT Act, VA may authorize recruitment, relocation, and retention incentives to address critical staffing needs. These authorities, codified at [38 U.S.C. § 706\(a\) and \(b\)](#), permit incentives up to 50% of an employee's basic pay at the start of the service period multiplied by the years in the service agreement (not to exceed 4 years), with a cap of 100% of the initial annual rate of basic pay. Retention incentives may be paid as a lump sum at the beginning of the service period. Delegation of this authority is outlined under this appendix, section 4.

- b. Termination of Service Agreements under PACT Act Temporary Authority. VA must notify an employee in writing when terminating a service agreement. Termination of a service agreement cannot be grieved or appealed.
 - (1) Discretionary termination: VA may terminate an agreement for management needs (e.g., reduction in force, insufficient funds, reassignment). The employee retains all payments for completed service and any portion already received for uncompleted service.
 - (2) Mandatory termination: VA must terminate the agreement if the employee is demoted or separated for cause, receives a rating below “Fully Successful,” or equivalent, or fails to meet the agreement terms. The employee retains payments for completed service but must repay any excess. VA will recover amounts owed under debt collection regulations.

13. REFERENCES.

- a. [5 U.S.C. § 5753](#) – Recruitment and Relocation Incentives
- b. [5 U.S.C § 5754](#) – Retention Incentives
- c. [38 U.S.C. § 7410\(a\)](#) – Incentive Authority to Title 38 Employees
- d. [38 U.S.C. § 7405\(a\)\(1\)\(A\) or \(B\)](#) – Appointment Authorities
- e. [5 C.F.R. Part 575 \(Subparts A–C\)](#) – Regulations Governing Recruitment, Relocation, and Retention Incentives
- f. [5 U.S.C. § 5307](#) – Limitations on Certain Payments
- g. [5 C.F.R. Part 530 Subpart B](#) – Aggregate Limitation on Pay
- h. [VA Delegation of Authority \(DOA\) Publications](#) – Approval Authorities for Incentives
- i. [VA Form 10016](#) – Recruitment/Relocation Incentive Documentation
- j. [VA Form 10017](#) – Retention Incentive Documentation
- k. [38 U.S.C. § 706](#) – PACT Act Additional Authority relating to recruitment and retention of Personnel
- l. [OPM Fact Sheet on Recruitment Incentives](#)
- m. [OPM Fact Sheet on Relocation Incentives](#)
- n. [OPM Fact Sheet on Retention Incentives \(likely to leave the Federal service\)](#)

- o. [OPM Fact Sheet on Group Retention Incentives \(likely to leave the Federal service\)](#)
 - p. [OPM Frequently Asked Questions and Answers about the 3Rs](#)
14. **POINTS OF CONTACT.** Policy Questions: Compensation and Classification Service: (ochcocompandclasssvc@va.gov)