

CHAPTER 9

PAY ADMINISTRATION

9-1. General.

a. Pay setting directives are found in Chapter 53 of 5 U.S.C., 5 CFR 531, and 5 CFR 532. In accordance with these directives, maximum and minimum pay rates are prescribed and published by the Office of Personnel Management (OPM) for General Schedule (GS) positions. Also, OPM has established special salary rates for recruitment and retention purposes in a particular area or location. The DOD Wage Fixing Division prescribes and publishes maximum and minimum pay rates for Federal Wage System (FWS) positions. There are five primary pay-setting rules that govern how pay is set. These five rules are:

- (1) Pay is set using the pay-setting directives of the pay system the employee is moving to.
- (2) Pay is set using the pay-setting directives for the action that is taking place.
- (3) Pay cannot be set at a rate below the first step or the lowest rate of a grade.
- (4) Pay cannot be set above the top step or highest rate of a grade unless authorized under grade and pay retention regulations.
- (5) Pay on simultaneous actions is generally set in the order that gives the employee the maximum benefit.

b. An initial appointment is the first appointment an employee receives in Federal Service, regardless of the tenure of the appointment or the pay system under which the employee's pay is set. All initial appointments to GS or FWS positions are normally made at the minimum step of the grade, unless the Human Resources Office approves a higher step based on superior qualifications.

c. An employee's rate of pay will be determined by the Human Resources Office and no other official has the authority to promise a technician any specific rate of pay.

d. All GS pay administration is conducted on the GS locality table, unless otherwise stated.

MAXIMUM PAYABLE RATE/HIGHEST PREVIOUS RATE POLICY

9-2. **General.** The use of maximum payable rate (MPR) and highest previous rate (HPR) is authorized by 5 U.S.C. 5334, 5 CFR 531, Subpart B, and 5 CFR 532, Subpart D. MPR and HPR are discretionary tools used for pay setting purposes. Because the use of MPR/HPR is discretionary, the National Guard Bureau has delegated authority to each state to establish their own MPR/HPR policy.

9-3. **Definitions.**

a. Maximum Payable Rate (MPR) - is the highest actual dollar amount or step value at which an employee's pay can be set. The MPR is computed based on the employee's HPR (determined by aging the HPR). MPR may be more or less than HPR.

b. Highest Previous Rate (HPR) - the highest actual rate of basic pay previously received by an individual while employed in a position in a branch of the Federal Government without regard to whether the position was subject to the General Schedule. For HPR to be used, it must meet the criteria stated in paragraph 9-4.

9-4. **Policy.** The following maximum payable rate (MPR)/highest previous rate (HPR) rules will be used in determining an employee's rate of basic pay upon new appointment, reinstatement/reemployment, conversion, reassignment, and in some cases, promotion and change to lower grade. However, if an employee is entitled to a higher rate under the mandatory promotion provisions of 5 U.S.C. 5334 (b) and 5 CFR 532, or the grade and pay retention provisions of 5 CFR 536, MPR/HPR rules will not apply.

a. Pay will be set at the MPR, unless otherwise stated in this policy. MPR cannot exceed the highest step for the grade of new position. If HPR falls between two steps, MPR will be the higher step.

b. HPR must be based on a regular tour of duty, full-time or part-time. In addition, the HPR must have been earned under a permanent or indefinite appointment. HPR cannot be earned on a temporary appointment with time limitations.

c. New Appointment and Reinstatement/Reemployment - For permanent, career, and career-conditional appointments, HPR will apply if there has been no service break in excess of 5 years. When HPR was earned in an agency outside the DOD, individual must employ to a position within the same occupational series to receive HPR. For indefinite appointments HPR will apply if there has been no service break in excess of 1 year and returning to a position in the same occupational series.

d. Conversion - HPR will apply to conversion actions following HPR rules for the resulting personnel action i.e. reassignment or change to lower grade.

e. Reassignment - HPR will apply to reassignment actions regardless of any change in occupational series.

f. Change to Lower Grade - When the provisions of pay/grade retention do not apply, both voluntary changes to lower grade for an employee's personal convenience or benefit, and involuntary changes to lower grade as a result of employee's misconduct, work performance, etc., pay will be set at a rate not to exceed the employee's current rate of pay (if current rate falls between two steps, pay will be set at the lower step). Responses to Technician Vacancy Announcements are considered voluntary for purposes of this policy.

g. HPR must not be based on a rate received as an expert or consultant.

h. HPR must not be based on a rate received in a position to which the employee was temporarily

promoted for less than 1 year, except when the employee is permanently placed in a position at the same or higher grade.

i. HPR must not be based on a rate received in a position from which the employee was reassigned or reduced in grade for failure to satisfactorily complete a supervisory or managerial probationary period.

j. HPR must not be based on rate received under an invalid appointment or a rate otherwise contrary to applicable law or regulation.

k. HPR must not be based on a rate received by an employee of the District of Columbia government who was first employed by that government on or after 1 October 1987.

l. HPR must not be based on a rate received solely during a period of interim relief under 5 U.S.C. 7701(b)(2)(A).

m. HPR must not be based on a special rate established under 5 U.S.C. 5303 and 5 CFR 530 or other legal authority, unless in a reassignment to another position in the same agency in which, (1) the special salary rate of pay is the employee's current rate of basic pay; and (2) an agency official documents that the employee's contribution to the program of the agency will be greater in the position to which the employee is being reassigned.

Note: There is no comparable provision under the Federal Wage System. An FWS employee's HPR shall be based on the grade and step on the regular wage schedule corresponding to his/her grade and step on the special wage schedule.

n. In the case of an employee who has received or is receiving a special rate established under 5 U.S.C. 5303 and 5 CFR 530 or other legal authority, who is placed in a position in which a special rate does not apply; and for whom the special rate is not used as the HPR under paragraph 9-4 (m); the HPR may be based on the rate of basic pay for the step (or relative position) in the regular rate range that corresponds to the employee's existing step (or relative position) in the special rate range for the employee's current grade or pay level.

o. When a HPR was earned under the FWS pay system, an employee's HPR shall be the greater of: (1) the current rate for the grade and step of the former job under the same wage schedule in the wage area of the current job, or (2) the actual earned rate.

p. When a HPR was earned under the GS pay system or another pay system other than the FWS pay system, HPR is the current rate for the same grade and rate of that former schedule.

q. MPR/HPR rules concerning employees under a GM pay system are outlined in 5 CFR 531.203 (c) (2).

GRADE AND PAY RETENTION

9-5. General. Grade and pay retention regulations are found in 5 U.S.C. 5361-5366 and 5 CFR 536. Grade and pay retention provisions are designed to minimize the economic loss an employee may suffer as a result of a change to lower grade.

9-6. Grade Retention - Eligibility.

a. **Mandatory Grade Retention** - Grade retention is mandatory for employees who meet all three of the requirements listed below.

(1) The employee must be serving under a permanent appointment (not temporary, term or indefinite).

(2) The employee must have been placed in a position under the General Schedule or a prevailing wage system such as the Federal Wage System.

(3) The employee must have been placed in a lower graded position because of one of the following reasons:

- Reduction in Force (RIF) - The employee must have served for at least 52 consecutive weeks at a grade or grades higher than that of the position in which placed by RIF.

- Position is reclassified to a lower grade - The position must have been continuously classified at the higher grade for at least 1 year immediately before the employee is placed in the lower graded position. The length of time the employee served in the position does not matter.

b. **Optional Grade Retention** - The head of the agency may offer grade retention to employees who are or might be reduced in grade as the result of a reorganization or reclassification decision announced by management in writing. Employee must meet eligibility requirements.

9-7. Grade Retention - Entitlement.

a. An employee entitled to grade retention gets to keep (retain) the grade of former position for a maximum of 2 years, effective on the date placed in the lower graded position. An employee's pay does not change because the employee is placed on grade retention. The employee's pay on grade retention does not change even though there may be a rate in the lower grade that is higher than the pay the employee is receiving under grade retention.

b. An employee receiving grade retention gets within-grade increases and 100 percent of any general increases in pay such as nationwide or locality pay adjustments for the retained grade.

c. Employees entitled to grade retention are placed on a priority placement roster and are given priority consideration for vacancies at their retained grade, for which qualified, and within their commuting area.

9-8. Grade Retention - Termination. Grade Retention terminates when one of the following conditions exist:

a. Break in service of 1 workday or more.

b. Change to lower grade at the employee's request or where the employee is at fault.

c. Promotion to grades that are the same grade or higher grades than the employee's retained grade.

d. Declination of a reasonable offer of a position at grades equal to or higher than the employee's retained grade.

- e. Written request by employee for termination of grade retention entitlement.
- f. Completion of the 2 year grade retention period.

9-9. Pay Retention - Eligibility.

- a. Mandatory Pay Retention - Pay retention is mandatory to employees in the following situations:
 - (1) Employees whose 2 year grade retention period ends.
 - (2) Employees affected by RIF or reclassification but who do not meet the eligibility requirements for grade retention (such as those who have served less than 52 weeks at a higher grade in a RIF situation).
 - (3) Employees placed in a formal employee development program used government wide, such as Upward Mobility, Intern, and Apprenticeship programs.
 - (4) Employees whose special rate of pay are reduced or eliminated.
 - (5) Employees receiving special rates who are involuntarily placed in a regular rate position or a lower special rate position.
 - (6) Employees who are involuntarily placed in a different pay schedule.
- b. Optional Pay Retention - An agency may, at its option, give pay retention to other employees who do not meet the requirements for mandatory pay retention.

9-10. Pay Retention - Entitlement.

- a. The rate of pay an employee is entitled to under pay retention is the lesser of the following:
 - (1) The employee's former rate or basic pay (the pay received immediately before placement in the lower); OR
 - (2) 150 percent of the highest rate of basic pay for the employee's current position (the lower graded position).
- b. An employee receiving pay retention is entitled to 50 percent of any general increases in pay such as nationwide or locality pay adjustments, in the maximum rate of the employee's grade at the time of the increase. Special rate employees receiving pay retention are entitled to increases in pay only when there is a special rate increase.

9-11. Pay Retention - Termination. Pay retention terminates when one of the following conditions exist:

- a. Break in service of 1 workday or more.
- b. Entitlement to pay that is the same as or higher than the employee's retained pay.
- c. Declination of reasonable offer of a position when pay is equal to or greater than the employee's retained pay.
- d. Demotion at the employee's request or where the employee is at fault.

WITHIN-GRADE INCREASES

9-12. General. A within-grade increase (WGI) is a periodic increase in an employee's basic pay that moves an employee from one step to the next higher step in his or her grade. General Schedule (GS) employees advance in their grade from step 1 through 10. Federal Wage Schedule (FWS) employees advance in their grade from step 1 through 5. Regulations governing WGI are found in 5 CFR 531.406 (GS) and 5 CFR 532.417 (FWS).

9-13. Basic Requirements.

a. General Schedule - A GS employee receives a WGI when all of the following requirements are met. The employee must:

- (1) Occupy a permanent or indefinite appointment/position
- (2) Complete the required waiting period
- (3) Not have received an equivalent increase during the waiting period
- (4) Have performed at an acceptable level of competence

b. Federal Wage Schedule - A FWS employee receives a WGI when all of the following requirements are met. The employee must:

- (1) Complete the required waiting period
- (2) Not have received an equivalent increase in the waiting period
- (3) Have a satisfactory performance rating

9-14. Waiting Periods. In order for an employee to receive a WGI, he or she must complete the required waiting period. A waiting period is the amount of time required for an employee to become eligible for a WGI. The waiting periods vary depending on the step.

a. General Schedule - Waiting periods for GS employees are:

Steps 2 - 4	52 Calendar Weeks
Steps 5 - 7	104 Calendar Weeks
Steps 8 - 10	156 Calendar Weeks

b. Federal Wage Schedule - Waiting periods for FWS employees are:

Step 2	26 Calendar Weeks
Step 3	78 Calendar Weeks
Steps 4 - 5	104 Calendar Weeks

c. Beginning of a Waiting Period - A waiting period begins:

- (1) On the initial appointment in Federal service
- (2) When an employee receives an equivalent increase
- (3) In most cases, after a period of non-pay status and/or a break in service of more than 52 weeks

d. Creditable Service - Creditable service toward the completion of a waiting period includes:

- (1) Civilian service in any branch of the Federal government under any type of appointment,

including periods of paid leave.

(2) Service under a temporary appointment if the employee later receives a permanent or indefinite appointment. However, the employee must not have had a break in service of 52 weeks or more.

(3) Time in non-pay status can be credited toward future WGI in certain circumstances. Usually the employee must return to duty within certain time limits to receive this credit. A list of these situations and conditions for granting credit is in 5 CFR 531.406 (GS) and 5 CFR 532.417 (FWS). However, the most common examples are:

- An employee who enters military service and has reemployment rights
- An employee who is injured on the job and receives injury compensation for an extended period
- Based on the step, a very short, specific period of non-pay time

9-15. Equivalent Increase. In order for an employee to receive a WGI, he or she must not have received an equivalent increase during the waiting period for the WGI. An equivalent increase is an increase that is equal to or greater than the amount of the next WGI the employee would receive for the grade in which the employee is serving. For GS employees moving from one GS grade to another or from another pay system, i.e. the FWS, the equivalent increase amount is based on the employee's grade after the change. For FWS employees moving within the same wage schedule, i.e., WG to WG, an equivalent increase is based on the employee's grade before the change. For FWS employees moving from one FWS schedule to another, i.e., WG to WS, an equivalent increase is based on the employee's grade after the change. The date of last equivalent increase is used to determine when the employee is eligible to receive his or her next WGI. Certain pay increases, such as quality step increases, nationwide and locality pay adjustments, are not used in equivalent increase computations.

QUALITY STEP INCREASES

9-16. General. A quality step increase (QSI) is an increase in an employee's basic pay from one step to the next higher step in his or her grade. A QSI is used to recognize outstanding performance by giving faster than normal step increases. Only GS employees are eligible for quality step increases. Regulations governing QSI's are found in 5 CFR 531.501. A QSI is not an equivalent increase and is given in addition to with-in grade increases. If an employee receives a QSI that places him or her in a longer waiting period category, the employee receives credit for creditable service already completed.

9-17. Basic Requirements. A QSI may be granted only when the employee:

- a. Has received a performance rating of Outstanding or its equivalent
- b. Has not received a QSI in the preceding 52 weeks.

SEVERANCE PAY

9-18. General. Severance pay is payment to an employee who has been involuntarily separated from the Federal government and who meets the eligibility requirements for severance pay. Severance pay reduces the financial effect of job loss and sustains employees while they seek employment. Regulations governing severance pay are found in 5 CFR 550.701.

9-19. Basic Requirements. The following conditions must be met to be eligible for severance pay:

- a. Be a part-time or full-time employee serving on a permanent or indefinite appointment.
- b. Be removed from Federal service by involuntary separation for reasons other than inefficiency.
- c. Have completed at least 12 months of continuous service.
- d. Not be entitled to an immediate annuity.
- e. Not be receiving injury compensation.
- f. Not have declined a reasonable offer.

9-20. Severance Pay Calculation. An employee's severance pay fund, consist of two parts, a basic severance allowance and an age adjustment allowance.

- a. Basic Severance Allowance - Calculated at one week's basic pay for each year of civilian service up to and including 10 years, and two week's basic pay for each year of civilian service beyond 10 years (25 percent of a year is given for each 3 months that civilian service is more than 1 full year). Locality adjustments are included in basic pay.
- b. Age Adjustment Allowance - Ten percent of the basic severance allowance for each year over 40 years of age at the time of separation (25 percent of a year is given for each 3 months that the employee's age exceeds 40).

9-21. Severance Pay Limitation. There is a limit on the amount of severance pay an employee can receive. This limit is 52 weeks' (1 year's) pay. The limitation is in effect for the employee's lifetime.

SPECIAL PAY OPTIONS

9-22. **Shift Differential.** Both GS and FWS employees are eligible for shift differential pay rate as outlined below:

- a. GS Employees - Entitled to basic pay plus 10% for any work scheduled and performed between 1800 and 0600 hours. This shift differential rate applies only to these hours. Shift differential rate is added to a period of paid leave only when the amount is less than eight hours per pay period. Locality adjustments are included in basic pay.
- b. FWS Employees - Entitled to basic rate plus 7.5% if majority of hours worked fall between 1500 and 2400 hours. If majority of hours worked fall between 2400 and 0800 hours, entitled to the basic rate plus 10%. This shift differential rate is paid for the entire shift worked.

9-23. **Overtime Pay.** In accordance with the Technician Act of 1968 (P.L. 90-486), National Guard technicians are not entitled to overtime pay. If overtime work is required, the technician is entitled to compensatory time off equal to the time spent in regular or irregular overtime work, subject to management controls.

9-24. **Holiday Pay.** Both GS and FWS employees are entitled to double-time not to exceed the normal work shift for non-overtime work performed on recognized holidays. Both GS and FWS employees working night shift on a holiday receive double-time plus the normal shift differential. Employees are guaranteed a minimum of two hours pay. Locality adjustments are included in basic pay.

9-25. **Sunday Pay.** For non-overtime work performed on Sundays, both GS and FWS employees are entitled to their basic rate of pay plus 25 percent. Part-time employees are not eligible for Sunday pay. Locality adjustments are included in basic pay.

9-26. **Environmental Differential Pay.** Applies to FWS employees only. Differential pay for the performance of duties characterized by unusual physical hardship or hazards. Employees are eligible for such pay when assigned to and performs any duty specified in 5 CFR 532, Subpart E, Appendix A. The rate of environmental differential pay is a percentage, as outlined in 5 CFR 532, Subpart E, Appendix A, of a WG-10, step 2 (rounded to the nearest cent), for the wage area in which the differential is payable. Length of payment is based on the category of the hazard, as outlined in 5 CFR 532, Subpart E, Appendix A. The following outlines the two payment categories:

- a. Payment for Actual Exposure - For employees entitled to an environmental differential on an actual exposure basis shall be paid a minimum of one hour's differential pay for the exposure. For exposure beyond one hour, the employee shall be paid in increments of one-quarter hour for 15 minutes or portion thereof in excess of 15 minutes. Entitlement begins with the first instance of exposure and terminates at the end of the quarter hour in which exposure actually terminates.
- b. Payment on Basis of Hours in Pay Status - For employees entitled to an environmental differential on the basis of hours in a pay status shall be paid for all hours in a pay status on the day in which exposed.

An employee may not be paid more than one environmental differential for a particular period of work. Environmental differential pay is computed on the basis of the highest environmental differential rate authorized during the period of entitlement.

9-27. **Hazard Duty Pay.** Applies to GS employees only. Differential pay for the performance of duties characterized by unusual physical hardship or hazards. Employees are eligible for such pay when assigned to and performs any duty specified in 5 CFR 550, Subpart 1, Appendix A. However, hazard duty pay may not be paid when the hazardous duty or physical hardship has been taken into account in the classification of the employee's position, without regard to whether the hazardous duty or physical hardship is grade controlling, unless the head of an agency has approved such payment under certain circumstances. When an employee performs duty for which hazard duty pay is authorized, this differential is payable for all hours work the day in which such duty was performed. The rate of hazard duty pay is a percentage of the employee's basic pay as outlined in 5 CFR 550, Subpart 1, Appendix A. Locality adjustments are included in basic pay. Hazard duty pay may be discontinued

when (1) one or more of the conditions requisite for such payment ceases to exist, (2) Safety precautions have reduced the element of hazard to a less than significant level of risk, or (3) protective or mechanical devices have adequately alleviated physical discomfort or distress.

9-28. Supervisory Differential Pay. A supervisory differential pay rate may be paid to a GS employee that provides direct, technical supervision over one or more employees not covered by the General Schedule, if the continuing pay of one or more of the subordinates would, in the absence of such a differential, be more than the continuing pay of the supervisor. This supervisory differential can be any amount which does not cause the supervisor's continuing pay to exceed the continuing pay of his or her highest paid non-GS employee by more than three percent (3%).

SUPERIOR QUALIFICATIONS APPOINTMENTS

9-29. Superior Qualifications Appointments. Provides authority to set pay at a step higher (advanced rate) than the minimum step for the grade of the position, in order to compete with non-Federal employers for applicants with superior qualifications. Justification and approval for appointments at an advanced rate must be based on the candidate's unusually high or unique qualifications, existing pay, and/or a special need of the government for the candidate's services. A recruitment bonus could be used instead of, or in addition to, the advanced rate. Applies to both General Schedule and the Federal Wage Schedule appointments. Superior qualification appointments are approved by the Human Resources Office on a case-by-case basis.

RECRUITMENT, RETENTION BONUSES AND RELOCATION ALLOWANCES

9-30. **Recruitment Bonuses.** Recruitment bonuses may be used to recruit hard-to-fill positions and/or occupations that are critical to the organization, with a candidate from outside Federal employment. A recruitment bonus must be paid only to a newly appointed GS employee. Newly appointed refers to an individual's first appointment in the Federal government or an appointment following a break in service of at least one year, and whose appointment is for a period of not less than two years. A recruitment bonus is calculated as a percentage of the employee's rate of basic pay. This percentage cannot exceed 25 percent of the employee's basic pay and is paid as a lump sum. Locality adjustments are not included in basic pay. In order to receive a recruitment bonus, the employee must sign a written agreement, called a service agreement, to continue working for the agency for a specific period of time. The service agreement must be a minimum of 12 months. An employee who fails to complete the service agreement must repay the recruitment bonus on a pro rata basis, unless the employee is involuntarily separated for reasons other than misconduct or delinquency. Recruitment bonuses are approved by the Human Resources Office on a case-by-case basis.

9-31. **Retention Bonuses.** Employees in GS positions may receive additional pay called a retention bonus. This retention bonus may be paid when the state or agency has determined (1) it is essential to keep the employee, (2) the employee has unusually high or unique qualifications, or meets a special need, (3) the employee is likely to leave Federal employment if the allowance is not paid, and (4) the employee has completed one year of continuous service or any necessary service agreements for a recruitment bonus or relocation allowance. A retention bonus is calculated as a percentage of the employee's rate of basic pay. This percentage cannot exceed 25 percent of the employee's basic pay. Retention bonuses are paid in the same manner and at the same time as basic pay although it is not considered a part of basic pay. Locality adjustments are not included in basic pay. The state or agency may reduce or terminate a retention bonus whenever it determines that (1) the employee is less likely to leave Federal service than when the allowance was authorized, (2) the employee is no longer likely to leave Federal service, (3) the agency's original need for the employee's services has diminished, or (4) budgetary constraints make it difficult for the agency to continue making the payment. Retention bonuses are approved by the Human Resources Office on a case-by-case basis.

9-32. **Relocation Allowances.** Relocation allowances may be used to fill positions deemed hard-to-fill and/or occupations that are critical to the organization, with a Federal employee who must relocate to accept the position. A relocation allowance may be paid only to a current Federal employee who has been or will be appointed or assigned to a GS position in a different commuting area from the one in which the employee previously worked. There cannot be a break in service of any length between appointments. A relocation allowance may also be paid to an employee of another Federal agency if there is no break in service and the new position is in a different commuting area from that of the employee's previous position. A relocation allowance is calculated as a percentage of the employee's rate of basic pay. This percentage cannot exceed 25 percent of the employee's basic pay and is paid as a lump sum. Locality adjustments are not included in basic pay. In order to receive a relocation allowance, the employee must sign a written agreement, called a service agreement, to continue working for the agency for a specific period of time. The length of the service agreement must be a minimum of 12 months. An employee who fails to complete the service agreement must repay the relocation allowance on a pro rata basis, unless the head of the agency determines in writing that it is necessary to relocate the employee again to a position in a different commuting area. Relocation allowances are approved by the Human Resources Office on a case-by-case basis.