

VOLUME 8, CHAPTER 3: "PAY ADMINISTRATION"**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an * symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated June 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Reworded and reformatted chapter for clarity, updated references, and added electronic links.	Update
030103	Updated information on the Biweekly Pay Cap.	Update
030303	Updated information on Night Pay and Night Shift Differential.	Update
030309	Deleted Availability Pay from this chapter and moved to Chapter 10.	Delete
030310	Deleted Differential Pay for Air Traffic Controllers from this chapter and moved to Chapter 10.	Delete
030402A.1.b.	Deleted note after subparagraph concerning Living Quarters Allowance in Korea.	Delete
030402.H.	Deleted Information on Cuba Benefit Allowance.	Delete
030403	Moved paragraph on DPA/IDP Allowance and a Post Hardship Differential to subparagraph 030402.F.4.	
030509	Added information on Reservist Differential.	Add
0306	Updated information on Recruitment, Relocation, and Retention Incentives.	Update
030704D	Deleted information on Additional Pay from this chapter and moved to Chapter 10.	Delete
030705C.	Deleted information on procedures.	Delete
0312	Deleted Continuation of Pay for Federal Employees from this chapter and moved to Chapter 6.	Delete
0313	Deleted Emergency Evacuation Payments from this chapter and moved to Chapter 6.	Delete

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Figure 3-1	Deleted example for Buy Back of Leave Computation for Employee who Used Sick Leave for a Full Pay Period from this chapter and moved to Chapter 6.	Delete
Figure 3-2	Deleted example for Buy Back of Leave Computation for Employee who Used Sick Leave for a Less Than Full Pay Period from this chapter and moved to Chapter 6.	Delete

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CHAPTER 3

PAY ADMINISTRATION

0301 GENERAL PROVISIONS

030101. Payroll Computation

A. Payroll computations **must** be based on statutorily authorized entitlements and in accordance with [Title 5, Code of Federal Regulations \(C.F.R.\), Parts 530, 531, 532, 534, 550, 551, 572, 575, 581, 591, 595, 610, and 630](#). These entitlements **must** be evidenced by a [Standard Form \(SF\) 50](#) (Notification of Personnel Action), or other approved documents, and a time-and-attendance report for days actually worked and any leave actually taken during the period.

B. Documents supporting entries made in the pay, leave, and allowance records consist of:

1. SF 50s and other personnel documents, or similar documents;
2. Certified copies of travel orders;
3. Time-and-attendance reports, including any necessary supporting documents such as sign-in and sign-out registers or [Office of Personnel Management \(OPM\) Form 71](#) (Request for Leave or Approved Absence); and
4. Authorizations or approvals of overtime and compensatory time worked.

C. Source documents do not need to be transmitted to the civilian payroll office (PRO), provided that the pay entitlement data in the documents is transmitted to PRO and is controlled by feedback to ensure the integrity of the data in the pay computation process. Effective controls must be established to ensure that all data which should be transmitted is transmitted; and any source documents along with transmittal and control evidence must be retained for audit purposes in accordance with the [National Archives, General Records Schedule 2](#).

D. PRO personnel **must** ensure that payroll data is complete and accurate. Specifically, PRO personnel **must** ensure that an employee's compensation is consistent with grade, position classification, and other individual entitlements (retained grade and pay), and employment location. For example, an employee assigned to stateside duties **must** not be paid any foreign area allowances, regardless of authorizing documents. In this example, the human resources organization (HRO) that issued such entitlement documents **must** be requested to clarify and/or correct these documents.

E. Pay computations **must** be based on the completed time-and-attendance record maintained for each employee. These computations must be accomplished as soon as possible after the close of the pay period.

F. Adequate channels of communication **must** exist between PRO, HRO, and the customer service representative (CSR) to ensure that all entitlement information is considered in each pay computation. At least every four months, personnel, and pay data shall be reconciled and discrepancies corrected promptly. The functional area that entered the incorrect data shall have primary responsibility for reconciling discrepancies in common data. For additional information, see Chapter 1.

030102. Notification of Changes to Pay

The servicing HRO is responsible for notifying PRO of changes to an employee's pay. The servicing PRO **must** adequately inform each employee in writing as to the nature and amount of the changes in gross pay from one pay period to the next. This information may be included on the employee's Leave and Earnings Statement (LES) rather than a separate written advisory. The notification **must** be in sufficient detail to show total pay, allowances, deductions, and net pay.

*030103. Statutory Limits on Compensation

A. Limitations on Premium Pay

1. Biweekly Premium Pay Cap. Premium pay includes night pay, the dollar value of compensatory pay, overtime pay, premium pay on an annual basis, and pay for Sunday and holiday work. Except as explained in subparagraphs 030103.A.2 and 3, under [5 United States Code \(U.S.C.\) 5547\(a\)](#) and [5 C.F.R. 550.105](#), the sum of an employee's basic pay and premium pay for any pay period may not exceed the biweekly rate of basic pay payable for a General Schedule (GS) GS-15, step 10 (including any applicable locality pay under [5 U.S.C. 5304](#) or special rate of pay under [5 U.S.C. 5305](#)) or a level V of the Executive Schedule. When GS employees are receiving a locality-based comparability payment, the GS Locality Pay Tables published by OPM should be followed to determine the maximum GS-15, step 10 rate payable for the employee's locality. Employees in occupations and/or locations for which a special rate has been established for the GS-15 are subject to a biweekly limitation equal to the special rate for GS-15, step 10. National Guard technicians are precluded from being paid for overtime work under [32 U.S.C. 709\(h\)](#). Therefore, compensatory time earned by National Guard technicians will not be paid and computation of the biweekly statutory pay limits for the technicians should not include compensatory time worked. Additionally, the biweekly limitation does not apply to:

a. Overtime pay earned by employees who are nonexempt from the Fair Labor Standards Act (FLSA),

b. Hazardous duty pay (HDP), or

c. Pay earned by Federal Wage System (FWS) employees, who are excluded from coverage under 5 U.S.C. 5547.

2. Types of Pay Subject to Biweekly Cap when an Annual Premium Pay Cap Applies. In certain emergency or mission critical situations, an agency may apply an annual premium pay cap in lieu of a biweekly premium pay cap, subject to the conditions provided in law and regulation. See 5 U.S.C. 5547(b) and 5 C.F.R. 550.106-550.107. However, the following types of premium pay remain subject to the biweekly limitation while other premium payments are subject to an annual limit under 5 C.F.R. 550.106:

- a. Standby duty pay,
- b. Administratively uncontrollable overtime (AUO) pay,
- c. Availability pay for criminal investigators, and
- d. Overtime pay for hours in the regular tour of duty of a firefighter.

3. Annual Premium Pay Cap. When the head of an agency, his or her designee, or OPM determines that an emergency exists, the biweekly caps on premium pay described in 030103.A.1 do not apply to employees who are paid premium pay for work in connection with that emergency. However, such employees remain subject to an annual maximum earnings limitation. In these situations, the total basic pay and premium pay for most GS employees are limited to the annual rate for GS-15, step 10 or a level V of the Executive Schedule for the calendar year. This limit may include locality-based comparability or special salary rates. The cap does not apply to overtime earned by FLSA nonexempt employees. For more information on the annual maximum pay limits, refer to 5 U.S.C. 5547(b) and 5 C.F.R. 550.106.

4. Increased Annual Premium Pay Limitation

a. In 2005, Congress authorized the Secretary of Defense to waive the annual premium pay cap under certain circumstances. Eligible Department of Defense (DoD) employees are authorized an increase to the annual premium pay limitation under 5 U.S.C. 5547, not to exceed the annual rate of salary payable to the Vice President under 3 U.S.C. 104. To be eligible, employees must perform work in response to an emergency declared by the President or in direct support of, or directly related to, a military operation. Waiver authority applies to eligible employees who perform work while in an overseas area of responsibility of the Commander of the U.S. Central Command (CENTCOM) or an overseas location that has been moved from the U.S. CENTCOM area of responsibility to the area of responsibility of the Commander of the Africa Command (AFRICOM).

b. Eligible DoD employees who are granted a waiver of the annual premium pay cap under the following authorities are entitled to premium payments as provided in yearly guidance published by the Office of the Under Secretary of Defense, Personnel and Readiness [based on Public Law \(P.L.\)](#):

- (1) Calendar Year 2005 authorized by [P.L. 109-13](#),
- (2) Calendar Year 2006 authorized by [P.L. 109-163](#),
- (3) Calendar Year 2007 authorized by [P.L. 109-364](#),
- (4) Calendar Year 2008 authorized by [P.L.110-181](#),
- (5) Calendar Year 2009 authorized by [P.L.110-417](#),
- (6) Calendar Year 2010 authorized by [P.L. 111-84](#),
- (7) Calendar Year 2011 authorized by [P.L. 111-383](#),
- (8) Calendar Year 2012 authorized by [P.L. 112-81](#).

and

B. Aggregate Limitation on Pay

1. The [Federal Employees Pay Comparability Act \(FEPCA\) of 1990](#) and [5 C.F.R. 530, Subpart B](#) established a new aggregate limitation on pay. The aggregate limitation applies to most Federal employees, including most members of the Senior Executive Service (SES) who were previously covered by an aggregate limitation applied on a fiscal year basis under [5 U.S.C. 5383\(b\)](#). Under [5 U.S.C. 5307](#), a covered employee may not receive any allowance, differential, bonus, award, or other payment in any calendar year to the extent that such payment, in combination with the employee's basic pay, would cause the employee's aggregate compensation to exceed the rate payable for Level I of the Executive Schedule at the end of that calendar year.

2. Aggregate Compensation. Aggregate compensation means the total of basic pay, premium pay, allowances, differentials, bonuses, awards, incentives, and other similar cash payments. See [5 C.F.R. 530.202](#). Certain payments are excluded from aggregate compensation such as overtime pay under FLSA, severance pay, lump-sum payments for accrued annual leave, back pay awards, student loan repayments, and non-foreign area cost-of-living allowances.

3. Payments of Excess Amounts. Amounts in excess of the aggregate limitation must be deferred and are generally paid in a lump-sum payment at the beginning of the next calendar year. See [5 C.F.R. 530.204](#). [If an employee transfers to another agency, the gaining agency is responsible for this payment.](#) If an employee separates from Federal service, the entire excess amount is payable following a 30-day break in service. If an employee dies, the

agency must pay the entire excess amount as part of the deceased employee's unpaid compensation. See [5 U.S.C. 5582](#).

4. Deferring Payments. A discretionary payment is an optional payment that an agency has discretion to pay an employee (e.g., retention allowances, supervisory differentials, and physicians' comparability allowances). Nondiscretionary payments are those payments made to an employee under the terms of a service agreement or preauthorized to be paid at a regular fixed rate each pay period (e.g. basic pay, locality-based comparability payments, or cost-of-living allowances (COLA), post differentials, and remote worksite allowances). An agency must defer any portion of a discretionary payment that would cause the employee's aggregate compensation to exceed the aggregate limitation. See [5 C.F.R. 530.203\(d\) and \(e\)](#). After deferring any discretionary payments, the agency must defer all nondiscretionary payments (other than basic pay) if continuing to pay the nondiscretionary payments would cause an employee's aggregate compensation to exceed the aggregate limitation for the calendar year. A nondiscretionary payment may not be deferred to make a discretionary payment. Basic pay may not be deferred or discontinued under any circumstances.

030104. Multiple Appointments

An employee is not entitled to receive pay from more than one position for more than an aggregate of 40 hours of work in one calendar week (Sunday through Saturday). See [5 U.S.C. 5533\(a\)](#). Generally, there is no restriction on the number of appointments, only the number of hours, for which an employee may be paid. An employee may be given more than one simultaneous part-time or intermittent appointment, or an employee on leave without pay may accept another Federal appointment. However, the employee may not receive pay for more than 40 hours a week (unless the employee is regularly paid for more than 40 hours a week under an authorized alternative work schedule) or from two sources for the same hours. HRO will notify PRO of multiple appointments via an SF 50.

0302 BASIC PAY

030201. GS Employees

A. Basic Pay. Basic pay for GS employees is defined in [5 C.F.R. 531.203](#) as the rate of pay fixed by law or by administrative action for the position held by a GS employee prior to withholding any deductions and excludes additional pay of any kind.

B. Pay Computation. Computations will be based on the rates contained in [OPM Salary Tables](#).

C. Determining Basic Rates

1. The hourly basic rate is determined by dividing the annual rate by 2,087, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. See [5 U.S.C. 5504](#).

2. The biweekly rate is determined by multiplying the hourly rate by 80 for full-time employees.

3. A daily rate is derived by multiplying the hourly basic rate by the number of daily hours of service.

4. For any employees whose pay is monthly or covers one calendar month, rules for division of time and computation of pay are governed by [5 U.S.C. 5505](#).

D. Interim Geographic Adjustment (IGA). On February 1, 1996, OPM issued final regulations at [61 Federal Register 3539](#) to address the termination of IGAs. Locality-based comparability payments replaced the IGAs effective August 2, 1996.

E. Special Higher Minimum Base Rates for Law Enforcement Officers (LEO) at Grades GS-3 through GS-10. Special base rates for LEOs at grades GS-3 through GS-10 are authorized under section 403 of the FEPCA of 1990 and [5 C.F.R. 531.204](#) and are used in lieu of a GS rate. OPM publishes the special base rates for LEOs in a special salary table. These rates are the basis for computing locality payments under [5 C.F.R. Part 531, Subpart F](#). Special geographic adjustments for LEOs under section 404 of the FEPCA of 1990 have been eliminated because they have been surpassed by regular locality payments under 5 U.S.C. 5304.

F. Locality-Based Comparability Payments. Locality payments for GS employees and certain other categories of positions in numerous locality pay areas are governed by [5 C.F.R. 531 Subpart F](#) and 5 U.S.C. 5304. Locality pay is considered basic pay for retirement, Federal Employee Group Life Insurance (FEGLI), premium pay, advance pay, severance pay, lump-sum leave, and workers' compensation purposes. Eligibility is based on where an employee's official duty station is, and not where he or she lives. Locality pay does not transfer with an employee from one pay locality to another. Employees must receive whatever rate of pay applies at his or her new duty station. Employees on temporary assignment in a different pay locality must continue receiving their current salary. Locality pay does not apply overseas. The official worksite for an employee covered by a telework agreement must be determined on a case-by-case basis using criteria established by OPM.

030202. Employees in Performance Management and Recognition System (PMRS)

A. The PMRS Termination Act of 1993, P.L. 103-89, was enacted on September 30, 1993. The law terminated the PMRS effective November 1, 1993. The provisions of this law applied to any employees covered by a PMRS position on October 31, 1993 and additionally provided for the transition of former PMRS employees into their agency's Performance Management System and the GS pay plan, with its within-grade increases and waiting periods. It also permits agencies to pay current rates of pay, as adjusted by the 1993 final merit increases.

B. In order to identify all employees who are covered by the provisions of this law, OPM decided to retain the General Merit (GM) pay plan code. The step for all employees using the GM pay plan code will continue to be "00".

C. All GS employees, including those still designated GM after October 31, 1993, will be eligible for within-grade increases according to the waiting periods established in the statute. The last PMRS merit increase received, including one for zero dollars, is an equivalent increase for the purpose of calculating and completing the prescribed waiting periods. Within-grade increases have the dollar value of one-ninth of the pay range, and employees will have that increase added to their basic pay rate (including an off-step rate) upon completion of the appropriate waiting period, provided performance has been at an acceptable level of competence.

D. An employee's coverage under P.L. 103-89 will end and his or her rate of basic pay will be adjusted to the designated GS step rate that meets or exceeds the current rate of pay, not to exceed step 10, if any of the following actions occur:

1. Promotion,
2. Change to a lower grade,
3. Break in service of more than three days,
4. Transfer to another non-DoD agency, or
5. Reassignment to a non-supervisory or non-management position.

030203. Senior Executive Service (SES) Positions

A. Definition. In accordance with [5 U.S.C. 3132\(a\)\(2\)](#) and [5 C.F.R. 317](#), an SES position is any position within an agency above a GS-15 grade level under [5 U.S.C. 5108](#), or in level IV or V of the Executive Schedule, or an equivalent position, which is not required to be filled by an appointment by the President with Senate confirmation. The SES includes most managerial, supervisory, and policy positions classified above a GS-15 or equivalent in the Executive Branch. Non-supervisory positions are not covered unless they carry significant policymaking responsibilities.

B. Rate of Pay. [P.L. 108-136](#) established a new performance-based pay system for SES members. Under [5 U.S.C. 5382](#) and [5 C.F.R. 534.403](#), the SES pay range has a minimum rate of basic pay equal to 120 percent of GS-15, step 1, and a maximum rate equal to that of a level III of the Executive Schedule. The maximum rate of basic pay for an SES employee covered by a performance appraisal system is set at the rate for level II of the Executive Schedule. Minimum rates of basic pay for the SES rate range are adjusted by Executive Order issued by the President to allow for consistency with any increase in the minimum rate of basic pay for these positions. See [5 U.S.C. 5376](#).

030204. Senior Level (SL) Positions

A. Definition. *SL* positions are non-SES positions classified above GS-15 pursuant to 5 U.S.C. 5108 and [5 C.F.R. 319.102](#). These positions do not include administrative law judges or board of contract appeals positions that have their own pay schedules.

B. Rate of Pay. The rates of pay for *SL* positions are governed by 5 U.S.C. 5376 and [5 C.F.R. 534 Subpart E](#) and are located on the [OPM website](#). The Senior Professional Performance Act of 2008, [P.L. 110-372](#), established a new pay system for *SL* employees, effective April 12, 2009, that provides pay ranges comparable to those available under the SES pay system. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for an *SL* employee covered by a performance appraisal system is set at the rate for level II of the Executive Schedule. Under the new pay system, locality pay will no longer be paid on top of the basic rate. There are no grades or steps under 5 U.S.C. 5376; therefore, employees may be paid at any rate between the minimum and maximum rates.

030205. Scientific or Professional (ST) Positions

A. Definition. *ST* employees are those in non-executive positions classified above GS-15 who are engaged in high-level research and development in the physical, biological, medical or engineering sciences established under [5 U.S.C. 3104](#) and [5 C.F.R. 319.103](#).

B. Rate of Pay. The rates of pay for *ST* level positions are governed by 5 U.S.C. 5376 and [5 C.F.R. 534 Subpart E](#) and are located on the OPM website. The Senior Professional Performance Act of 2008, P. L. 110-372, established a new pay system for *ST* level employees, effective April 12, 2009, that provides pay ranges comparable to those available under the SES pay system. The minimum rate of basic pay is set at 120 percent of GS-15, step 1, and the maximum rate equal to Level III of the Executive Schedule. The maximum rate of basic pay for a *ST* position employee covered by a performance appraisal system is set at the rate for level II of the Executive Schedule. Under the new pay system, locality pay is not paid on top of the basic rate. There are no grades or steps under 5 U.S.C. 5376; therefore, employees may be paid at any rate between the minimum and maximum.

030206. Executive Schedule Positions

A. Definition. The Executive Schedule, as defined in [5 U.S.C. 5311](#), is divided into five pay levels ([Level I through Level V](#)) and is the basic pay schedule for senior management positions described at [5 U.S.C. 5312 to 5316](#). SES positions are not included.

B. Rate of Pay. The rate of pay for executive schedule positions is contained in the [OPM annual salary tables](#).

030207. Federal Wage System (FWS) Positions

A. Definition. While the GS pay system was designed to cover most civilian Federal employees, FWS was established for Federal trade, craft, and laboring employees to allow for the payment of wages comparable to prevailing private sector rates in each local wage area. The FWS employee is defined in [5 U.S.C. 5342](#) as a prevailing rate employee who is in a recognized trade or craft, or other skilled mechanical craft, or in an unskilled, semi-skilled, or skilled manual labor occupation. Included is any other individual, including a foreman or a supervisor, in a position having trade, craft or laboring experience and knowledge as a paramount requirement. These positions are referred to as blue collar, wage grade, or wage board positions. For consistency, the term FWS will be used throughout this volume. Pay for these positions is based on the prevailing rates in an area. For additional information, see the OPM website on [FWS](#) and 5 C.F.R. 532. FWS employees are hourly rate employees who receive annual wage adjustments based on a review of comparability pay by wage area. Each area pay scale is divided into five parts or classes: WG (wage grade employee), WL (wage leader employee), WS (wage supervisor), WD (non-supervisory employees covered by the production facilitating pay plan), and WN (supervisory employees covered by the production facilitating pay plan).

B. Rate of Pay. OPM adjusts the rates from time to time for comparable work within a local wage area. Basic pay for FWS employees means the scheduled rate of pay plus any night shift or environmental differential.

0303 PREMIUM PAY

030301. General

Premium pay consists of certain types of pay, such as overtime, night, and holiday pay for employees not in receipt of annual premium pay for standby duty, Sunday pay, annual premium pay for regularly scheduled standby duty, annual premium pay for administratively uncontrollable work, availability pay for LEOs, environmental pay for FWS employees, and hazard pay for GS employees. Rates and authorization for these various types of pay are contained in [5 U.S.C. 5542](#), [5343](#), [5544](#), [5545](#), [5545a](#), [5545b](#), [5546a](#), 5547, and [5549](#) and [5 C.F.R. 550, Subpart A](#) (for additional information see 030103). SES employees, Teaching Position (TP) Pay Plan employees, and other employees identified under [5 C.F.R. 550.101](#), are not entitled to premium pay under any circumstances. However, the premium pay provisions cover SL and ST positions. For information on premium pay for other than full-time career employees, see section 0703. Statutory limits on premium pay in the form of biweekly and annual premium pay caps are discussed at paragraph 030103.

030302. Overtime

Each employing activity is responsible for controlling overtime. Supervisors must ensure that overtime worked is covered by funds targeted for their employing activity. Approval or disapproval of overtime must be consistent with direction from the Deputy Secretary of Defense. PRO must pay only approved overtime as certified on the time-and-attendance report. Normally,

approval to work overtime **must** be made in writing in advance of performing the work. See [5 U.S.C. Chapter 55](#).

A. Overtime Pay

1. Regularly Scheduled. Title 5 C.F.R. 550 contains provisions on premium pay for overtime. Regular overtime work means overtime work that is scheduled prior to the beginning of an employee's regularly scheduled administrative workweek. For each GS employee whose rate of pay does not exceed a minimum applicable rate for a GS-10, the overtime-hourly rate is one and one-half times the employee's hourly rate of pay. For each employee whose rate of basic pay exceeds the minimum rate for a GS-10, the overtime-hourly rate is equal to the greater of one and one-half times the applicable minimum hourly rate of basic pay for a GS-10 or the employee's hourly rate of basic pay. Regular overtime is authorized for full-time, part-time, and intermittent GS employees. An intermittent work schedule is appropriate when work is unpredictable and sporadic; therefore, instances of repetitive regularly scheduled overtime should seldom occur. See [5 C.F.R. 340.403](#).

2. Irregular/Occasional. Irregular or occasional overtime work is overtime work that is not part of an employee's regularly scheduled administrative workweek.

B. Overtime Pay for FLSA Nonexempt Employees

1. For employees paid under [29 U.S.C. 201-219](#), entitlement to overtime compensation is determined by calculating an hourly regular rate. The "hourly regular rate" of pay for all nonexempt employees is computed by adding all includible payments for the week, then dividing by the total hours of work and paid leave. DoD **must** compensate an employee who is nonexempt under the provisions of [5 C.F.R. 551 Subpart E](#), for all hours of work in excess of 8 hours a day or 40 hours in a workweek (with exception to those on a compressed work schedule) at a rate equal to one and one-half times the employee's hourly regular rate of pay. The biweekly and annual premium pay caps discussed at paragraph 030103 do not apply to FLSA nonexempt employees.

a. Flexible Work Schedule. Overtime work when used with respect to flexible schedule programs under [5 U.S.C. 6122-6126](#) consists of hours officially ordered in advance and in excess of 8 hours per day or 40 hours per week. Pursuant to [5 U.S.C. 6121\(6\)](#), overtime hours do not include credit hours worked voluntarily under a flexible work schedule.

b. Compressed Work Schedule. For a full-time employee, overtime work consists of all hours of work in excess of the established compressed work schedule. For a part-time employee, overtime work consists of hours in excess of the compressed work schedule for the day (more than at least 8 hours) or for the week (more than at least 40 hours).

2. Under section 210 of the FEPCA, effective May 4, 1991, overtime pay computations for nonexempt employees must be made solely in accordance with FLSA

regulations in 5 C.F.R. 551, as amended. Agencies are no longer required to compare overtime pay entitlements for nonexempt employees under 5 C.F.R. 550 and 551 and pay whichever amount is greater. Entitlements prior to May 3, 1991, must be calculated using the previous rules. Nonexempt employees continue to be covered by the other premium pay provisions of [5 U.S.C., Chapter 55, subchapter V](#) for night, Sunday, or holiday and annual premium pay for regularly scheduled standby duty or AUO work. The maximum biweekly and aggregate limitations on Title 5 premium pay do not apply to overtime pay earned by employees who are nonexempt from FLSA.

3. According to [5 U.S.C. 5544\(a\)](#), as amended by section 529 of [P.L. 101-509](#), hours of work (as defined in 5 U.S.C. 5542) in excess of 8 hours in a day are deemed to be overtime hours for the purposes of section 7 of FLSA. See [29 U.S.C. 207\(e\)\(7\)](#). If an employee is not receiving annual premium pay for regularly scheduled standby duty [5 U.S.C. 5545\(c\)\(1\)](#) or annual premium pay for AUO work see [5 U.S.C. 5545\(c\)\(2\)](#) or 5 U.S.C. 5544(a) for FWS employees. Under FLSA, such hours are overtime hours regardless of the total number of hours of work in the workweek. For example, an employee on a Flexible Work Schedule who works 10 hours on the first day of the workweek and is on Leave Without Pay (LWOP) for the remainder of the workweek is entitled to two hours of overtime pay under FLSA, even though the employee has worked a total of only 10 hours in the workweek. However, an employee working eight 10-hour days (Compressed Work Schedule) would not receive overtime pay until they work in excess of 10 hours on a scheduled day.

C. Callback Overtime. Pursuant to [5 C.F.R. 550.112\(h\)](#), a minimum of two hours of overtime will be paid if an employee is required to return to the place of employment for unscheduled overtime work or to work unscheduled overtime on a nonscheduled workday. If the callback occurs on a holiday during the employee's regular schedule, then a minimum of two hours holiday premium pay is paid. Pursuant to [5 C.F.R. 551.401\(e\)](#), when an FLSA nonexempt employee performs unscheduled overtime work on a day when work was not scheduled for the employee, or for which the employee is required to return to the place of employment, the employee is paid for two hours of work or the actual number of hours worked, whichever is greater. In all cases, the actual time worked will be recorded.

D. Excluded Employees. The provisions of [5 U.S.C. 5541](#) exclude SES employees from premium pay. Certain GS and all Executive Schedule employees are also excluded since, under the provisions of 5 U.S.C. 5547, premium pay may be paid only to the extent that payment does not cause aggregate pay to exceed the maximum rate for GS-15. National Guard technicians are not entitled to premium pay for overtime; instead, they may earn compensatory time.

E. Compensatory Time

1. Eligibility. Under [5 U.S.C. 5543](#) and [5 C.F.R. 550.114](#), eligible employees, including FWS and FLSA nonexempt employees, may request compensatory time off from their scheduled tour of duty instead of payment for an equal amount of time spent in irregular or occasional overtime work. Mandatory compensatory time off is limited to FLSA exempt employees (who are not prevailing rate employees) whose rate of basic pay is greater

than the rate for GS-10, step 10. See [5 C.F.R. 550.114\(c\)](#). FWS and FLSA nonexempt employees may not be required to take compensatory time off instead of being paid overtime pay, unless they request compensatory time. See [5 C.F.R. 532.504](#) and [551.531](#).

2. Dollar Value of Compensatory Time Off and Premium Pay Cap Limitations. An employee must receive [advanced written approval for compensatory time worked](#). Such approval must be in accordance with Chapter 2. Compensatory time off is an alternative form of payment for overtime work. [For the purpose of applying pay cap limitations or liquidating compensatory time, the dollar value of the compensatory time equals the amount of overtime pay the employee would otherwise have received for performing the same number of hours of overtime work.](#) Pay limitations apply as follows:

a. Biweekly Premium Pay Cap. If invoking the biweekly cap, compensatory time worked cannot be credited to an employee whose basic rate of pay equals or exceeds the maximum rate for grade GS-15, step 10, (or level V of the Executive Schedule). An employee whose basic rate is less than the maximum rate of GS-15, step 10 (or level V of the Executive Schedule) may earn [compensatory time](#). However, it may only be credited to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations under [5 C.F.R. 550.106\(c\)](#).

b. Annual Premium Pay Cap. If an annual premium pay cap is invoked, compensatory time may only be credited to the extent that the monetary value of the compensatory time does not cause the total rate of pay to exceed the maximum earnings limitations. See [5 C.F.R. 550.106\(c\)](#).

c. FLSA Considerations. The granting of compensatory time off in lieu of overtime pay under [5 U.S.C. 5542](#) must not violate the overtime pay requirements of FLSA. For the instructions on compensatory time off for nonexempt employees, refer to [5 C.F.R.551.531](#). For FLSA exempt employees, refer to [5 C.F.R. 550.114](#).

3. Occasional or Irregular Overtime Work. FWS, FLSA nonexempt and FLSA exempt GS employees may choose to earn compensatory time in place of payment for an equal amount of time spent in occasional or irregular overtime work, i.e. overtime work not scheduled in advance of the employee's workweek. Compensatory time off may be approved in lieu of regularly schedule overtime work for FLSA exempt employees who are ordered to work overtime hours under a flexible work schedule under [5 U.S.C. 6122](#). Additionally, an FWS or FLSA nonexempt employee may request compensatory time off if the employee is on a flexible work schedule under [5 U.S.C. 6122](#) instead of payment under [5 C.F.R. 532.504](#) and [5 C.F.R. 551.501](#) for an equal amount of time spent in overtime work, without regard to whether the overtime work was irregular or occasional in nature.

4. Time Limits. Compensatory time off [must](#) be granted to an FLSA exempt or non-exempt employee within a reasonable time after the overtime is worked. Pursuant to [5 C.F.R. 550.114](#) and [551.531](#), the limit for the use of compensatory time off is the end of the 26th pay period after that in which the overtime was worked. If an FLSA exempt or nonexempt employee fails to take earned compensatory time off within 26 pay periods, the

unused compensatory time worked pays out at the overtime rate earned. For employees with compensatory time earned before June 8, 1997, the time was stored in an “old compensatory time” account on June 7, 1998, and used only if the employee had insufficient current compensatory time to cover the compensatory time off requested. DoD employees who had compensatory time off in an “old compensatory time” account **must have used** this compensatory time off by the pay period ending May 22, 2010, at which time it was paid out at the overtime rate in effect when earned. National Guard employees who **cannot receive** overtime **must not receive payment** for unused compensatory time worked. They **must** use their compensatory time by the end of the 26th pay period after earned or that compensatory time will forfeit. If an FWS or FLSA nonexempt employee fails to use compensatory time before the expiration of the established period, the employee is entitled to receive payment for the overtime work at FLSA overtime rate in effect at the time it was earned. For additional information on FWS or FLSA nonexempt employees, see [5 C.F.R. 532.504](#) and [5 C.F.R. 551.531](#).

5. Alternative Work Schedules. Employees on flexible or compressed work schedules may earn compensatory time off in lieu of overtime pay.

a. Flexible Work Schedule. An agency may approve compensatory time off in lieu of overtime pay for non-SES employees under a flexible work schedule at the employee’s request. See [5 U.S.C. 6123\(a\)\(1\)](#).

b. Compressed Work Schedule. Compensatory time off may be approved in lieu of overtime pay only for irregular or occasional overtime work by an “employee” as defined in [5 U.S.C. 5541\(2\)](#) or by a FWS prevailing rate employee as defined in [5 U.S.C. 5342\(a\)\(2\)](#), but may not be approved for an SES member. Mandatory compensatory time off is limited to FLSA exempt employees (who are not prevailing rate employees) whose rate of basic pay is greater than the rate for GS-10, step 10.

6. Compensatory Time Off in Relation to Night Pay. When a GS employee takes compensatory time off during his or her scheduled tour of duty that includes night pay, the employee is still entitled to night pay for that time only if the scheduled tour of duty is between 6 p.m. and 6 a.m. and the employee’s leave total is less than 8 hours in a pay period. See [5 C.F.R. 550.122](#)

7. Compensatory Time Off in Relation to Annual Leave. Compensatory time off may be granted before annual leave is approved except when annual leave would otherwise be forfeited. If the use of earned compensatory time off or credit hours that are about to expire results in the forfeiture of excess annual leave, the forfeited leave cannot be restored.

8. Payment for Unused Compensatory Time

a. In Relation to Separation or Transfers. When an FLSA exempt or nonexempt employee separates, dies, or transfers to another DoD Component (e.g., from Army to Navy, or Air Force to the Defense Logistics Agency) or the employee moves to a non-DoD agency (e.g., Army to Department of the Treasury), the losing Component **must** pay

for any unused compensatory time balances. The balance must be paid at the overtime rate in effect when the compensatory time was earned. National Guard employees are not paid for unused compensatory time. For more information, see [5 C.F.R. 550.114](#) and [551.531](#).

b. In Relation to Uniformed Service or Injury-on-the-Job. An FLSA exempt or nonexempt employee must be paid for compensatory time off not used by the end of the 26th pay period after the pay period earned. Payment is made at the overtime rate in effect when earned when the employee is unable to use the compensatory time off because of separation or placement in a leave without pay status because of:

- (1) Performing service in the uniformed services, or
- (2) An on-the-job injury with an entitlement to injury compensation under [5 U.S.C. Chapter 81](#).

F. Time Off for Religious Reasons. Employees may earn compensatory time off for religious observances under provisions of [5 U.S.C. 5550a](#) and [5 C.F.R. 550.1002](#). Time off for religious reasons will be recorded in a special leave account and may be worked either before or after the time off. Advanced time off for religious reasons should be repaid within a reasonable time. Any time off balance will not transfer. When an employee separates, dies, or transfers to another DoD Component, any unused time off balance will be paid by the losing activity, at the basic hourly rate in effect when the time was worked. If the employee has an advanced time off balance at the time of separation, death, or transfer, a debt is created. See Chapter 8 for liquidation of this indebtedness. Compensatory overtime worked in this manner is exempt from maximum pay limitations and all other provisions of overtime and premium pay contained in [5 C.F.R. 550.1001-1002](#), [5 U.S.C., Chapter 55, subchapter V](#), and [29 U.S.C. 207](#). For additional information on compensatory time off for religious reasons, see [5 U.S.C. 5550a](#).

*030303. Night Pay Differential (GS Employees) and Night Shift Differential (FWS Employees)

A. GS Employees. Under [5 U.S.C. 5545\(a\)](#), night pay differential, at the rate of 10 percent of the hourly basic rate, is payable to employees for regularly scheduled work performed between 6 p.m. and 6 a.m. Accordingly, the hourly basic rate is multiplied by 10 percent, with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. [Night pay differential is not included in the rate of basic pay used to calculate overtime, Sunday, or holiday pay.](#) Night pay differential is in addition to overtime, Sunday, or holiday pay. The head of a department may designate another time between 6 p.m. and 6 a.m., as the beginning and end of the night work for activities outside of the United States. See [5 C.F.R. 550.122\(b\)](#). [Employees are not entitled to night pay differential while engaged in training, except in the case where the situation they are learning to handle occurs only at night.](#) An employee is entitled to night pay differential under the following circumstances:

1. Hours of Work. For the hours actually worked between 6 p.m. and 6 a.m. when such hours are part of the employee's regularly scheduled work.

2. Overtime Work. For overtime work performed between the hours of 6 p.m. and 6 a.m. if the overtime is regularly scheduled in advance of the administrative workweek.

3. Paid Leave. For a period of paid leave during night work hours, only when the total amount of leave in a pay period, including both night and day hours, is less than eight hours. Exceptions to this rule are employees on court leave; military leave, including leave for law enforcement and encampment purposes; time off with pay for a holiday; official travel status; administrative leave; compensatory time used; credit hours used; Continuation of Pay (COP); and time-off-awards.

4. Travel Status. When excused from night work during a tour of duty while on official travel status, whether performing actual duty or not. See 5 C.F.R. 550.122(a).

5. Temporary Assignment of Night Work. When temporarily assigned during the administrative workweek to a daily tour of duty that includes night work. See 5 C.F.R. 550.122(d).

6. Non-Workdays and Holidays. When excused from night work on a holiday or other non-workday. See 5 C.F.R. 550.122(a).

B. Part-Time Employees. Part-time GS employees are eligible for night pay differential for work performed between 6 p.m. and 6 a.m. as part of their regularly scheduled administrative workweek.

C. Intermittent Employees. Intermittent GS employees who have no regularly scheduled tour of duty are not eligible for night pay differential. These employees are eligible for night pay differential during temporary assignment to a regular tour of duty with night work.

D. FWS Employees. Under 5 U.S.C. 5343(f), FWS employees will receive night shift differential at the rate of 7.5 percent of their hourly rate for non-overtime work when a majority of scheduled hours occur between 3 p.m. and midnight; or 10 percent of their hourly rate for non-overtime work when the majority of scheduled hours occur between 11 p.m. and 8 a.m. For additional information, see 5 C.F.R. 532.505 and OPM Operating Manual, Federal Wage System – Appropriated Fund, Subchapter S8-4c. Night shift differential is considered part of basic pay to calculate overtime pay, Sunday pay, holiday pay, and amounts of deductions for retirement and FEGLI. An employee regularly assigned to a night shift is entitled to night shift differential under the following circumstances:

1. Hours Worked. For all non-overtime hours worked during a entire shift when the majority of hours fall within the specified periods.

2. Paid Leave. On paid leave, such as court leave, holiday leave, compensatory time used, and administrative leave. See 5 C.F.R 532.505(e).

3. Travel Status. During a tour of duty while on official travel status, whether performing actual duty or not. See 5 C.F.R 532.505(c).

4. Temporary Assignment. When temporarily assigned to a different tour of duty. See 5 C.F.R 532.505(d).

5. Non-workdays and Holidays. When excused from night work on a holiday or other non-workday. See 5 C.F.R. 532.505(b).

E. National Guard Technicians. Army and Air National Guard technicians are not entitled to payment of night differential or premium pay for overtime pay during periods of overtime worked. National Guard technicians earn compensatory time.

030304. Sunday Premium Pay

Under 5 U.S.C. 5544 and 5546, additional pay at a rate of 25 percent of the hourly basic rate is payable to full and part-time employees whose regularly scheduled workweek (which does not include overtime hours) includes Sunday. In Fathauer vs. United States, 566 F.3d 1352 (Fed. Cir. 2009), the court determined that part-time employees are eligible for Sunday premium pay. For additional information see OPM Memorandum dated December 08, 2009, entitled “Administrative Claims for Sunday Premium Pay as a Result of Decision in Fathauer v. United States.” Sunday premium pay is payable for the entire period of non-overtime work during an employee’s regularly scheduled daily tour of duty (not to exceed eight hours) that begins or ends on a Sunday. Effective October 10, 1997, P.L.105-61 prohibited the payment of Sunday premium pay to all employees who do not actually perform work on Sunday. Therefore, employees who are regularly scheduled to work on Sunday are on paid leave, excused absence, taking compensatory time off, using credit hours, or are not working because Sunday is a holiday, are not entitled to Sunday premium pay. Intermittent employees do not have regularly scheduled daily tours of duty and are not entitled to Sunday premium pay. The maximum number of hours of Sunday premium pay that an employee is paid for one Sunday is 16 hours. (This would be for two 8-hour tours: one starting on Saturday night and ending on Sunday morning; and the next tour starting Sunday night and ending on Monday morning.) To calculate, the hourly basic rate is multiplied by 25 percent with the result adjusted to the nearest cent, counting one-half cent and over as a whole cent. See OPM Operating Manual, Federal Wage System – Appropriated Fund, subchapter S8-4e. FWS employees are entitled to Sunday premium pay under 5 U.S.C. 5544(a).

A. Flexible Work Schedule. A full-time or part-time employee on a flexible work schedule who performs regularly scheduled non-overtime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for the entire period of duty, not to exceed eight hours.

B. Compressed Work Schedule. A full-time or part-time employee on a compressed work schedule who performs non-overtime work during a period of duty, a part of which is performed on Sunday, is entitled to Sunday pay for the entire period of duty on that day. See 5 U.S.C. 6128.

030305. Holiday Premium Pay

In accordance with [5 U.S.C. 5546](#) and [5 C.F.R. 550.131](#), an employee who performs work on a holiday designated by Federal statute is entitled to holiday premium pay. Holiday premium pay is equal to the employee's rate of basic pay. An employee receives their rate of basic pay, plus holiday premium pay, for each hour of holiday work that is not in excess of their regularly scheduled non-overtime basic tour of duty, not to exceed **eight** hours. An employee required to perform any work on a designated holiday is entitled to pay for at least two hours of holiday work. Holiday premium pay is in addition to overtime pay, night pay differential, or Sunday pay.

A. Flexible Work Schedule. For an employee working a flexible work schedule, holiday pay for non-overtime work is limited to **eight** hours in a day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day. See [5 U.S.C. 6123](#).

B. Compressed Work Schedule. For an employee working a compressed work schedule, holiday pay for non-overtime work is limited to the number of hours normally scheduled for that day. A part-time employee, scheduled to work on a day designated as an "in lieu of" holiday for full-time employees, is not entitled to a premium for work performed on that day. See [5 U.S.C. 6128](#).

C. GS Employees. GS employees receive their basic pay, including any night differential, for holidays on which they are not required to work. Employees are entitled to additional holiday premium pay for work performed on a holiday not to exceed **eight** hours, during the hours of their regularly scheduled tour of duty.

D. FWS Employees. FWS employees who have a regular tour of duty and are not required to work due to a holiday are entitled to the same rate of pay for that day as if they had worked. For work performed on a holiday, FWS employees are entitled to their basic rate plus premium pay at a rate equal to their basic pay for holiday work that is not more than **eight** hours or is not overtime work. For additional information, see [5 C.F.R. 532.507](#).

E. Callback. Unscheduled overtime work performed by an employee on a day when work was not scheduled, or for which the employee is required to return to the place of employment, is deemed to be at least two hours in duration. See [5 U.S.C. 5542](#). If the callback occurs on a holiday during the employee's regular schedule, then a minimum of two hours holiday premium must be paid. The employee must record the actual time worked for time-and-attendance purposes. Employees working more than two hours are entitled to pay for the actual number of hours worked.

F. Training. An employee is not entitled to holiday premium pay while engaged in training, except under limited circumstances set out at [5 C.F.R. 410.402](#).

030306. Annual Premium Pay for Standby Duty

Employees in a position regularly requiring them to remain at, or within the confines of, their station during longer than ordinary periods of duty, a substantial part of which consists of remaining in a standby status rather than performing work, can receive premium pay on an annual basis instead of premium pay provided by other provisions. See [5 U.S.C. 5545\(c\)](#). Thus, the annual premium pay is in lieu of premiums for regularly scheduled overtime, night, holiday, and Sunday work. Annual premium pay for standby duty does not apply to irregular, unscheduled overtime duty in excess of the regularly scheduled weekly tour. Premium pay is determined as an appropriate percentage, not in excess of 25 percent, of the rate of basic pay for the position not exceeding the minimum applicable rate of basic pay for GS-10 (including any applicable locality-based comparability payment or similar provision of law, and any applicable special rate of or similar provisions of law). See [5 C.F.R. 550.141-550.144](#) and [5 U.S.C. 5304](#).

030307. Annual Premium Pay for AUO

Premium pay may be paid on an annual basis (except premium pay for regular overtime work and work at night, on Sundays, and on holidays) when an employee is in a position in which the hours of duty cannot be controlled administratively. The position requires substantial amounts of irregular, unscheduled overtime work, with the employee generally being responsible for recognizing, without supervision, circumstances that require an employee to remain on duty. The circumstances under which payment of AUO is appropriate are extremely limited; in particular, AUO is not appropriate for nonexempt employees. Annual premium pay under [5 U.S.C. 5545\(c\)\(2\)](#) provides that premium pay for AUO is an appropriate percentage (not less than 10 percent nor more than 25 percent) of the employee's rate of basic pay. This includes any special rate of pay for LEOs, or special pay adjustment for LEOs under section 302, 403, or [404 of FEPCA](#), a locality-based comparability payment under [5 U.S.C. 5304](#), and any applicable special rate of pay under [5 U.S.C. 5305](#), or similar provision of law [5 C.F.R. 550.151](#). The rate is determined by HRO and forwarded to PRO via SF 50 data. AUO for law enforcement personnel, which includes the office of special investigations agents, is subject to retirement and FEGLI deductions. See [5 U.S.C. 8331\(3\)\(D\)](#) and [8704\(c\)\(2\)](#). The AUO for Open Mess/Club Managers is not subject to retirement or FEGLI deductions. See [5 U.S.C. 8331\(3\)\(C\) and \(D\)](#), and [5 U.S.C. 8704\(c\)\(1\) and \(2\)](#). For additional information, see [Guidance on Administratively Uncontrollable Overtime](#), CPM 97-5.

030308. Hazardous Duty Pay (HDP) and Environmental Differential Pay (EDP)

A. Hazardous Duty Pay

1. Under [5 U.S.C. 5545\(d\)](#) and [5 C.F.R. 550.901-907](#), this entitlement, determined by HRO, involves additional premium pay to GS employees who are assigned hazardous duty or duty involving physical hardship. Hazardous duty means a duty performed under conditions in which an accident could result in serious injury or death. Duty involving physical hardship means duty that may not in itself be hazardous, but causes extreme physical discomfort or distress that is not adequately alleviated by protective or mechanical devices. [Some examples of duty involving physical hardship include](#) duties involving exposure

to extreme temperatures for a long period of time, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation.

2. The amount of HDP is determined by multiplying the percentage rate authorized for the exposure, found in [Appendix A to Subpart I of 5 C.F.R. 550](#), by the employee's hourly rate of pay. That amount is then multiplied by the number of HDP hours to be paid. HDP may be paid for overtime hours and is computed on the employee's hourly rate of basic pay, not the hourly overtime rate.

3. HDP is not included as part of the employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, or the amount of retirement, Thrift Savings Plan (TSP), and FEGLI deductions.

4. HDP is paid for all hours in a pay status the day on which the exposure occurs.

5. Payment of HDP is not subject to the biweekly pay cap placed on other premium pay as discussed in subparagraph 030103.A. However, HDP is included in the aggregate limitation on pay as discussed in subparagraph 030103.B.

6. HDP may not be more than 25 percent of the employee's rate of basic pay.

7. TP Pay Plan employees are not authorized HDP.

8. HDP may not be paid for hours of work during which an employee is paid annual premium pay for standby duty or AUO work, or availability pay.

B. Environmental Differential Pay (EDP)

1. Under [5 U.S.C. 5343\(c\)\(4\)](#), an FWS employee is entitled to an environmental differential when exposed to a working condition or hazard that falls within one of the categories approved by OPM. Pursuant to [5 C.F.R. 532.511](#), EDP is included as part of an FWS employee's basic rate of pay for computation of overtime, holiday pay, Sunday premium, and the amount of retirement, TSP, and FEGLI deductions. It is not part of basic pay for purposes of lump-sum leave payments and severance pay. HRO determines the local situation for which EDP is payable and obtains approval from OPM for additional categories not listed in [Appendix J to the OPM Operating Manual](#), Federal Wage System. TP pay plan employees are not authorized EDP.

2. EDP is payable on an actual exposure basis and is payable for all hours the employee is in a pay status on the day on which exposure to the situation occurs, including overtime hours. The amount that is payable is determined by multiplying the percentage rate authorized for the exposure by the basic hourly rate of a WG 10, step 2. That amount is then multiplied by the number of EDP hours to be paid. When EDP is payable for actual exposure, consider each exposure separately. Hours posted must not exceed the hours of

active duty on the day of exposure. If the exposure is less than **one** hour, then a minimum of **one** hour must be paid. If the exposure is longer than **one** hour, then the actual amount of time exposed is payable in 15 minute increments.

0304 FOREIGN AND NON-FOREIGN DIFFERENTIALS AND ALLOWANCES

030401. General

Consistent with [5 U.S.C. 5941](#) and [5 C.F.R. 591](#), allowances and differentials payable to employees officially stationed in non-foreign areas and the 50 states are established by OPM. Under [5 U.S.C. 5921](#) and [Executive Order 10903](#), allowances and differentials payable to employees officially stationed in foreign areas are established by the Secretary of State and published in the [Department of State Standardized Regulations](#) (DSSR). [Department of Defense Instruction \(DoDI\) 1400.25, Volume 1250](#) sets forth the specific rules regarding foreign allowances and differentials for DoD civilian employees. HRO notifies PRO through the interface via SF 50 data when an employee is eligible for a non-foreign differential or allowance. PRO will pay foreign differentials and allowances upon receipt through the interface of the [SF 1190](#) (Foreign Allowances Application, Grant, and Report).

030402. Allowances and Differentials in Foreign Areas

A. **Quarters Allowances.** Quarters allowances are intended to reimburse an employee substantially for all costs associated with either temporary or residence quarters whenever government-owned or government-rented quarters are not provided to the employee without charge. See [5 U.S.C. 5923\(a\)\(1\) and \(2\)](#) and [DoDI 1400.25, Volume 1250](#).

1. **Living Quarters Allowance (LQA).** The LQA entitlement is intended to reimburse an employee for rent and any costs not included in the rent for heat, light, fuel, gas, electricity, and water. Employees receiving LQA may not receive the temporary quarters subsistence allowance (TQSA) for the same period except under special circumstances specified in [DSSR, Chapter 100 sections 124.1 and 132.41](#). The daily rate is derived by dividing the annual amount by the number of days in a calendar year, and paid for all applicable days in a pay period. **Do not pay LQA to an employee who is Absent Without Leave (AWOL) or on a suspension.** The LQA is paid on a biweekly basis. LQA may be advanced for a period of not less than three months or more than **one** year (unless specifically approved by the officer designated to authorize allowances). Advanced LQA **must** not exceed the lesser of the following:

- a. The total rent advanced to the lessor, or
- b. The employee's maximum LQA rate as authorized in the

[DSSR, section 920](#).

2. **TQSA.** TQSA is an allowance granted to an employee for the reasonable cost of temporary quarters, meals, and laundry expenses incurred by the employee and/or family members. TQSA is payable for a period not to exceed 90 days after first arrival at

a new post in a foreign area, or for a period ending with the occupation of residence (permanent quarters, if earlier, or for a period not to exceed 30 days immediately preceding final departure from the post subsequent to the necessary vacating of residence quarters. TQSA may continue during periods of official travel, which authorize per diem, if the head of the agency determines the employee acted responsibly in retaining temporary quarters during the period of travel. A possible extension of up to 60 additional days may be granted in compelling circumstances. TQSA is authorized during periods when travel per diem is being paid. No post allowance is authorized while an employee is receiving TQSA. Receipts are required for lodging and laundry expenses, and the employee **must** submit a certified statement for the daily cost of meals. TQSA is based on the maximum per diem rate for the foreign location found in the [DSSR, section 925](#). Payment of TQSA may be made in advance for up to 30-day increments, in biweekly payments, or upon the completion of TQSA period upon request of the employee and as authorized by HRO. [In accordance with the DSSR, Chapter 100, section 124.1](#), HRO may authorize payment of TQSA for up to five days prior to the termination of LQA when it is necessary to vacate permanent quarters in order to meet lease requirements for heavy cleaning, painting, or repairs when preceding final departure from the post. Also see [DSSR, Chapter 100, section 120](#), [DSSR, Chapter 100, section 124.1](#), 5 U.S.C. 5923(a)(1) and (2), and DoDI 1400.25, Volume 1250.

B. COLA. COLA is intended to reimburse an employee for certain excess costs, exclusive of any quarters costs, which result from being officially stationed in a foreign area. COLA includes the post allowance, the foreign transfer allowance, the home service transfer allowance, the separate maintenance allowance, the education allowance, and the educational travel reimbursement. See [DSSR, Chapter 200](#) and [5 U.S.C. 5924](#).

1. Post Allowance. The post allowance is a COLA, granted to an employee officially stationed at a post in a foreign area where the cost-of-living, exclusive of the cost of quarters, is substantially higher than in Washington, District of Columbia (D.C.). The amount paid is a flat rate varying only by basic salary, size of family, and location of the assigned post. The daily rate is derived by dividing the annual amount by the number of days in a calendar year, then multiplying the daily rate by the number of days involved to obtain the biweekly amount. It is paid for all applicable days in a pay period, [with the exception of days on AWOL or a suspension](#). Post allowance is not authorized at the same time an employee is receiving TQSA. Post allowance is included in the computation of lump-sum leave payments upon separation from Federal service if separated in the foreign area. See [DSSR, Chapter 200, section 220](#) and DoDI 1400.25, Volume 1250.

2. Foreign Transfer Allowance (FTA). FTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, that are incurred by an employee incident to establishing that employee at any post of assignment in a foreign area. The subsistence expense portion of FTA is intended to reimburse an employee for allowable expenses incurred prior to departure from a post in the United States, its territories, possessions, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands, to a post in a foreign area. The miscellaneous expense portion of FTA payment for an employee without a family is \$500, or the equivalent of one week's pay, whichever is the lesser amount. The miscellaneous expense portion of the FTA payment for an employee with a family is \$1,000, or the equivalent of **two** weeks' pay, whichever is the lesser amount. In any

case, the ceiling for reimbursement is the salary for a GS-13, step 10. The allowance is authorized within DoD for payment of the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within DoD. See [DSSR, Chapter 200, section 240](#) and DoDI 1400.25, Volume 1250.

3. Home Service Transfer Allowance (HSTA). HSTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, incurred by an employee in connection with a transfer to a post of assignment in the United States with a certified understanding by the employee to complete 12 months of government service following the effective date of transfer. The allowance is authorized within DoD for payment of the miscellaneous expense portion, the lease penalty expense portion, and the subsistence expense portion. The wardrobe expense portion is not authorized for payment within DoD. See [DSSR, Chapter 200, section 250](#) and DoDI 1400.25, Volume 1250.

4. Separate Maintenance Allowance (SMA). SMA is an additional COLA paid to assist an employee to maintain a separate household other than at the employee's foreign post of assignment for the family or a member of the family. The employee must be compelled or authorized to obtain separate family quarters for reasons such as dangerous, notably unhealthy, or excessively adverse living conditions; for the convenience of the Government; or because of special family needs. The rate is determined by the number of dependents maintained elsewhere than at the post of assignment and is computed at an annual rate. SMA is paid for all applicable days in a pay period. The daily rate is derived by dividing the annual amount by the number of days in a calendar year. The biweekly amount is derived by multiplying the daily rate by 14. If any other period is involved, the amount payable is determined by multiplying the daily rate by the number of days involved. See [DSSR, Chapter 200, section 260](#) and DoDI 1400.25, Volume 1250.

5. Education Allowance. The education allowance assists the employee with the extraordinary and necessary expenses, not otherwise compensated for, incurred because of service in a foreign area in providing adequate elementary and secondary education for his or her dependents. The education allowance is not authorized for payment within DoD. However, reimbursement is authorized for transportation costs of dormitory student dependents of eligible employees between the employee's overseas duty station and the DoD Education Activity (DODEA) approved school. See [DSSR Chapter 200, section 270](#), [5 U.S.C. 5924](#), and DoDI 1400.25, Volume 1250.

6. Educational Travel. Educational travel is reimbursement for travel to and from a school in the United States for purposes of attending a full-time course for secondary or college education. Reimbursement will be limited to one annual roundtrip. An annual roundtrip is defined as one roundtrip at any time within any one 12-month period. Any portion of the roundtrip not taken in the 12-month period does not accrue to a subsequent period. See [DSSR Chapter 200, section 280](#), DoDI 1400.25, Volume 1250, and 5 U.S.C. 5924.

C. Representation Allowance. Representation allowances are intended to cover allowable items of expenditure by employees, including foreign national employees,

whose official positions entail responsibility for establishing and maintaining relationships of value to the United States in foreign countries and by adult family members acting with, or on behalf of, these employees. Examples of allowable items are those of an entertainment or protocol nature, tips and gratuities, purchase of flowers and wreaths, and other representational expenses which the head of an agency may authorize or approve as being a type to promote the interest of the United States. The employee's position first must be designated by the Deputy Under Secretary of Defense for Civilian Personnel Policy as eligible for the allowance. A voucher of expenses incurred will be the basis for payment. See [DSSR, Chapter 300](#) and DoDI 1400.25, Volume 1250.

D. Official Residence Allowance. The defraying of official residence expenses is intended to make possible the operation and maintenance of official residences in which a principal representative can properly represent the United States abroad. Such representation includes extending official (as distinct from personal) hospitality to foreign dignitaries and important visitors, receiving official deputations and callers, and holding requisite and appropriate ceremonies smoothly and with dignity. This representation also includes keeping the residence appropriately staffed and operating. The Secretary of State must designate eligible employees. See [DSSR, Chapter 400](#), [5 U.S.C. 5913](#), and DoDI 1400.25, Volume 1250.

E. Post Hardship Differential. Post hardship differential is established for a location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions affecting the majority of employees officially stationed or detailed at that place. Living costs are not considered in differential determination. Post hardship differential is additional compensation based on an established percentage over basic compensation ranging from 5 to 35 percent. Post hardship differential is paid on a biweekly basis with regular salary and only for hours for which basic compensation is paid. Post hardship differential is included in gross income and is subject to Social Security and/or Medicare, Federal, state, and local tax deductions. Employees with tours of duty commencing on or after October 28, 1991, will have post hardship differential excluded from the lump-sum leave payment in accordance with [P.L. 102-138](#). See [DSSR, Chapter 500](#), [5 U.S.C. 5551](#), [5 U.S.C. 5925](#), and DoDI 1400.25, Volume 1250.

1. Post hardship differential is granted to full-time employees and temporary employees who are appointed on a full-time basis and who are U.S. citizens permanently assigned or on extended detail to a post where the differential is granted.

2. Post hardship differential for employees permanently assigned to a post commences on the latest of the following dates:

a. The date the employee arrives at the post or the date the employee enters on duty if recruited locally,

b. The effective date of assignment, if the employee is already at the new post on detail or leave, or

c. The effective date on which a post is classified for a differential.

3. Post hardship differential for employees temporarily assigned to a post commences after the employee has spent 42 cumulative days at one or more differential locations without returning to a non-differential permanent post of assignment. The differential is paid starting on day 43.

F. Danger Pay Allowance (DPA) and Imminent Danger Pay (IDP). Two forms of danger pay are available to civilian employees.

1. DPA. DPA under the [DSSR 652\(f\)](#) may be paid to an employee serving in a foreign area or post where there exist conditions, as established by the Secretary of State, of civil insurrection, civil war, terrorism, or wartime conditions that threaten physical harm or present imminent danger to the health or well-being of the employee. DPA is additional compensation of up to 35 percent of the basic pay of the employee. DPA is paid to full-time employees, temporary employees, and part-time and intermittent employees assigned for a minimum of **four** cumulative hours in **one** day to a danger pay post or area. All periods of leave while present at the danger pay post or areas may be included to meet the **four**-hour requirement, but days of absence away from the post or area may not be included. When the employee is detailed to a danger pay post or area for **four** hours or more, he/she may receive DPA for the full day. For full-time employees and temporary employees, DPA is computed at the percentage of basic compensation established for the post or area. For part-time regularly scheduled employees and intermittent employees, DPA is computed at the prescribed percentage of basic compensation earned during the applicable period. DPA is not subject to any ceiling that would provide less than the full percentage rate authorized for the post or area. DPA is paid only for those hours for which basic compensation is paid and is subject to Social Security and/or Medicare, Federal, state, and local tax deductions. Where there is no duplication of benefits for the same living condition, a civilian employee may receive DPA and post hardship differential pay for the same period. DPA is not included as part of the lump-sum leave payment. See [DSSR Chapter 650, section 656](#).

2. IDP. IDP, under [DSSR 652\(g\)](#) may be paid to a civilian employee who accompanies U.S. military forces in areas designated by the Secretary of Defense as being subject to hostile fire or imminent danger. See [5 U.S.C. 5928](#), [DSSR, Chapter 650](#), and [DoDI 1400.25, Volume 1250](#). On October 1, 1995, the State Department, at DoD's request, added [section 652\(g\) to the DSSR concerning IDP](#). The monthly amount of IDP is the same as the monthly flat-rate paid to uniformed military personnel. An employee may not receive IDP and a post hardship differential that would duplicate political violence credit. Nor may an employee receive IDP and DPA at the same time. IDP is calculated as a daily rate and paid on a monthly basis. Daily rates are determined by dividing the monthly amount by the number of days in a month. This rate will change based on the number of days in a month. For periods of less than a month, an employee is entitled to the daily rate times the number of days in the month the employee is in the eligible area. IDP is subject to Social Security and/or Medicare, Federal, state, and local tax deductions. The IDP is not included as part of the lump-sum leave payment.

3. Commencement of DPA or IDP. DPA or IDP commences on the date of designation by the Secretary of State for employees already present at the post on assignment or detail. DPA or IDP commences on the date of arrival at the post or detail for subsequently assigned or detailed employees, or for employees returning after a temporary absence.

4. DPA/IDP Allowance and a Post Hardship Differential. Employees may receive both DPA/IDP and the post hardship differential, if both are authorized. Extra pay from either an allowance or a differential is limited to no more than 35 percent of the employee's rate of basic pay. When both an allowance and a differential have been authorized, the total pay for the allowance and the differential may not exceed 70 percent of the employee's rate of basic pay.

G. Tropical Differential. Entitlement to tropical differential was limited to a maximum of 25 percent of the basic pay when authorized for U.S. employees in Panama. NOTE: The Panama Canal Treaty of September 7, 1977, relinquished United States control over the Canal and transferred authority to the Panama Canal Authority on December 31, 1999. The guidance contained in this section is retained strictly for historical purposes. For additional information, see [22 U.S.C., Chapter 51](#).

030403. Allowances and Differentials in Non-Foreign Areas

A. Non-Foreign COLA. Non-foreign COLA is an allowance that OPM established at a location in a non-foreign area where living cost is substantially higher than the living cost in the area of Washington, D.C. See [5 U.S.C. 5941](#). Non-foreign areas are the states of Alaska and Hawaii, the Commonwealths of Northern Mariana Islands and Puerto Rico, and territories and possessions of the United States and any additional areas the Secretary of State designates as being within the scope of [Part II of Executive Order 10000](#), as amended. The Non-foreign Area Retirement Equity Assurance Act (the Act) transitions the non-foreign area COLA authorized under [5 U.S.C. 5941\(a\)\(1\)](#) to locality pay authorized under [5 U.S.C. 5304](#) in the non-foreign areas as listed in [5 C.F.R. 591.205](#). See P.L. 111-84 of October 28, 2009. The Act also extends locality pay to American Samoa and other non-foreign territories and possessions of the United States where no COLA rate applies. Under P.L. 111-84, locality pay will be phased in over a 3-year period beginning in January 2010. Under the law, COLA rates issued under [5 C.F.R. 591](#) will be frozen as of October 28, 2009, the date of enactment. As locality pay increases under the Act, payable COLA rates must be reduced as specified in section 1912(b) of P.L. 111-84. Consequently, covered employees may receive both locality pay and a reduced COLA for a number of years.

B. Non-foreign Post Differential. Non-foreign post differential is payable under [5 U.S.C. 5941\(a\)\(2\)](#), if conditions of the *duty station's* environment differ substantially from the conditions of the environment in the continental United States and warrant an allowance as a recruitment incentive. Non-foreign post differentials are designed to attract persons from outside the non-foreign area to work for the Federal Government in the post differential area. Agencies must make these payments to all eligible civilian employees in the area whose basic pay is fixed by statute. The pay of employees under FWS is based on the wages paid in the

locality and is not covered under this section. An allowance or differential **must** not be paid for time for which an employee does not receive basic pay, except as stated in Chapter 7.

C. Processing Non-foreign COLA and Non-foreign Post Differentials

1. Extra pay from an allowance or a differential, or both, may not exceed 25 percent of the employee's rate of basic pay. In areas where OPM has authorized both a non-foreign COLA and a non-foreign post differential, the employee receives the full COLA and a partial post differential so as not to exceed the 25 percent of the employee's hourly rate of basic pay. See [5 C.F.R. 591.238](#).

2. Employees receive non-foreign COLA and non-foreign post differential as a percentage of the employee's hourly rate of basic pay to include a retained rate of pay under [5 U.S.C. 3594\(c\)](#) or [5363](#), for those hours during which the employee receives basic pay. This includes all periods of paid leave, detail, or travel status outside COLA or non-foreign post-differential area.

3. Non-foreign COLA is not included in gross income for Social Security/Medicare, Federal, or state income tax deductions. Non-foreign post differential is included in gross income for Social Security/Medicare, Federal, state, and local income tax deductions. See Table 4-1 of Chapter 4.

4. Non-foreign COLA and non-foreign post differential may not be included as part of an employee's rate of basic pay for the purpose of computing entitlements to overtime pay, retirement, TSP, FEGLI or any other additional pay. See [5 C.F.R. 591.239](#). The allowance or differential is included in an employee's regular rate of pay for computing overtime pay for FLSA nonexempt employees. See [5 C.F.R. 591.239](#). The allowance or differential is included in the computation of lump-sum leave payments if the employee's official duty station is in the non-foreign area when he or she becomes eligible for a lump-sum payment under [5 C.F.R. 550.1203](#). See [5 C.F.R. 550.1205\(b\)\(8\)](#).

0305 OTHER PAYS, DIFFERENTIALS, AND ALLOWANCES

030501. Physicians' Comparability Allowance

A. The payment of allowances is authorized to certain eligible Federal physicians who enter into service agreements with their agencies. See [5 C.F.R. 595](#) and [5 U.S.C. 5948](#). These allowances are paid only in the case of categories of physicians for which the agency is experiencing recruitment and retention problems, and are fixed at the minimum amounts necessary to deal with such problems. Unless otherwise provided in the agreement (or if the head of the agency by which the physician is employed determines that the failure was necessitated by circumstances beyond the control of the physician), if the physician fails to complete at least one year of service, either voluntarily or because of misconduct, a refund of the total amount received is required. If the physician completes more than one year of service, but fails to complete the full period of service specified in the agreement, the physician must refund

the amount of allowance he or she received under the agreement for the 26 weeks of service immediately preceding the termination (or longer if specified in the service agreement).

B. The amount received **must** not exceed:

1. \$14,000 per annum if, at the time the agreement is entered into, the government physician had served as a government physician for 24 months or less; or

2. \$30,000 per annum, if the government physician has served as a government physician for more than 24 months. See [5 U.S.C. 5948\(a\)](#).

C. An allowance may not be paid pursuant to this section to any physician who:

1. Is employed less than 20 hours per week or on an intermittent basis,

2. Is employed in an internship or residency training position,

3. Is a reemployed annuitant, or

4. Is fulfilling a scholarship obligation to the U.S. Government.

D. Any allowance paid under this section **is** not considered basic pay for the purposes of [5 U.S.C. 5551](#), [5552](#), and [5595](#), 5 U.S.C. Chapters [81](#), [87](#), or other benefits related to basic pay. See also [5 U.S.C. 5948\(h\)\(1\)](#). Effective December 28, 2000, [P.L. 106-571](#) made the physicians' comparability allowances basic pay for computing CSRS, FERS and TSP contribution amounts, and for computing disability retirement benefits and survivor benefits for death-in-service.

E. Any allowance under this section for a government physician **must** be paid in the same manner and at the same time as the physician's basic pay is paid. This allowance is subject to retirement and TSP deductions. This allowance is subject to Federal, state, and local income tax, Social Security, and Medicare. The allowance is subject to the aggregate limitation on pay discussed at 030103.B.

030502. Supervisory Differential

A. The authority to approve payment of supervisory differentials under [5 U.S.C. 5755](#) and [5 C.F.R. 575 Subpart D](#), is delegated through, and subject to, the authority of the head of the DoD Component and the Component chain of command to the official(s) who exercises personnel-appointing authority (normally, the head of an installation or activity). Only the Secretary or Deputy Secretary of Defense may approve a supervisory differential for an individual appointed to a Schedule C position, as defined by [5 C.F.R. 213](#). Additional detailed guidance on the supervisory differential entitlement is contained in [DoDI 1400.25, Volume 575](#). Payment of a supervisory differential is authorized to a GS employee who has supervisory

responsibility for one or more non-GS employees. The differential is allowed if one or more of the subordinate civilian employees would be paid more than the supervisory employee in the absence of such a differential. A supervisory differential **must** be calculated as a percentage of the supervisor's rate of basic pay. A dollar amount equal to the value of the authorized percentage will be provided by HRO via an SF 50.

B. The supervisory differential is paid in the same manner, and at the same time, as basic pay, but **must** not be considered part of basic pay for any purpose, including retirement, FEGLI, or TSP. This differential is subject to Social Security and Medicare deductions and to Federal, state, and local income tax. The supervisory differential is subject to the aggregate limitation on pay discussed in [subparagraph 030103.B](#).

030503. Remote Site Allowance

The remote site allowance is paid to an employee who is assigned to duty, except temporary duty, at a site so remote from the nearest established community or suitable place of residence as to require an appreciable degree of expense, hardship, and inconvenience in commuting. Such hardships and inconveniences **must** extend beyond those normally encountered in metropolitan commuting. When so assigned, the employee is entitled to an allowance not to exceed \$10 per day, in addition to pay otherwise due to the employee. See [5 U.S.C. 5942](#) and [5 C.F.R. 591 Subpart C](#).

030504. Uniform Allowance

Defense agency employees required by law or regulation to wear uniforms during the performance of official duties, may be reimbursed a uniform allowance in accordance with the rates posted in the [DoDI 1400.25, Volume 591](#). Approval to reimburse a uniform allowance is determined by the agency's authorized management official. Uniform allowances are not considered wages and therefore are paid through the servicing commercial accounts office.

030505. Qualified Transportation Fringe Benefits

A. Pursuant to [26 U.S.C. 132](#), gross income for Federal tax purposes does not **include** qualified transportation fringe benefits provided to employees, including transit passes, qualified parking, and transportation in commuter highway vehicles. [Section 7905 of Title 5 U.S.C.](#) and [Executive Order 13150](#) authorize Federal agencies to offer qualified employees transportation fringe benefits in accordance with [26 C.F.R. 1.132-9](#). [DoD Instruction 1000.27](#) implemented the Mass Transportation Benefit Program (MTBP) on October 28, 2008, for eligible DoD employees. The MTBP provides benefits for qualified means of transportation, including commuter bus or train, subway or light rail, ferry or vanpool. A DoD employee who receives subsidized parking is not eligible to participate in the MTBP. Each DoD Component implements policy and procedures in accordance with the MTBP. [P.L. 109-59](#) authorized agencies to offer qualified Federal employees transit-pass-transportation fringe benefits in the National Capital Region as described in [Executive Order 13150](#).

B. Each year, the Internal Revenue Service (IRS) sets limits on the amount that may be excluded from an employee's taxable wages each month for the total value of qualified transportation fringe benefits. See [IRS Pub.15-B](#), Employer's Tax Guide to Fringe Benefits. Amounts within the monthly limit are not considered wages, and therefore, are paid through the servicing commercial accounts office. If the value of the benefit for any month is in excess of the qualified published limits, the amount over the limit is includible as gross income and is subject to Social Security and/or Medicare, Federal, state, and local income tax withholding. The value of the benefit is not subject to retirement, FEGLI, or TSP deductions. See [Chapter 9](#) for reporting information.

030506. Government-Provided Home-to-Work Transportation

A. [Title 26, C.F.R., section 1.61-21](#) provides detailed rules as to the proper valuation method required for determining the employer-provided home-to-work benefit, as it must be reported on each applicable employee's Form W-2 (Wage and Tax Statement). The [DoD 4500.36-R](#) requires the Under Secretary of Defense (Comptroller) in coordination with the Under Secretary of Defense (Personnel and Readiness) to provide the necessary guidance annually concerning the valuation methods for home-to-work transportation. Employers are responsible for determining the value of the employer-provided benefit and reporting it to the Defense Finance and Accounting Service (DFAS) to be properly reported on the employee's Form W-2. The benefit is subject to Social Security/Medicare, Federal, state, and local income taxes. The benefit is not subject to retirement, FEGLI, or TSP deductions.

B. Employers must submit the required information to the servicing payroll office by December 1 of each year. However, DoD employing activities will not report on a calendar year basis. Rather, they will report for the 12-month period from November 1 through October 31. The value of the benefits received in November and December will be considered paid in the next year as authorized by the [IRS Publication 15-B](#), Employer's Tax Guide to Fringe Benefits.

030507. Foreign Language Proficiency Pay (FLPP)

Under [10 U.S.C. 1596a](#), the Secretary of Defense is authorized to pay special pay to eligible DoD employees who are assigned non-intelligence duties requiring proficiency in foreign languages identified as necessary for national security interests. DoD issued a November 3, 2006, memorandum establishing DoD's policy and delegated authority for payment of FLPP. FLPP is calculated as a percentage of the employee's adjusted rate of basic pay not to exceed five percent. FLPP may be paid for proficiency in multiple languages; the total amount may not exceed five percent. FLPP is not considered basic pay for any purpose and does not count toward retirement, TSP, FEGLI or any other benefit related to basic pay. FLPP is not pay for the purposes of lump-sum payments for leave under [5 U.S.C. 5551](#) or [5552](#). FLPP is considered a discretionary, continuing payment for calculation of the aggregate limitation on pay. (See aggregate limitation on pay as discussed in subparagraph 030103.B.).

A. Eligibility Criteria. An authorizing official must document that an employee meets the minimum qualification before authorizing FLPP. The documentation must include:

1. Certification of the employee's proficiency in a foreign language as identified on the strategic language list,
2. Affirmation that the employee is assigned duties requiring proficiency in a foreign language,
3. Affirmation that the employee does not currently receive comparable pay under [10 U.S.C. 1596](#), and
4. Affirmation that the employee does not currently receive comparable pay under [DoDI 1400.25, subchapter 1930](#).

B. Certification. A certification of the employee's foreign language proficiency level must be renewed annually. Certification is based on the following:

1. An employee's performance on the Defense Language Proficiency Test and/or the Oral Proficiency Interview, which are DoD official tests designed to measure an individual's ability to communicate in a foreign language in two or more modalities (i.e., listening, reading, speaking and writing); or
2. An employee's performance on a test that has been certified by the commandant Defense Language Institute Foreign Language Center, and approved by the Under Secretary of Defense.

030508. Market Pay

A. Purpose. Under [10 U.S.C.1599 \(c\)](#), each physician and dentist covered by [DoDI 1400.25, Volume 543](#), is eligible for market pay in lieu of locality pay. Market pay is an element of annual pay (base pay rate plus market pay) intended to reflect the recruitment and retention needs for the specialty or assignment of a particular DoD physician or dentist.

B. Payment Determinations. A compensation panel must make a recommendation to an authorized management official regarding the appropriate market pay amounts for individual physicians and dentists according to guidelines established by the Health Professions Civilian Compensation Standing Committee (HPCCSC) and based on criteria such as level of experience, need for medical specialty practice, the healthcare labor market, board certifications, and personal accomplishments. See [DoDI 1400.25, Volume 543](#). The authorized management official determines the amount of market pay for the physician or dentist, which may require additional approval of the HPCCSC. Once set, market pay for an individual may **not** be reduced unless the physician or dentist changes assignment. The compensation panel must review the market pay of each physician or dentist upon changes in assignment and not less than once **every** 24 months. Market pay must be approved for newly appointed physicians or

dentists within 30 days following their appointment; all payments are retroactive to the effective date of the appointment.

C. Limitations. Physicians or dentists who receive market pay are not eligible for the physicians' comparability allowance under paragraph 030501 or premium pay (such as overtime, night pay, compensatory time off) under [paragraph 030301](#). A physician or dentist receiving market pay may not receive grade or pay retention under [5 U.S.C. Chapter 53](#). The sum of all payments paid to the physician or dentist including base pay, but excluding market pay, is subject to the Executive Level I annual limitation. The sum of all payments subject to the Executive Level I annual limitation and market pay cannot exceed the annual salary of the President of the United States, excluding expenses.

*030509. Reservist Differential

A. Purpose. Under [5 U.S.C. 5538](#), effective March 15, 2009, Federal agencies are required to make reservist differential payments to eligible Federal civilian employees who are members of the Reserve or National Guard called or ordered to active duty under certain specified provisions of law. A reservist differential is payable to an employee during a "[qualifying period](#)" in the amount of basic pay which would have been payable had they not been called or ordered to active duty in the uniformed service.

B. Payment. Reservist differential is payable when an eligible employee's projected civilian basic pay for a covered pay period exceeds actual military pay and allowances allocable to that pay period. See [5 U.S.C. 5538](#). Payments are made from the same appropriation used if the employee was in a pay status. Reservist differential is considered due no later than eight weeks after the normal scheduled civilian pay date unless the necessary information is not received four weeks prior to that date. Reservist differential is not considered as basic pay for any purposes; it is a supplemental payment based on a comparison of projected civilian basic pay and military pay and allowances. These payments are not subject to Federal Insurance Contributions Act (FICA), Old Age, Survivors, and Disability Insurance (OASDI), and Medicare for periods of active duty of more than 30 days. However, reservist differential is subject to:

1. Federal tax (must appear in box 1 of the W2), and
2. FICA for periods of active duty 30 days or less.

C. Leave and LWOP. An employee receiving reservist differential is still considered to be on LWOP unless on paid leave or paid time off (including military leave). An employee may not receive reservist differential for a period for which the employee receives basic pay for time worked or the use of any type paid leave or other paid time off.

*0306 RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES

030601. Recruitment Incentive

A. Purpose. Payment of recruitment incentives is authorized by [5 U.S.C. 5753](#) and [5 C.F.R. 575](#), Subpart A. An agency may pay a recruitment incentive to an eligible newly appointed employee, under the conditions specified in the regulations, provided the agency has determined that the employee's position is likely to be difficult to fill in absence of an incentive. The total amount of recruitment incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period, not to exceed **four** years. OPM may waive the 25 percent limitation based on critical agency need. The justification for paying a recruitment incentive must be documented.

B. Service Agreement. Before a recruitment incentive may be paid, the employee **must** sign a written agreement to serve a specified period of employment with the agency. The service period may not be less than six months or more than four years. See [5 C.F.R. 575.110](#).

C. Payment Options. Payment options are authorized and established by the agency. See [5 C.F.R. 575.109](#). An agency may pay the recruitment incentive by any of the following methods as specified in the service agreement:

1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement,
2. Installment payments throughout the service period, or
3. A lump-sum payment upon completion of the full service period.

D. Payment of Recruitment Incentive. Recruitment incentives are not considered part of the employee's basic pay for any reason.

1. **An incentive may only be paid to an employee who has received a written offer of employment and signed a written service agreement.**

2. The recruitment incentive is subject to Social Security and Medicare deductions and Federal, state, and local income tax. This incentive is not subject to retirement, FEGLI, or TSP.

3. The recruitment incentive is included in the aggregate limitation on pay. See [5 C.F.R. 530 Subpart B](#).

4. The incentive will be included with regular salary payments and separately identified on the LES.

E. Termination of a Service Agreement. An agency must notify an employee in writing when it terminates the service agreement. The termination of a service agreement is not grievable or appealable.

1. Mandatory Termination. A demotion or separation for cause, or a less than “Fully Successful” or equivalent rating terminates the service agreement. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must repay any portion of the incentive attributable to uncompleted service. The full amount of the authorized recruitment incentive is prorated across the length of the service period to determine the amount attributable to completed and uncompleted service. The amount owed by the employee shall be recovered in accordance with provisions established by debt collection regulations. See Chapter 8. If a recruitment incentive must be recovered, HRO shall notify PRO via SF 50 data.

2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

3. Employees may not grieve or appeal decisions to terminate the service agreement.

F. Documentation and Recordkeeping. Each recruitment incentive must be documented by HRO via information derived from an SF 50.

030602. Relocation Incentive

A. Purpose. Payment of relocation incentives is authorized by 5 U.S.C. 5753 and 5 C.F.R. 575 Subpart B. An agency may pay a relocation incentive to a current eligible employee who must relocate, without a break in service, to accept a position in a different geographic area (as defined at 5 C.F.R. 575.205(b)) that is likely to be difficult to fill in the absence of an incentive. The total amount of relocation incentive payments paid to an employee in a service period may not exceed 25 percent of the annual rate of basic pay of the employee at the beginning of the service period multiplied by the number of years (including fractions of a year) in the service period, not to exceed four years. OPM may waive the 25 percent limitation based on critical agency need. The justification for paying a relocation incentive must be documented.

B. Service Agreement. Before a relocation incentive may be paid, the employee must sign a written agreement to serve a specified period of employment with the agency. The service period may not be less than four months or more than four years. See 5 C.F.R. 575.210.

C. Group Relocation Incentives. An authorized management official may make a determination to approve group relocation incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees is subject to a mobility agreement and

relocation incentives are necessary to ensure continuation of operations, or when a major organization unit is relocating to a new duty station and the incentive will ensure continued operations of that unit without disruption. The group incentive, supported by written determinations, specifies the group and the period of time during which the authorization is valid.

D. Payment Options. Payment options are authorized and established by the agency. See [5 C.F.R. 575.209](#). An agency may pay the relocation incentive by any of the following methods as specified in the service agreement:

1. An initial lump-sum payment at the commencement of the service period, or before the start of the service period once the employee has signed the agreement,
2. Installment payments throughout the service period, or
3. Lump-sum payment upon completion of the full service period.

E. Payment of Relocation Incentive. The relocation incentive must not be considered a part of the employee's basic pay for any reason.

1. The relocation incentive is subject to Social Security and Medicare deductions and Federal, state, and local income tax. This incentive is not subject to retirement, FEGLI, or TSP.
2. The relocation incentive is included in the aggregate limitation on pay. See [5 C.F.R. 530 Subpart B](#).
3. The incentive will be included with regular salary payments and separately identified on the LES.
4. [The agency does not pay the incentive until the employee establishes a residence in the new geographic location.](#)

F. Termination of a Service Agreement

1. Mandatory Termination. A service agreement will terminate if an employee is demoted for cause, separated for cause, or receives a less than "Fully Successful" or equivalent rating. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that is in excess of the amount attributable to completed service. The full amount of the authorized relocation incentive must be prorated across the length of the service period to determine the amount of the relocation incentive attributable to completed service and uncompleted service. The amount owed by the employee shall be recovered in accordance with provisions established by debt collection regulations. See [Chapter 8](#). If a relocation incentive must be recovered, then HRO shall notify PRO via SF 50 data.

2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to the termination based on management needs is entitled to all incentive payments already received.

3. Employees may not grieve or appeal decisions to terminate the service agreement.

G. Documentation and Recordkeeping. Each relocation incentive **must** be documented by HRO via SF 50 data.

030603. Retention Incentive

A. Purpose. Payment of retention incentives is authorized by [5 U.S.C. 5754](#) and [5 C.F.R. 575 Subpart C](#). A retention incentive of up to 25 percent of basic pay may be offered to a current eligible employee who has unusually high or unique qualifications or when the agency has a special need for the employee's services making it essential to retain the employee. [See 5 C.F.R. 575.305](#). OPM may waive the 25 percent limitation based on critical agency need. The justification for paying a retention incentive must be documented.

B. Service Agreement. Unless paid in biweekly installments, before a retention incentive is paid, the employee must sign a written agreement to serve a specified period of employment with the agency. A service agreement is required for biweekly installment payments only when the incentive is granted under special provisions by the DoD or the employee received a reduced percentage for each installment made prior to the final payment.

C. Group Retention Incentives. An authorized management official may make a determination to approve group retention incentives rather than on a case-by-case basis. The determination is appropriate if a group of employees has unusually high or unique qualifications or the group's services make it essential to retain the employees in that group. Additionally, there must be a high risk that a significant number of the employees in the group would be likely to leave Federal service without the retention incentive. Group retention incentives may be up to 10 percent of an employee's rate of basic pay (unless a higher rate is authorized by OPM). Group retention incentives may not be paid to employees in SL, ST, or executive schedule positions or other employees with approved recruitment incentives from OPM.

D. Payment Options. Payment options of retention incentives are authorized by 5 U.S.C. 5754 and [5 C.F.R. 575.309](#). Retention incentives may not be paid as an initial lump-sum payment at the start of a service period or as an installment paid in advance. An agency may pay the retention incentive by the following methods as specified in the service agreement:

1. [Installments after the completion of specified periods of service; or](#)
2. [A single lump-sum payment after completion of the full service period.](#)

E. Payment of Retention Incentive. Retention incentives shall not be considered a part of the employee's basic pay for any purpose.

1. The retention incentive is subject to Social Security and Medicare deduction and Federal, state and local income tax. This incentive is not subject to retirement, FEGLI or TSP.

2. The retention incentive is included in the aggregate limitation on pay as discussed at subparagraph 030103.B. See [5 C.F.R. 530 Subpart B](#).

3. The incentive will be included with regular salary payments and separately identified on the LES.

F. Termination of a Service Agreement

1. Mandatory Termination. A service agreement will terminate if an employee is demoted for cause, separated for cause, or receives a less than "Fully Successful" or equivalent rating. An employee who fails to complete the period of service for these reasons, or otherwise fails to fulfill the terms of the agreement, must reimburse DoD for the amount of all benefits received under the agreement that are in excess of the amount attributable to completed service. [The employee is entitled to retain any retention incentive payments attributable to completed service and is entitled to receive any portion of a retention incentive payment owed by the agency for completed service.](#) The amount owed by the employee shall be recovered in accordance with provisions established by debt collection regulations. If a retention incentive must be recovered, then HRO shall notify PRO via SF 50 data.

2. Discretionary Termination. An authorized management official may terminate the agreement based solely on management needs, such as reduction in force or insufficient funds. An employee who does not fulfill a service agreement due to a termination based on management needs is entitled to all incentive payments already received.

3. Decisions to Terminate. Employees may not grieve or appeal decisions to terminate the service agreement.

G. Documentation and Recordkeeping. Each retention incentive shall be documented by HRO via SF 50 data.

0307 LUMP-SUM LEAVE PAYMENTS

030701. Lump-Sum Payments for Annual Leave

Lump-sum payments for unused annual leave are generally payable when an employee separates from Federal service, dies, transfers to a position not under a leave system under [5 U.S.C. Chapter 63, subchapter I](#), or enters active duty in the armed forces. See [5 U.S.C. 5551](#), [5552](#), [6306](#) and [5 C.F.R. 550 Subpart L](#).

030702. Lump-Sum Payable

Lump-sum payments for accumulated and accrued annual leave are:

A. Payment to Separated Employees. An employee, as defined by [5 U.S.C. 2105](#), who separates or retires from Federal service is paid in a lump-sum for all unused annual leave through the last full pay period before separation. If the employee is separated or has a break in service (from one agency to another), and is reemployed in a position before a lump-sum is paid, then payment is made for the days the employee was not in the Federal service (less withholding tax), and the remainder of the annual leave is transferred to the gaining agency.

B. Payment to Certain Other Employees. An employee is entitled to a lump-sum payment for accumulated and accrued annual leave when he or she:

1. Transfers to a position not under a leave system to which annual leave may be transferred;

2. Moves to a position as an intermittent employee for whom there is no established regular tour of duty or to a position as a temporary employee engaged in construction work at hourly rates;

3. Enters active duty in the armed forces ([5 U.S.C. 5552](#)) provided the employee does not elect to retain the annual leave to his or her credit. However, leave previously restored under [5 U.S.C. 6304\(d\)](#) must be liquidated by lump-sum payment when the employee enters active duty. The agency may not re-credit the previously restored leave when the employee returns to Federal service. See [5 U.S.C. 6304\(d\)\(2\)](#); or

4. Transfers to a public international organization ([5 U.S.C. 3582](#)), provided the employee does not elect to retain the annual leave to his or her credit. However, leave previously restored under [5 U.S.C. 6304\(d\)](#) must be liquidated by lump-sum payment when an employee transfers to the public international organization. The agency may not re-credit the previously restored leave under these circumstances. Additionally, only those employees who are reemployed within six months after the transfer are required to refund the lump-sum payment.

C. Payment to Beneficiary. The balance of the annual leave of a deceased employee shall be paid in a lump-sum to his or her designated beneficiary. If the employee has not designated a beneficiary, then a lump-sum is paid in the established order of precedence under [5 U.S.C. 5582\(b\)](#).

030703. Lump-Sum Not Payable

A lump-sum payment may not be made to an employee for accumulated annual leave when he or she is:

A. Transferring to another Federal position to which annual leave is transferable without a break in service of one workday or more;

B. A DoD or non-appropriated fund employee who moves without a break in service of more than three days to an appropriated fund position within DoD. See [5 U.S.C. 6308\(b\)](#);

C. A student trainee placed in an intermittent status between full-time tours of duty when no separation actually takes place;

D. An employee who transfers to the government of Washington D.C. or the U.S. Postal Service;

E. An employee employed in more than one part-time position who separates from one of the part-time positions. The former employing agency **must** transfer the accumulated and accrued leave to the current agency if the positions are in different agencies. If the positions are in the same agency, credit the accumulated and accrued leave to the employee's current leave account in the current position; or

F. An employee who elects to retain his or her leave upon accepting a Presidential appointment. See [5 U.S.C. 3392\(c\)](#).

030704. Computation of Lump-Sum Payment

A. **General Rule.** The lump-sum payment for annual leave, including restored and reinstated annual leave, is calculated to include all pay changes to which the employee would have received had he or she remained in a duty status throughout the projected leave period. See [5 U.S.C. 5551](#). Holidays are counted as workdays in projecting the lump-sum leave period. For example, an employee whose retained pay is scheduled to terminate during the projected leave period should have the lump-sum leave payment computed based on the pay being received at the time of separation for the period covered by the retained rate, with the remainder computed at the scheduled reduced rate. An employee is entitled to an adjustment in the lump-sum leave payment whenever a statutory change in pay becomes effective on a date that occurs during the projected leave period. Pay included in a lump-sum payment is as follows:

1. Rate of basic pay,
2. Locality pay or other geographic adjustment,
3. Within-grade increases (if waiting period met on date of separation),
4. Across-the-board annual **pay** adjustments,
5. Administratively uncontrollable overtime pay, availability pay, and standby duty pay,

- [5343\(f\)](#),
6. Night [shift](#) differential (FWS employees only, see [5 U.S.C.](#)
 7. Regularly scheduled overtime pay under FLSA for employees on uncommon tours of duty,
 8. Supervisory differentials,
 9. Non-foreign area cost-of-living allowances and post differentials,
- and
10. Foreign area post allowances.

B. FWS Employees. The lump-sum payment for an FWS employee is adjusted if the separation occurs after the issue date of a wage schedule or after a wage survey was ordered, but before the effective date of the wage increase, as follows:

1. When a FWS employee separates before the effective date of a wage increase and his or her accrued annual leave extends beyond the effective date, the employee is entitled to have his or her lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase.

2. When an FWS employee separates after a wage survey is ordered, but before the date of the order granting the wage increase is issued, the employee is entitled to have the lump-sum annual leave payment paid at the higher rate for the leave that extends beyond the effective date of the increase. The order that grants the new wage rate, however, [must](#) be issued before the effective date set by [5 U.S.C. 5344\(b\)\(1\) and \(2\)](#).

C. Projecting the Leave. Lump-sum payments [must](#) equal the pay an employee would have received had he or she remained in Federal service and used this leave. Non-workdays, except holidays, do not count against the leave when projecting the period for payment of lump-sum leave. The period covered by a lump-sum leave payment is not counted as Federal civilian service. See [5 U.S.C. 6103](#) and [5 C.F.R. 550.1204](#).

D. Reemployed Annuitants. The lump-sum payment, for reemployed annuitants upon separation from the service is based on the full pay rate without any reduction by the amount of the annuity. See 5 C.F.R. 550.1203.

E. Temporary Promotions. If the temporary promotion is not terminated prior to, or as of, the employee's separation date, the lump-sum leave will be paid at the rate of the temporary promotion through the not to exceed date. After that time, the rate will revert to the employee's permanent rate of pay.

F. Payment. DFAS pays lump-sum leave at the end of the pay period in which it receives the separation transaction. Thus, lump-sum leave may or may not be included with any regular pay earned, depending on when DFAS receives the separation transaction.

Payments are identified separately, allowing the lump-sum leave to be taxed at a flat 25 percent for Federal withholding, except when the employee's exemptions claimed on the Form W-4 (Employee's Withholding Allowance Certificate) exceed the regular pay. In the latter situation, the lump-sum leave and the regular pay for the pay period are combined, and the taxes will be computed as if the total were a single payment.

030705. Refunds

When an employee receives a lump-sum leave payment, and subsequently returns to the Federal service in a position subject to a formal leave system, [the employee is](#) required to refund the unexpired portion of the period covered by the lump-sum leave payment. The refund amount is equal to the payment covering the period between the date of reemployment and the expiration of the lump-sum period. This refund is required because all such unexpired leave is subject to re-credit even though transfer to a different leave system is involved. Re-credit of leave will be determined subject to the following subparagraphs.

A. Regular Annual Leave

1. If reemployment is in the same leave year, any part of the refund (which is for a period of leave in excess of the employee's formerly established leave ceiling for the year) [is](#) subject to the regular procedures regarding forfeiture or possible restoration at the end of the leave year. Excess leave may be paid in another lump-sum payment if another separation occurs before the end of the leave year.

2. If reemployment is in a subsequent leave year, and any part of the refund is for a period [exceeding](#) the leave ceiling (e.g., 240 hours for stateside and 360 for overseas), a refund will be required of the unexpired portion. However, only a maximum of the leave ceiling hours may be credited to the regular leave account and any hours in excess of the leave ceiling are considered forfeited, unless it can clearly be established that the excess would have become restored in a separate account if the separation had not occurred.

B. Restored Annual Leave. A period of restored leave under [5 U.S.C. 6304\(d\)](#) is not subject to refund if the agency reemploys the employee prior to the expiration of the lump-sum leave period. Such leave [is](#) subtracted from the lump-sum leave period before calculating the refund. The agency will not credit restored annual leave to an employee if the employee is reemployed prior to the expiration date of the lump-sum leave period.

030706. Payment for Restored Leave for Base Realignment and Closure (BRAC)

[Title 5, U.S.C. 5551](#) requires payment of restored annual leave under [5 U.S.C. 6304\(d\)\(3\)](#) in certain situations. A lump-sum payment [must](#) be made to any DoD employee moving to a position in any non-DoD Federal agency or to any position within DoD that is not located at an installation being closed or realigned under [5 U.S.C. 6304\(d\)\(3\)](#). The servicing HRO [must](#) notify PRO via SF 50 data when the employee is no longer authorized the restored leave under this

authority. The lump-sum payment calculation is the rate of pay at the time of the separation or transfer to the non-BRAC installation.

0308 SEVERANCE

030801. Qualifications

An employee who qualifies under [5 U.S.C. 5595](#) is entitled to severance pay in regular pay period intervals and amounts equal to that paid immediately before separation. [Title 5 U.S.C. 5595 \(i\)](#) allows heads of DoD Components to authorize payment of severance pay in a lump-sum rather than on a biweekly basis for separations taking effect before October 1, 2014. An employee separated within a pay period rather than at the end of a pay period receives an initial payment of severance pay for the remainder of that pay period. Severance pay for employees with variable work schedules or rates of basic pay is computed based on the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation. See [5 C.F.R. 550.707\(b\)](#).

030802. Payments

The servicing payroll office pays authorized severance payments either biweekly or in a lump-sum based on the information [processed on](#) an SF 50. Severance payments for employees are subject to Social Security/Medicare, Federal, state, and local income taxes. If an employee dies prior to the end of the period covered by severance pay, then the severance pay will continue to be paid as if the employee were still living ([5 U.S.C. 5595\(e\)](#)), and [must](#) be paid to the employee's beneficiary in accordance with [5 U.S.C. 5582\(b\)](#). Appropriate withholding will be made for Social Security/Medicare, Federal, state, and local income taxes. Payments made to beneficiaries are not subject to Federal tax withholding requirements. However, if a beneficiary receives payment in the year in which the employee dies, the payment is subject to the withholding of Social Security and Medicare taxes. Collection of indebtedness from an employee's severance pay is permissible under [31 U.S.C. 3716](#). These payments are subject to collection for any outstanding debts owed to the Government. Additionally, under [5 C.F.R. 581.103](#), severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts. Court-ordered garnishments are canceled upon the death of the employee.

030803. Withholding Tax Reports

Severance pay is taxable in the year that it is received. PRO must include this amount on the employee's Form W-2 and will withhold appropriate federal and state taxes. If the employee dies, then any severance pay paid to the beneficiaries will be reported on [Form 1099-MISC](#) (Miscellaneous Income).

030804. Termination of Severance Pay

[If a former employee is reemployed in Federal service, severance pay is discontinued when PRO receives official notification from HRO.](#) Discontinuation of payments is effective on

the date of reemployment. The total of amounts paid will be reported to the gaining activity or agency. This information is used to determine future entitlement to severance pay since total severance pay during an employee's lifetime cannot exceed one year's pay at the rate received immediately before separation. See 5 U.S.C. 5595(c).

0309 ADVANCED PAY

030901. General

A. [5 U.S.C. 5524a\(a\)](#) allows agencies to make advances of pay to new hires. DoD, however, has not authorized the use of these advances.

B. Advances of pay for DoD civilian employees proceeding to or arriving at a post of assignment in a foreign area are authorized, when applicable. An advance of pay is a prepayment made available to an employee in a pay status. With each permanent change of station (PCS) to a foreign area, an employee may be authorized a single, lump-sum pay advance of up to three months of base pay. The purpose of advances is to finance unusual employee expenses associated with overseas assignments and to aid foreign assignment recruitment and retention. Such expenses may include transportation, storage of household goods, shipping costs, deposits on living quarters overseas, and purchase of household items. For additional information, see [5 U.S.C. 5927](#) and [DoDI 1400.25](#). For additional information pertaining to advances of LQA and TQSA, see subparagraph 030402.A.1 and .2.

C. For purposes of this section, a DoD civilian employee is defined as a full-time DoD employee who is a U.S. citizen paid from appropriated, revolving, or trust funds. New hires that are in a pay status and traveling to a foreign area on travel orders are also included.

D. A foreign area is an area located outside the United States, exclusive of the Commonwealth of Puerto Rico, territories of the United States, and other areas designated by the Secretary of State under [Executive Order 10903](#).

E. Advances of pay for overseas transfers will be paid only by the disbursing officer (or the disbursing officer's overseas agent) who supports PRO servicing the overseas area, or Outside the Continental United States (OCONUS) from a disbursing officer who is a deputy to the Continental United States (CONUS) office. Payment may be included in the next regular biweekly pay or made in a single lump-sum.

F. Guidance on advance payments for DoD civilians ordered to evacuate can be found in [5 U.S.C. 5522](#), [5 C.F.R. 550.403](#), [5 C.F.R. 550.404](#). For more information concerning emergency evacuation, see Chapter 6.

030902. Eligibility

A. HRO responsible for the employee **must** verify the eligibility for an advance by confirming the travel orders and the appropriate pay grade and step at the foreign

post. If confirmation of the foreign pay grade or step is not obtained, then the current gross pay at the time of the advance shall be used.

B. An employee may request an advance of pay three weeks before the estimated departure date for assignment to a foreign duty post or up to two months after arrival.

030903. Counseling

HRO counsels each employee eligible for an advance concerning authorized purposes of the advance, repayment requirements, anticipated expenses at the foreign assignment, and application procedures.

030904. Application

The employee **must** request an advance on the [SF 1190](#) for employees proceeding to or arriving at a post of assignment in a foreign area. The form serves as the request, authorization, and voucher document.

030905. Collection of Advance

A. Repayment **is** made by payroll deduction over a maximum of 26 pay periods. Deductions **must** begin the first pay period after receipt of the advance or following arrival at the foreign post, whichever is later. A copy of the [SF 1190](#) must be sent to the gaining PRO for collection when payment is made by the losing disbursing office.

B. Partial or lump-sum repayments, in addition to payroll deductions, shall be accepted.

C. When an employee separates or transfers, the outstanding balance is due in full. Advances of pay are recoverable from the employee or the employee's estate by deduction from accrued pay, amount of retirement credit, other amounts due the employee from the Government, or by other methods as provided by [5 U.S.C. 5514](#) and [31 U.S.C. 3716](#) and corresponding regulations.

D. The Defense Debt and Claims Management Office ([DCMO](#)), DFAS-Indianapolis Center, may waive, in certain cases, the Government's right of recovery of an erroneous pay advance in accordance with the requirements in the [DoDI 1340.23](#) (February 14, 2006), Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances and [5 U.S.C. 5584](#).

030906. Other Requirements or Conditions

A. An employee is authorized only one outstanding advance at a time, regardless of the frequency of PCS. If an employee becomes eligible for a second advance, the first advance is liquidated before the first payment of the second advance request is made.

- B. More than one member of a household may be eligible for an advance.
- C. Allotments and assignments of advances are not authorized.
- D. Advances are paid to employees of another Federal agency on a reimbursable basis provided there is an agreement between the other agency and DFAS to make similar payments to DoD employees.
- E. Submission of statements and documents from the employee establishing the need for, and the use of, an advance may be required.
- F. Management controls shall be developed to ensure only authorized employees obtain an advance and that complete accountability procedures exist for the disbursement and collection of pay advances. Accounting records **must** include current, accurate, and complete records of obligations, receivables, and collections.
- G. On an exception basis, an additional payment on an advance may be authorized when circumstances warrant and the employee has not received the full amount of the maximum possible advance consistent with the employee's pay grade. Examples of circumstances warranting a second payment, but not an all-inclusive list, are a substantial understatement of the maximum advance authorized; inadequate or inappropriate counseling on the purpose of the advance; and unforeseeable events leading to a significant increase in the cash outlay requirements of an employee at the foreign assignment location.

0310 SPECIAL PAYMENTS

Special salary payments (e.g., beneficiary payments, employees erroneously omitted from the payroll) are made in accordance with Chapter 8.

0311 AWARDS

031101. General

[Title 5 U.S.C. Chapter 45](#) is the legal basis for the government wide incentive awards program for civilian employees. OPM prescribes regulations in [5 C.F.R. Chapter 45](#) under which the awards programs **must** be carried out. The [DoDI 1400.25 subchapter 451](#) prescribes awards policies governing the award program for DoD civilian employees.

A. Incentive Awards

[DoDI 1400.25-M](#) delegates to the heads of the DoD Components the authority to pay cash awards, grant time off as an award, and incur the necessary expense for the honorary recognition of an employee (either as an individual or as a member of a group) based on:

1. Suggestions, inventions, superior accomplishments, productivity gains, or other personal efforts that contribute to the efficiency, economy, or other improvements of Government operations;

2. A special act or service in the public interest in connection with or related to official employment; or

3. Performance as reflected in the employee's most recent record of rating.

B. Time Off as an Incentive Award. Authorized by [5 U.S.C. 4502\(e\)](#), a time-off award may be granted in lieu of cash. See [5 C.F.R. 451.101-451.107](#).

1. An employee must use the time off granted as an incentive award within one year from the effective date. If an employee becomes incapacitated for duty during a period off, sick leave may be granted. Supervisors and employees are responsible for scheduling the use of this leave within one year. The incentive leave is forfeited if not used within the one-year timeframe. There is no provision for restoring time-off awards.

2. The maximum amount of time off granted to any one individual for a single achievement should not exceed 40 hours. The maximum amount of time off granted to any one individual within one leave year should not exceed 80 hours. Part-time employees or those with uncommon tours of duty may be granted a maximum of one-half the average number of hours in their biweekly tour of duty for a single achievement. The maximum amount of time off which can be granted to part-time employees and employees with uncommon tours of duty during any one leave year is the average number of hours of work in the employee's biweekly scheduled tour of duty.

3. Unused time off should be transferred when an employee transfers within the same DoD Component. However, time-off awards cannot convert to a cash award under any circumstances. Unused time-off awards will be lost when an employee separates or transfers to another agency or component. See [5 C.F.R. 451.104\(f\)](#). Because the time-off award will not be transferred between different DoD components, an employee should make every effort to use the time-off award before leaving the granting component. See DoD 1400.25-M.

C. Foreign Language Awards. An agency may pay a cash award, up to five percent of basic pay, to any law enforcement officer employed in or under such agency that possesses and makes substantial use of one or more foreign languages in the performance of official duties. Additional information is in [5 U.S.C Chapter 45, subchapter III](#).

D. Presidential Rank Awards for SES Employees. The President may award the rank of Distinguished Executive and Meritorious Executive Service to an SES career appointee in accordance with the guidance in [5 U.S.C. 4507](#) and [5 C.F.R. 451.301](#). To be eligible for a rank award, an SES must:

1. Hold a career appointment as defined by [5 U.S.C. 3132\(a\)\(4\)](#),

- and
2. Be an employee of the agency, as defined at [5 U.S.C. 3132\(a\)\(1\)](#),
 3. Have at least three years of career or career-type Federal civilian service at the SES level.

E. Presidential Rank Awards for Senior Career Employees. The President may award the rank of Distinguished Senior Professional and Meritorious Senior Professional to a senior career employee as set forth in [5 U.S.C. 4507a](#) and [5 C.F.R. 451.302](#). To be eligible for a rank award, a senior career employee **must**:

1. Hold a career appointment in a SL or ST position as defined by [5 C.F.R. 319, Subpart A](#) and paid under [5 U.S.C. 5376](#) on the nomination deadline,
2. Be **employed by** the agency on the nomination deadline, **and**
3. Have at least three years of career or career-type Federal civilian service above a GS-15 level.

F. Referral Bonus Awards. A referral bonus award was established for agency heads to authorize award payments to employees, as defined by [5 U.S.C. 2105](#), for referring new employees who are subsequently selected and employed in hard-to-fill positions in accordance with [5 U.S.C. 4503](#) and [5 C.F.R. 451](#). Referral Bonus Awards are granted at the discretion of management and are not an entitlement.

031102. Payment of Awards

A. Awards are processed on an SF 50 and issued by the HRO to the PRO as authorization for payment of cash awards or granting of time-off awards. **The award is paid** to the employees in the same manner as their net pay. Incentive award payments are not distributed to the worksite.

B. Time-off awards shall be posted to the employee's record and reduced when the time-off is taken and/or forfeited. Usage reported prior to the receipt of notification of the award shall be reflected as a negative balance in the civilian payroll system. Failure of HRO to provide notification of the granting of the award within two pay periods of the usage shall be assumed to be a time-and-attendance error.

C. Cash award payments are subject to the withholding provisions of Federal, state, and local income tax laws. The payroll system will deduct 25 percent Federal tax automatically on special earnings of this nature. The applicable state and local tax deductions and Social Security and/or Medicare deductions are computed based on tax information in the employee's current master record. No state and local taxes are withheld for employees assigned to overseas duty locations unless requested by the employee.

D. Payment of Awards to Separated Employees

1. When possible, the employee shall be reestablished on the payroll using the last known information on the employee's master account record for applicable deductions and mailing address.

2. If the employee cannot be reestablished on the payroll, payment is made using an SF 1034 (Public Voucher for Purchases and Services Other Than Personal).

E. Cash award payments must be included on an employee's LES as well as the Form W-2.