

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

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

Substantive revisions are denoted by an asterisk (*) 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 **October 2020** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Revised hyperlinks and formatted chapter to comply with current administrative instructions.	Revision
030203.A.4.b.(17)	Added information concerning annual premium pay caps.	Addition
030302.E.1	Retitled subparagraph from “Eligibility” to “Agency Approval” for clarity and added clarifying information to paragraph.	Revision
030302.E.4.b	Replaced the wording “National Guard Employees” with “Title 32 National Guard Technicians” for clarity.	Revision
030302.E.8.a	Replaced the wording “National Guard Employees” with “Title 32 National Guard Technicians” for clarity.	Revision
030604.D.1	Added information concerning the taxability of Student Loan Repayment Program payments.	Addition
030506.A	Updated information on Government-Provided Home-to-Work Transportation.	Revision
030508.B.1	Updated information on Market Pay.	Revision
References	Updated References section.	Revision

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CHAPTER 3

PAY ADMINISTRATION

0301 GENERAL

030101. Purpose

This chapter provides guidance on DoD civilian employee pay and entitlements.

030102. Authoritative Guidance

The pay policies and requirements established by the DoD in this chapter are derived primarily from, and prepared in accordance with the Office of Personnel Management's (OPM) Pay and Leave, Title 5, United States Code (U.S.C.), DoD Instruction (DoDI) 1400.25 "Civilian Personnel Management," Title 5, Code of Federal Regulations (CFR). Due to the subject matter in the chapter, the list of authoritative sources is extensive. The specific statutes, regulations, and other applicable guidance that govern each section are listed in a reference section at the end of this chapter.

0302 GENERAL PROVISIONS ON PAY

This section provides general information on computing pay and transmitting pay data to the servicing payroll office (PRO). This section also provides guidance on statutory limits on pay ("pay caps") and general information on computing pay for General Schedule (GS), Senior Executive Service (SES) and other categories of employees.

030201. Pay and Payroll Data

A. Computing Pay. Payroll computations must be based on statutorily authorized entitlements in accordance with Title 5, U.S.C. and 5 CFR, Parts 530, 531, 532, 534, 550, 551, 575, 581, 591, 595, 610, and 630 and other statutory or regulatory requirements as stated herein. The payment of any entitlement must be supported by one or more of the following source documents, as appropriate:

1. Standard Form (SF) 50, Notification of Personnel Action and/or other similar personnel 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 the OPM Form 71, Request for Leave or Approved Absence; and
4. Authorizations or approvals of overtime and compensatory time worked.

B. Transmitting Documents to the Servicing PRO. If the servicing Human Resources Office (HRO) electronically transmits the pay entitlement data from source documents to the servicing PRO, **then** the servicing HRO is also not required to send the source documents to the servicing PRO unless requested to do so. The servicing HRO must monitor feedback to ensure the integrity and accuracy of the data used in the pay computation process and must establish effective controls to ensure that all data transmits successfully. The servicing HRO must retain source documents, along with transmittal and control data, for audit purposes in accordance with the National Archives General Records Schedule 2.4.

C. PROs Must Ensure Payroll Data is Accurate. The PROs must ensure that payroll data is complete and accurate. Specifically, the PROs must ensure that an employee's compensation is consistent with his or her grade, position classification, other entitlements, and employment location. For example, an agency may not pay any foreign area allowances, regardless of authorizing documents, to an employee assigned to stateside duties. In this example, the servicing PRO must request the servicing HRO that issued such entitlement documents clarify and/or correct the documents.

D. Time and Attendance Records. The servicing PRO must ensure pay computations are based on the completed time and attendance records maintained for each employee. The servicing PROs must complete computations as soon as possible after the close of the pay period.

E. Reconciliation. The servicing PRO, the servicing HRO, and the customer service representative (CSR) must communicate to ensure that all appropriate entitlement information is considered for each pay computation and that the computations are supported by the appropriate documentation. At least every 4 months, personnel and pay data must be reconciled and discrepancies corrected. The functional area that entered the incorrect data has primary responsibility for reconciling discrepancies in common data. For additional information, see Chapter 1.

030202. Notification of Changes to Pay

The servicing HRO is responsible for notifying the servicing 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.

*030203. Statutory Limits on Compensation ("Pay Caps")

A. Premium Pay Limits

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. See 5 CFR 550.103. Except as explained in subparagraphs 030203.A.2

and 3, the sum of an employee's basic pay and premium pay for any pay period may not exceed the greater of the biweekly rate of basic pay payable for: 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 Level V of the Executive Schedule. See [5 U.S.C. § 5547\(a\)](#), 5 CFR 550.105, and the OPM Pay and Leave. When GS employees are receiving a locality-based comparability payment, the OPM GS Locality Pay Tables should be used to determine the maximum GS-15, step 10 rate payable for the employee's locality. Employees in established special rate occupations and/or locations may have a higher biweekly limitation equal to the special rate for GS-15, step 10. The biweekly limitation does not apply to the following:

- a. Overtime pay earned by employees who are nonexempt from (covered by) the Fair Labor Standards Act (FLSA);
- b. Hazardous duty pay (HDP);
- c. Pay earned by Federal Wage System (FWS) employees, who are excluded from coverage under 5 U.S.C. § 5547; or
- d. Compensatory Time for [Title 32](#) National Guard Technicians. [Title 32](#) National Guard technicians are not paid for overtime work pursuant to [32 U.S.C. § 709\(h\)](#). Therefore, compensatory time earned by [Title 32](#) National Guard technicians will not be paid and computation of the biweekly statutory pay limits for the technicians should not include compensatory time worked.

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 CFR 550.106-550.107. However, the following types of premium pay, as listed in 5 CFR 550.107, remain subject to the biweekly limitation while other premium payments are subject to an annual limit under 5 CFR 550.106:

- a. Standby duty pay under 5 U.S.C. § 5545(c)(1);
- b. Administratively uncontrollable overtime (AUO) pay under 5 U.S.C. § 5545(c)(2);
- c. Availability pay for criminal investigators under 5 U.S.C. § 5545(a);
- d. Overtime pay for hours in the regular tour of duty of a firefighter under 5 U.S.C. § 5545(b); and
- e. An overtime supplement for regularly scheduled overtime hours within a border patrol agent's regular tour of duty under 5 U.S.C. § 5550.

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 subparagraph 030203.A.1 will 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 circumstances, the total basic pay and premium pay for most GS employees is limited to the annual rate for GS-15, step 10 (including locality-based comparability or special salary rates) or a Level V of the Executive Schedule for the calendar year. Pay exceeding the cap is forfeited and is not deferred for payment in the next calendar year. The cap does not apply to overtime earned by FLSA nonexempt (FLSA covered) employees. For more information on the annual maximum pay limits, refer to 5 U.S.C. § 5547(b) and 5 CFR 550.106.

4. Increased Annual Premium Pay Limitation

a. In 2005, Congress authorized the Secretary of Defense to waive the annual premium pay limitation under certain circumstances. Eligible 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 U.S. Africa Command.

b. Eligible DoD employees who are granted a waiver of the annual premium pay limitation are entitled to premium payments as provided in yearly guidance published by the Office of the Under Secretary of Defense (OUSD), Personnel and Readiness (P&R) 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](#);
- (9) Calendar Year 2013 authorized by [P.L. 112-239](#);

- (10) Calendar Year 2014 authorized by [P.L. 113-66](#);
- (11) Calendar Year 2015 authorized by [P.L. 113-291](#);
- (12) Calendar Year 2016 authorized by [P.L. 114-92](#);
- (13) Calendar Year 2017 authorized by [P.L. 114-328](#);
- (14) Calendar Year 2018 authorized by [P.L. 115-91](#);
- (15) Calendar Year 2019 authorized by [P.L. 115-232](#);
- (16) Calendar Year 2020 authorized by [P.L. 116-92](#); and
- (17) Calendar Year 2021 authorized by [P.L. 116-283](#).

B. Aggregate Limitation on Pay

1. Aggregate Limitation. The Federal Employees Pay Comparability Act ([FEPCA](#)) of 1990 and 5 CFR 530, Subpart B established an aggregate limitation on pay. The aggregate limitation applies to most federal employees, including most members of the 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 is the total of basic pay, premium pay, allowances, differentials, bonuses, awards, incentives, and other similar cash payments. Certain payments are excluded from aggregate compensation such as overtime pay under FLSA, severance pay, lump-sum payment for accrued annual leave, back pay awards, student loan repayments, and nonforeign area cost-of-living allowances (COLAs). See 5 CFR 530.202.

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 CFR 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](#) and 5 CFR 530.204.

4. Deferring Payments. An agency must defer payment of any portion of a discretionary payment that would cause an employee's aggregate compensation to exceed the aggregate limitation. After deferring discretionary payments, all nondiscretionary payments (other

than basic pay) must be deferred if continuing to pay the nondiscretionary payments would cause the employee's aggregate compensation to exceed the aggregate limitation for the calendar year. See 5 CFR 530.203(d) and (e) and 5 CFR 530.204.

a. Discretionary 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). See 5 CFR 550.202.

b. Nondiscretionary Payments. Nondiscretionary payments are 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, COLAs, post differentials, and remote worksite allowances). An agency may not defer a nondiscretionary payment to make a discretionary payment. Basic pay may not be deferred or discontinued under any circumstances.

030204. 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 hold 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's regular tour of duty is for more than 40 hours a week under an authorized alternative work schedule (AWS) or from two sources for the same hours. The HRO will notify the servicing PRO of multiple appointments via SF 50 data.

030205. General Schedule (GS) Employees

A. Basic Pay. Basic pay for GS employees is defined in 5 CFR 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 of salaries are based on the rates contained in the OPM, Pay and Leave, [OPM Salary Table](#).

C. Determining Basic Rates

1. The hourly basic rate is determined by dividing the annual rate by 2,087 hours, 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 hours for full-time employees.

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

4. For any employee 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 CFR 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 CFR 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. Title 5, CFR 531, Subpart F and 5 U.S.C. § 5304 govern locality payments for GS employees and other employment positions in locality pay areas. Locality pay is considered as basic pay for retirement, Federal Employees' Group Life Insurance (FEGLI), premium pay, advance pay, severance pay, lump-sum leave, and workers' compensation purposes. The HRO bases locality pay eligibility 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 the OPM.

030206. Employees in Performance Management and Recognition System (PMRS)

A. General. The PMRS Termination Act of 1993 terminated the PMRS effective November 1, 1993. The provisions of this law applied to any employee covered by a PMRS position on October 31, 1993, and provided for the transition of former PMRS employees into their agency's Performance Management System and the GS pay plan. See OPM Performance Reference Materials, [Instructions: How to Comply with P.L. 103-89](#).

B. Identification of PMRS Employees. In order to identify all employees covered by the provisions of this law, OPM retained the General Merit (GM) pay plan code. The step for all employees using the GM pay plan code will continue to be zeros ("00").

C. Within-Grade Increases. 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. Employees will have the within-grade 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. Termination. An employee's coverage under the PMRS 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 3 days;
4. Transfer to another non-DoD agency; or
5. Reassignment to a non-supervisory or non-management position.

030207. Senior Executive Service Positions

A. Definition. In accordance with [5 U.S.C. § 3132\(a\)\(2\)](#) and [5 CFR 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 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. 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. See [5 U.S.C. § 5382](#) and 5 CFR 534.403. 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](#).

030208. 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 CFR 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. Title 5, U.S.C. § 5376 and 5 CFR 534, Subpart E govern the rates of pay for SL positions and are located in the OPM Pay Tables, see section 030205.B. The Senior Professional Performance Act of 2008 established a new pay system for SL employees,

effective April 12, 2009, providing pay ranges comparable to those available under the SES pay system. See 5 U.S.C. § 5304. 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 is no longer paid in addition to 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.

030209. 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 CFR 319.103.

B. Rate of Pay. The rates of pay for ST level positions are governed by 5 U.S.C. § 5376 and 5 CFR 534, Subpart E, and are located in the OPM Pay Tables, see section 030205 B. The Senior Professional Performance Act of 2008 established a new pay system for ST level employees, effective April 12, 2009, providing 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 no longer paid in addition to 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.

030210. Executive Schedule Positions

A. Definition. The Executive Schedule is, as defined in [5 U.S.C. § 5311](#), 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, 5313, 5314, 5315, and 5316](#). SES positions are not included.

B. Rate of Pay. The rate of pay for Executive Schedule positions is contained in the OPM Salary Table.

030211. Federal Wage System (FWS) Positions

A. Definition. The 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. These positions are also referred to “wage grade” or “wage board” positions. [Title 5, U.S.C. § 5342](#) defines an FWS employee as a prevailing rate employee who is in a recognized trade or craft, other skilled mechanical craft, or in an unskilled, semi-skilled, or skilled manual labor occupation. Individuals in positions having trade, craft or laboring experience and knowledge as a paramount requirement, such as a supervisor or foreman, may be FWS employees. See the OPM Fact Sheet: [FWS Overview](#) and [the Prevailing Rate Systems at 5 CFR, Part 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 the following five parts or classes: wage grade, wage leader, wage supervisor, non-supervisory and 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.

030212. Administratively Determined (AD) Pay Plans

Pay rates may be established under an AD pay system that was created under a separate statutory authority. An agency must have independent authority to administratively determine the rates of pay for any group or category of employees. See the OPM Pay and Leave, Pay Administration, Fact Sheet: [Pay Plans](#).

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, 5543, 5544, 5545, 5545a, 5545b, 5546a, 5547, 5549](#), and 5 CFR 550, [Subpart A](#). SES employees, Teaching Position (TP) Pay Plan employees, and other employees identified under 5 CFR 550.101 are not entitled to premium pay under any circumstances. However, the premium pay provisions apply to SL and ST positions. For information on statutory limits on premium pay, also referred to as biweekly and annual premium pay caps, see paragraph 030203.

*030302. Overtime

Each employing activity is responsible for controlling overtime. Supervisors must ensure funds targeted for their employing activity will cover overtime worked. Approval or disapproval of overtime must be consistent with direction from the Deputy Secretary of Defense. The employee is only paid approved overtime as certified on the employee's time and attendance report. Normally, employees must request approval to work overtime in writing in advance of performing the work. See 5 U.S.C. § 5542.

A. Overtime Pay

1. Regularly Scheduled. Title 5, CFR 550, Subpart A sets out regulations on premium pay for overtime. Regular overtime work is overtime work that has been scheduled prior to the beginning of an employee's regularly scheduled administrative workweek. For a 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 an 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. Agencies may authorize regular overtime for full-time, part-time, and intermittent GS employees. An intermittent work schedule is appropriate when work is unpredictable and sporadic and therefore, repetitive regularly scheduled overtime should seldom occur. See [5 CFR 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 (Covered) Employees

1. General. Generally, the servicing PRO must compensate a nonexempt FLSA employee pursuant to the provisions of 29 U.S.C. § 207 and 5 CFR 551, Subpart E for all hours of work in excess of 8 hours a day or 40 hours in a workweek at a rate equal to one and one-half times the employee's hourly regular rate of pay. 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. See 5 CFR 551.511 and 551.512 for complete instruction on overtime pay computation. The biweekly and annual premium pay caps discussed in paragraph 030203 do not apply to FLSA nonexempt employees.

a. Flexible Work Schedule. Overtime, when worked under a flexible work schedule pursuant to [5 U.S.C. §§ 6122, 6123, 6124, 6125, and 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. Calculation of Overtime After FEPCA. Under section 210 of the FEPCA, effective May 4, 1991, overtime pay computations for FLSA nonexempt (covered) employees must be made solely in accordance with FLSA regulations at 5 CFR 551, as amended. Agencies are no longer required to compare overtime pay entitlements for nonexempt employees under 5 CFR 550 and 551 and pay whichever amount is greater. Entitlements prior to May 3, 1991, must be calculated using the previous rules. FLSA nonexempt employees continue to be covered by 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.

3. Other. According to 5 U.S.C. § 5544(a), hours of work, as defined under 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\(e\)\(7\)](#). The excess hours are considered overtime only 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 under 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 2 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 a compressed work schedule of eight 10-hour days would not receive overtime pay until they work in excess of 10 hours on a scheduled day.

C. Callback Overtime. Pursuant to 5 CFR 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 CFR 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 employee must record the actual time worked.

D. Excluded Employees. The provisions of [5 U.S.C. § 5541](#) exclude SES employees from premium pay. See 5 CFR 534.408 and 5 CFR 550.101. Certain GS and all Executive Schedule employees are also excluded because premium pay may be paid only to the extent that aggregate pay does not exceed the maximum rate of pay for a GS-15 employee. See 5 U.S.C. § 5547. [Title 32](#) National Guard technicians are not entitled to premium pay for overtime; instead, they may earn compensatory time.

E. Compensatory Time Off

1. Agency Approval. Under 5 U.S.C. § 5543 and 5 CFR 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. [An agency may require that FLSA exempt employees \(who are not prevailing rate employees\) whose rate of basic pay is greater than the rate for GS-10, step 10 take compensatory time off instead of being paid overtime pay.](#) See 5 U.S.C. § 5543(a)(2), see also 5 CFR 550.114(c). An agency may not require FWS and FLSA nonexempt employees to take compensatory time off instead of being paid overtime pay, unless the employee requests compensatory time. See 5 CFR 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 made 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, an employee cannot receive credit for compensatory time worked if the 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 CFR 550.106(c).

b. Annual Premium Pay Cap. If invoking an annual premium pay cap, an employee may only receive credit for compensatory time 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 CFR 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 instructions on compensatory time off for nonexempt employees, refer to 5 CFR 551.531. For FLSA exempt employees, refer to 5 CFR 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 scheduled 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. In this situation, the compensatory time off is granted instead of payment under 5 CFR 532.504 and 5 CFR 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. Pursuant to 5 CFR 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.

a. FLSA/FWS Employees. Compensatory time off must be granted to an FLSA exempt or non-exempt employee within a reasonable time after the overtime is worked. If an FLSA exempt employee fails to take earned compensatory time off within 26 pay periods, the unused compensatory time worked pays out at the overtime rate earned or is forfeited based off the employing agency's discretion. See the [OPM Fact Sheet: Compensatory Time Off](#). 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. See 5 CFR 532.504 and 5 CFR 551.531.

b. Title 32 National Guard Technicians. Title 32 National Guard technicians are not entitled to overtime and may not receive payment for unused

compensatory time worked. [Title 32 National Guard technicians](#) must use their compensatory time by the end of the 26th pay period after it is earned or the compensatory time will be forfeited.

5. AWS. Employees on a flexible work schedule or compressed work schedule 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 an 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 CFR 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. See the OPM Pay and Leave, Pay and Leave Administration, Fact Sheet: [Restoration of Annual Leave](#).

8. Payment for Unused Compensatory Time

a. 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 agency must pay the balance at the overtime rate in effect when the employee earned the compensatory time. [Title 32 National Guard technicians](#) are not paid for unused compensatory time. See the DoD Instruction (DoDI) [1400.25, Volume \(V\)550](#), 5 CFR 550.114 and 551.531.

b. Uniformed Service or Injury-on-the-Job. Agencies must pay an FLSA exempt or nonexempt employee for compensatory time off not used by the end of the 26th pay period after the pay period earned. Payment is 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:

550.114(f) or

- (1) Performing service in the uniformed services (5 CFR

- (2) An on-the-job injury with an entitlement to injury compensation under [5 U.S.C., Chapter 81](#).

F. Time Off for Religious Observances. Employees may earn compensatory time off for religious observances under provisions of [5 U.S.C. § 5550a](#) and [5 CFR 550, Subpart J](#). Time off for religious reasons is recorded in a special leave account. Religious compensatory time off may be earned within 13 pay periods in advance of the pay period in which it is intended to be used, or within 13 pay periods following the pay period in which it was used. Time off balances do not transfer. When an employee separates, dies, or transfers to another Federal agency, any unused time off balance must 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 must be created. Compensatory overtime worked in this manner is exempt from maximum pay limitations and all other provisions of overtime and premium pay contained in 5 CFR 550.1001-1002, 5 U.S.C., Chapter 55, Subchapter V, and 29 U.S.C. § 207. For additional information, see Chapter 5.

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

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 U.S. See 5 CFR 550.121. Employees are not entitled to night pay differential while engaged in training, except 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. 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. 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. 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 8 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. When excused from night work during a tour of duty while on official travel status, whether performing actual duty or not. See 5 CFR 550.122(a);

5. When temporarily assigned during the administrative workweek to a daily tour of duty that includes night work. See 5 CFR 550.122(d); or

6. When excused from night work on a holiday or other non-workday. See 5 CFR 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 receive night shift differential at one of the two following rates: the rate of 7.5 percent of their hourly rate for non-overtime work when a majority of their 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 CFR 532.505. Night shift differential is considered as part of basic pay in the calculation of overtime pay, Sunday pay, holiday pay, and deductions for retirement and FEGLI. An employee regularly assigned to a night shift is entitled to night shift differential under the following circumstances:

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

2. On paid leave, such as court leave, holiday leave, compensatory time used, and administrative leave. See 5 CFR 532.505(e);

3. During a tour of duty while on official travel status, whether performing actual duty or not. See 5 CFR 532.505(c);

4. When temporarily assigned to a different tour of duty. See 5 CFR 532.505(d); or

5. When excused from night work on a holiday or other non-workday. See 5 CFR 532.505(b).

E. Title 32 National Guard Technicians. Title 32 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. Title 32 National Guard technicians earn compensatory time.

030304. Sunday Premium Pay

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. Part-time employees are eligible for Sunday premium pay. See [December 8, 2009, OPM Memorandum: Fathauer v. U.S. 566 F.3d 1352 \(Fed. Cir. 2009\)](#). 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 8 hours, that begins or ends on a Sunday. Employees who do not actually perform work on Sunday do not earn Sunday premium pay. See 5 U.S.C. § 5546. Therefore, employees who are regularly scheduled to work on Sunday and who are on paid leave, excused absence, taking compensatory time off, using credit hours, or not working because Sunday is a holiday, are not entitled to Sunday premium pay. Intermittent employees are not entitled to Sunday premium pay. See 5 U.S.C. §§ 5544 and [5546](#). 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 8 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 on Sunday, is entitled to Sunday pay for the entire period of duty on that day, even if the hours worked exceeded 8 hours. See [5 U.S.C. § 6128](#).

C. [First 40-Hour Tour of Duty](#). A first 40-hour tour of duty is regularly scheduled work. An employee under a first 40-hour schedule is entitled to up to 8 hours of Sunday premium pay when performing non-overtime work on a Sunday. See 5 CFR 610.111 and OPM, Pay and Leave, [Work Schedules](#). Any additional hours over 8 hours in a day are paid as overtime unless the employee is: engaged in professional or technical engineering or scientific activities for whom the first 40 hours of duty in an administrative workweek is the basic workweek; or the employee's basic pay exceeds the minimum rate for GS-10, step 1 (including any applicable locality-based comparability payment under section 5304 or similar provision of law and any applicable special rate of pay under section 5305 or similar provision of law) for whom the first 40 hours of duty in an administrative workweek is the basic workweek. An employee on a first-40 tour who does not fall under one of these two exceptions is entitled to overtime pay for hours worked in excess of 8 hours in a day or 40 hours in an administrative workweek. See 5 U.S.C. § 5542 and 5 CFR 550.111(d)(2).

D. [Maximum Hours](#). The maximum number of hours of Sunday premium pay that an employee is paid for one Sunday is 16 hours. The 16 hours would include 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.

E. Rate of Payment. 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](#).

030305. Holiday Premium Pay

In accordance with 5 U.S.C. § 5546 and 5 CFR 550.131, an employee who performs non-overtime work on a holiday designated by federal statute or executive order is entitled to holiday premium pay. Holiday premium pay is equal to the employee's rate of basic pay. An employee receives 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 8 hours. Overtime work on a holiday is paid in accordance with paragraph 030302. An employee required to perform any work on a designated holiday is entitled to pay for at least 2 hours of holiday work. Holiday premium pay is in addition to overtime pay, night pay differential, or Sunday pay. See also OPM [Fact Sheet: Federal Holidays – Work Schedules and Pay](#).

A. Flexible Work Schedule. For an employee working a flexible work schedule, holiday pay for non-overtime work is limited to 8 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 8 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 8 hours or is not overtime work. For additional information, see 5 CFR 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 2 hours in duration. See 5 U.S.C. § 5542. If the callback occurs on a holiday during the employee's regular schedule, an agency must pay a minimum of 2 hours holiday premium. The employee must record the actual time worked for time and attendance purposes. Employees working more than 2 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 CFR 410.402](#).

030306. Annual Premium Pay for Standby Duty

Employees may receive premium pay on an annual basis when working in a position regularly requiring them to remain at, or within the confines of, their station during longer than ordinary periods of duty, and a substantial part of which consists of remaining in a standby status rather than performing work. See 5 U.S.C. § 5545(c) and 5 CFR 550.141-550.144. Annual premium pay for standby duty is in lieu of premiums for regularly scheduled overtime, night, holiday, and Sunday work.

A. Irregular or Unscheduled Overtime. Additional hours of irregular or unscheduled overtime duty in excess of the regularly scheduled weekly tour are not compensated by standby premium pay, but are eligible for overtime pay consideration under 5 U.S.C. § 5542 or the FLSA overtime provisions at 29 U.S.C. § 207.

B. Rate of Payment. 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 CFR 550.141 and 5 U.S.C. § 5304.

030307. Annual Premium Pay for Administratively Uncontrollable Overtime (AUO)

A. Eligibility Criteria. Premium pay may be paid on an annual basis instead of other premium pay (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 must require substantial amounts of irregular, unscheduled overtime work, with the employee generally 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 FLSA nonexempt employees.

B. Rate of Payment. Title 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 and 403 of the 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. See 5 CFR 550.151. The servicing PRO pays AUO according to the rate information provided by the servicing HRO 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 Civilian Personnel Manual (CPM) Guidance on AUO ([CPM 97-5](#)).

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

A. HDP

1. General. Under 5 U.S.C. § 5545(d) and 5 CFR 550.901-907, GS employees who are assigned hazardous duty or duty involving physical hardship may be entitled to premium pay in the form of HDP. The servicing PRO pays HDP according to information provided by the servicing HRO. Hazardous duty means duty performed under conditions in which an accident could result in serious injury or death. Duty involving physical hardship means duty that may not be hazardous, but may cause 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, arduous physical exertion, or exposure to fumes, dust, or noise that causes nausea, skin, eye, ear, or nose irritation.

2. Rate of Pay. The amount of HDP is determined by multiplying the percentage rate authorized for the exposure, found in 5 CFR 550, Subpart I, by the employee's hourly rate of pay. That amount is multiplied by the number of HDP hours to be paid. HDP is paid for overtime hours based on the employee's hourly rate of basic pay, not the hourly overtime rate.

3. Other

a. 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.

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

c. Payment of HDP is not subject to the biweekly pay cap placed on other premium pay as discussed in subparagraph 030203.A. However, HDP is included in the aggregate limitation on pay as discussed in subparagraph 030203.B.

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

e. TP Pay Plan employees are not authorized HDP.

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

B. Environmental Differential Pay

1. General. 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 CFR 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. The servicing HRO determines when EDP is payable and obtains approval from OPM for additional categories not listed in Appropriated Fund Operating Manual, [Appendix J](#), Federal Wage System. TP pay plan employees are not authorized EDP.

2. Pay Rate. 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 Wage Grade 10, step 2, then multiplying that amount by the number of EDP hours to be paid. When EDP is payable for actual exposure, each exposure is separately considered. Hours posted must not exceed the hours of active duty on the day of exposure. If the exposure is less than 1 hour, agencies must pay a minimum of 1 hour. If the exposure is longer than 1 hour, the actual amount of time exposed is payable in 15 minute increments. See 5 CFR 532.511.

0304 FOREIGN AND NONFOREIGN ALLOWANCES AND DIFFERENTIALS

030401. General

A. Foreign Area. 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 ([Department of State Standardized Regulations \(DSSR\)](#)). See [5 U.S.C. §§ 5921, 5922, 5923, 5924, 5925, 5926, 5927, and 5928](#). The DoDI 1400.25, [V1250](#) sets forth additional rules regarding foreign allowances and differentials for DoD civilian employees. Foreign differentials and allowances are paid upon receipt through the interface of a properly completed and signed [SF 1190](#), Foreign Allowances Application, Grant, and Report.

B. Nonforeign Area. Allowances and differentials payable to employees officially stationed in nonforeign areas and the 50 states are established by OPM. See [5 U.S.C. § 5941](#) and 5 CFR 591. The servicing HRO will interface SF 50 data to inform the servicing PRO when an employee is eligible for a nonforeign differential or allowance.

030402. Foreign Area Allowances and Differentials

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 the DoDI 1400.25, V1250.

1. Living Quarters Allowance (LQA). The LQA entitlement is intended to reimburse an employee for rent and any costs not included in the rent amount 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 as specified in the DSSR, Chapter 100, [sections 124.1](#) and [132.41](#).

a. LQA Rate. The daily LQA rate is determined by dividing the annual amount by the number of days in a calendar year. This daily rate is paid for all applicable days in a pay period. LQA is paid on a biweekly basis. LQA is not paid to an employee who is Absent Without Leave (AWOL) or on a suspension.

b. LQA Advance. LQA may be advanced for a period of not less than 3 months or more than 1 year (unless specifically approved by the officer designated to authorize allowances). Advanced LQA must not exceed the lesser of the total rent advanced to the lessor, or the employee's maximum LQA rate as authorized in the DSSR, Chapter 900, [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. See 5 U.S.C. § 5923, the DSSR, Chapter 100, section 120, and the DoDI 1400.25, V1250. 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 when the employee must vacate residence quarters. 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, Chapter 900, at [Foreign Per Diem Rates by location](#) in accordance with the DSSR, Chapter 100, section 120.

a. Travel. 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. See the DSSR, Chapter 100, section 126.2.

b. Extension. The 90 and 30 day TQSA period may be extended up to 60 additional days if it is determined by the head of the agency that compelling reasons beyond the control of the employee require continued occupancy of temporary quarters. See the DSSR, Chapter 100, section 122.2.

c. Post Allowance. Employees are not authorized post allowance while receiving TQSA. See the DSSR, Chapter 100, section 127.

d. Payments. Payment of TQSA may be made:

- (1) In advance for up to 30-day increments,
- (2) In biweekly payments, or

(3) Upon completion of the TQSA period at the request of the employee and as authorized by the HRO.

e. Prior to Termination of LQA. TQSA may be authorized for up to 5 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. See the DSSR, Chapter 100, section 124.1.

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

1. Post Allowance. 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.). See the DSSR, Chapter 200, section 220 and the DoDI 1400.25, V1250.

a. Pay Rate. The amount paid is a flat rate varying only by basic salary, size of the family, and location of the assigned post. The daily rate is determined 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. The daily rate 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 to be paid at the same time an employee is receiving TQSA.

b. Payment Upon Separation. Post allowance is included in the computation of lump-sum leave payments upon separation from federal service if the employee's official duty station is in the foreign area when the employee becomes eligible for the lump-sum payment.

2. Foreign Transfer Allowance (FTA). FTA is an allowance for extraordinary, necessary, and reasonable expenses, not otherwise compensated for, that the employee incurs incident to being established at any post of assignment in a foreign area. The subsistence expense portion of FTA reimburses an employee for allowable expenses incurred prior to departure from a post in the U.S., its territories, possessions, the Commonwealth of Puerto Rico, and the Commonwealth of the Northern Mariana Islands to a post in a foreign area. FTA consists of four elements of which the following three are authorized within DoD for payment: 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 the DSSR, Chapter 200, [section 240](#) and the DoDI 1400.25, V1250.

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 U.S. The employee must sign a certification indicating he or she agrees to complete 12 months of government service

following the effective date of transfer. HSTA consists of four elements of which the following three are authorized within DoD for payment: 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 the DSSR, Chapter 200, [section 250](#) and the DoDI 1400.25, V1250.

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 employee's family or a member of the family. The agency must determine the employee is compelled 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 other than at the post of assignment and is computed at an annual rate. Agencies pay SMA for all applicable days in a pay period. The daily rate is determined by dividing the annual amount by the number of days in a calendar year. The biweekly amount is determined 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 the DSSR, Chapter 200, [section 260](#) and the DoDI 1400.25, V1250.

5. Education Allowance. The education allowance assists the employee with the extraordinary and necessary expenses incurred because of service in a foreign area in providing adequate elementary and secondary education for a child or children. The education allowance covers expenses for which the employee is not otherwise compensated. The education allowance is not authorized for payment within DoD. However, reimbursement is authorized for transportation costs of dormitory student family members of eligible employees between the employee's overseas duty station and the DoD Education Activity (DoDEA) approved school. See the DSSR, Chapter 200, [section 270](#), 5 U.S.C. § 5924, and the DoDI 1400.25, V1250.

6. Educational Travel. Educational travel is reimbursement for travel to and from a school in the U.S. 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 the DSSR, Chapter 200, [section 280](#), the DoDI 1400.25, V1250, 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 U.S. 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, flowers and wreaths, or other representational expenses, which the head of an agency may authorize or approve as being of the type to promote the interest of the U.S. 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 the DSSR, Chapter 300 and the DoDI 1400.25, V1250.

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 U.S. 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 the DSSR, Chapter 400, [5 U.S.C. § 5913](#), and the DoDI 1400.25, V1250.

E. Post Hardship Differential. Post hardship differential is additional compensation paid as an established percentage over basic compensation ranging from 5 to 35 percent. Post hardship differential is paid on an employee living in a location with extraordinarily difficult living conditions, excessive physical hardship, or notably unhealthful conditions, as determined by the Secretary of State. Living costs are not considered in the determination. 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 (Old Age, Survivors, and Disability Insurance (OASDI)) and/or Medicare, federal, state, and local tax withholding. For employees with tours of duty commencing on or after October 28, 1991, post hardship differential is excluded from the lump-sum leave payment. See the DSSR, Chapter 500, [5 U.S.C. § 5551](#), [5 U.S.C. § 5925](#), and the DoDI 1400.25, V1250.

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 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 servicing PRO pays the differential starting on day 43.

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

1. DPA. DPA under the DSSR, [Chapter 650](#), section 652(f) may be paid to an employee serving in a foreign area or post where certain conditions exist, as established

by the Secretary of State. Conditions include 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.

a. DPA is paid to full-time, temporary, part-time, and intermittent employees assigned for a minimum of 4 cumulative hours in 1 day to a danger pay post or area. All periods of leave taken while present at the danger pay post or areas may be included to meet the 4 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 4 hours or more, he/she may receive DPA for the full day.

b. For full-time employees and temporary employees, the 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 OASDI and/or Medicare, federal, state, and local tax withholding. 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 the DSSR Chapter 650, section 656.

2. IDP. IDP is 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](#), the DSSR, Chapters 650 and 652(g) and the DoDI 1400.25, V1250. On October 1, 1995, the State Department, at DoD's request, added section 652(g) to the the DSSR concerning IDP. The monthly amount of IDP is the same as the monthly flat rate paid to uniformed military personnel.

a. 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.

b. 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 OASDI and/or Medicare, federal, state, and local tax withholding. 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. Receiving Both DPA/IDP and a Post Hardship Differential. If authorized by the agency, an employee may receive both DPA/IDP and the post hardship differential. 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 are authorized, the total pay for the allowance and the differential may not exceed 70 percent of the employee's rate of basic pay.

G. Employees in a Non-Pay Status. All allowances granted under the DSSR may continue during periods when the employee is in a non-pay status not in excess of 14 calendar days at any one time. If a non-pay status lasts longer than 14 calendar days, allowances are suspended as of the day the employee enters the non-pay status, and payment is not to be made for any part of such period, unless otherwise specifically provided under the DSSR. See the DSSR, Chapter 000, [section 051.2](#). For information on the continuation of living quarters allowances during periods of a non-pay status, see the DSSR, Chapter 100, section 132.2.b(2).

030403. Nonforeign Area Allowances and Differentials

A. Nonforeign COLA. Nonforeign COLA is an allowance that OPM established at a location in a nonforeign area where living cost is substantially higher than the living cost in the area of Washington, D.C. Rates are available on the OPM's, Pay and Leave, [Nonforeign Area Cost-of-Living Allowances](#).

1. Nonforeign areas are the states of Alaska and Hawaii, the Commonwealths of Northern Mariana Islands and Puerto Rico, and territories and possessions of the U.S. and any additional areas as designated by the Secretary of State. See 5 U.S.C. § 5941.

2. The Nonforeign Area Retirement Equity Assurance Act transitioned the nonforeign area COLA authorized under 5 U.S.C. § 5941(a)(1) to locality pay authorized under 5 U.S.C. § 5304 in the nonforeign areas as listed in 5 CFR 591.205. The Act also extended locality pay to American Samoa and other nonforeign territories and possessions of the U.S. where no COLA rate applied. OPM phased in locality pay over a 3-year period beginning in January 2010. Under the law, COLA rates issued under 5 CFR 591 were frozen on October 28, 2009, the date of enactment. As locality pay increased under the Act, payable COLA rates were reduced as specified in [CPM Memorandum 2010-23](#), Retained Rate Adjustments in Nonforeign Areas. Consequently, covered employees may have received both locality pay and a reduced COLA for a number of years.

B. Nonforeign Post Differential. Nonforeign 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 U.S. and warrant an allowance as a recruitment incentive. Nonforeign post differentials are designed to attract persons from outside the nonforeign area to work for the Federal Government in the post differential area. Rates and locations are available on the OPM, Pay and Leave, Nonforeign Areas website. Agencies must make these payments to all eligible civilian employees in the area whose basic pay is fixed by statute. Generally, allowances and differentials are not paid during periods an employee does not receive basic pay. The pay of FWS employees is based on the wages paid in the locality and is not covered under this section.

C. Processing Nonforeign COLA and Nonforeign Post Differentials

1. Limitation. 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 nonforeign COLA and a nonforeign 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 CFR 591.238.

2. Computation. Employees receive nonforeign COLA and nonforeign post differential as a percentage of the employee's hourly rate of basic pay, including 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 nonforeign post-differential area. See OPM, Pay and Leave, Nonforeign Areas website for rates.

3. Taxation. Nonforeign COLA is not included in gross income for OASDI and/or Medicare, federal, or state income tax withholding. Nonforeign post differential is included in gross income for OASDI and/or Medicare, federal, state, and local income tax withholding. See Table 4-2 of Chapter 4.

4. Treatment for the Purposes of Overtime and Other Entitlements. Nonforeign COLA and nonforeign 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 CFR 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 CFR 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 nonforeign area when he or she becomes eligible for a lump-sum payment under 5 CFR 550.1203. See 5 CFR 550.1205(b)(8).

0305 OTHER PAY, DIFFERENTIALS, AND ALLOWANCES

030501. Physicians' Comparability Allowance

A. Eligible federal physicians who enter into service agreements with their agencies may be authorized a physician comparability allowance. See 5 CFR 595 and [5 U.S.C. § 5948](#). The allowances are paid only for certain categories of physicians that are the subject of recruitment and retention problems for the agency. The allowance is fixed at the minimum amounts necessary. Unless otherwise provided in the agreement, if the physician fails to complete at least 1 year of service, either voluntarily or because of misconduct, the physician must refund of the total amount received (unless the head of the agency determines that the failure was beyond the control of the physician). If the physician completes more than 1 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. A physician may not receive an allowance pursuant to this section if the physician:

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 (lump-sum leave payments), [5552](#) (lump-sum leave on entering active duty), and [5595](#) (severance pay), 5 U.S.C., Chapters 81 (compensation for work injuries), and [87](#) (FEGLI), or other benefits related to basic pay. See also 5 U.S.C. § 5948(h)(1). However, this allowance is included as basic pay for computing Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS) and TSP contribution amounts, and for computing disability retirement benefits and survivor benefits for death-in-service. See OPM Benefits Administration Letter [\(BAL\) 04-102](#).

E. Any allowance under this section for a government physician is 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 OASDI and/or Medicare, federal, state, and local income tax withholding. The allowance is subject to the aggregate limitation on pay discussed in subparagraph 030203.B.

030502. Supervisory Differential

A. The authority to approve payment of supervisory differentials under [5 U.S.C. § 5755](#) and 5 CFR 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 CFR 213](#). The DoDI 1400.25, [V575](#) contains additional detailed guidance on the supervisory differential entitlement. The agency authorizes payment of a supervisory differential to a GS employee who has supervisory responsibility for one or more non-GS employees. The differential may be authorized if one or

more of the subordinate civilian employees would be paid more than the supervisory employee in the absence of such a differential.

B. The servicing HRO will provide a dollar amount equal to the value of the authorized percentage by submission of SF 50 data. The servicing PRO calculates the supervisory differential as a percentage of the supervisor's rate of basic pay. The servicing PRO pays the supervisory differential in the same manner and at the same time as basic pay. The supervisory differential is not considered part of basic pay for any purpose, including retirement, FEGLI, or TSP. This differential is subject to OASDI and/or Medicare, federal, state, and local income tax withholding. The supervisory differential is subject to the aggregate limitation on pay discussed in subparagraph 030203.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 CFR 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, [V591](#). The agency's authorized management official must approve the payment of a uniform allowance. Uniform allowances are not considered wages.

030505. Qualified Transportation Fringe Benefits

A. [Title 5, U.S.C. § 7905](#) authorizes federal agencies to offer transportation fringe benefits to employees in accordance with [26 CFR 1.132-9](#). Pursuant to [26 U.S.C. § 132](#), qualified transportation fringe benefits provided to employees, including transit passes, qualified parking, and transportation in commuter highway vehicles, is not included in gross income for federal tax purposes. The [DoDI 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, such as 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. Agencies may offer qualified federal employees transit-pass-transportation fringe benefits in the National Capital Region as described in [Executive Order 13150](#). See 26 U.S.C. § 132 (f).

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 Publication 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 OASDI 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, CFR, section 1.61-21](#) provides detailed rules for determining the employer-provided home-to-work benefit that is reported on an eligible employee's Form W-2, Wage and Tax Statement. The [DoD 4500.36-R](#) requires the OUSD Comptroller, in coordination with the OUSD P&R, provide annual guidance 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) for the employee's Form W-2. The benefit **may be** subject to OASDI and/or Medicare, federal, state, and local income tax withholding. The benefit is not subject to retirement, FEGLI, or TSP deductions.

B. 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.

030507. Foreign Language Proficiency Pay (FLPP)

Under [10 U.S.C. § 1596](#) and [1596a](#), the Secretary of Defense is authorized to pay FLPP to eligible DoD employees who are performing intelligence or non-intelligence duties requiring proficiency in foreign languages. 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 information regarding aggregate limitation on pay in subparagraph 030203.B. FLPP is not to be paid if the employee is in a LWOP or other unpaid status in excess of 10 consecutive work days, or in an extended paid absence in excess of 30 consecutive work days.

A. [FLPP for Intelligence Interests Under 10 U.S.C. § 1596](#). The annual rate of special pay under 10 U.S.C. § 1596 is determined by the Secretary of Defense. FLPP may be paid in addition to pay under 10 U.S.C. § 1602. See the [DoDI 1400.25, V2016](#). The Secretary of Defense has the authority to pay special pay to an employee of DoD who:

1. Has been certified as being proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the DoD is important for the effective collection, production, or dissemination of foreign intelligence information; and

2. Is serving in a position, or is subject to assignment to a position, in which proficiency in that language facilitates performance of officially assigned intelligence or intelligence-related duties.

B. FLPP for Non-intelligence Interests Under 10 U.S.C. § 1596a. Special pay for an employee under 10 U.S.C. § 1596a may be prescribed by the Secretary of Defense, but may not exceed 5 percent of the employee's pay. Special pay under 10 U.S.C. § 1596a is in addition to any other pay or allowances to which the employee is entitled. See the DoDI 1400.25, V2016. Pursuant to 10 U.S.C. § 1596a the Secretary of Defense has the authority to pay special pay to a DoD employee who:

1. Has been certified by the Secretary of Defense to be proficient in a foreign language identified by the Secretary of Defense as being a language in which proficiency by civilian personnel of the DoD is necessary because of national security interests,

2. Is assigned duties requiring proficiency in that foreign language, and

3. Is not receiving special pay under 5 U.S.C. § 1596.

*030508. Market Pay

A. Purpose. Each physician and dentist covered by the DoDI 1400.25, [V543](#), 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). Market pay is based on criteria such as level of experience, need for medical specialty practice, the healthcare labor market, board certifications, and personal accomplishments. See the DoDI 1400.25, V543.

1. The authorized management official determines the amount of market pay for the physician or dentist, which may require additional approval of the HPCCSC. 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. [The review will not be used to reduce market pay while the affected physician or dentist is in the same position or assignment at the same duty station or facility. See the DoDI 1400.25, V. 543 and 38 U.S.C. § 7431\(c\).](#)

2. The agency must approve market pay 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, excluding expenses. Pay over the annual salary of the President is forfeited and is not deferred until the next calendar year.

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. Additional information on this topic is provided in OPM's [Reservist Differential](#), Agency Implementation Guidance and OPM [Frequently Asked Questions](#).

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 that is used when the employee is in a pay status. Reservist differential is considered due no later than 8 weeks after the normal scheduled civilian pay date, unless the necessary information is not received 4 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. Payments are not subject to OASDI, and/or Medicare tax withholding 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 Form W-2), and
2. OASDI and/or Medicare tax withholding 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, the use of any type paid leave, or other paid time off.

0306 RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES

Recruitment, relocation, and retention incentives are compensation flexibilities available to help federal agencies recruit and retain employees. See 5 U.S.C. §§ 5753 and 5754 and 5 CFR part 575, Subparts A, B, and C.

030601. Recruitment Incentive

A. Purpose. Payment of recruitment incentives is authorized by [5 U.S.C. § 5753](#) and 5 CFR 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 the 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 4 years. The OPM may waive the 25 percent limitation based on critical agency need. The agency must document the justification for paying a recruitment incentive.

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 6 months or more than 4 years. See 5 CFR 575.110.

C. Payment Options. The agency authorizes and establishes payment options. See 5 CFR 575.109. An agency may pay the recruitment incentive by any of the following methods, or combination thereof, 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 OASDI and/or Medicare, federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.
3. The recruitment incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 CFR 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 employee may not grieve or appeal the termination of a service agreement.

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 servicing PRO prorates the full amount of the authorized recruitment incentive across the length of the service period to determine the amount attributable to completed and uncompleted service. The PRO must recover the amount owed by the employee in accordance with provisions established by debt collection regulations. See Volume 16. The servicing HRO must notify the servicing PRO of the recruitment incentive repayment/debt 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.

F. Documentation and Recordkeeping. The servicing HRO must document each recruitment incentive 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 CFR 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 that is likely to be difficult to fill in the absence of an incentive. See 5 CFR 575.205(b). 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 4 years. OPM may waive the 25 percent limitation based on critical agency need. Agencies must document the justification for paying a relocation incentive.

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 more than 4 years. See 5 CFR 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 is supported by written determinations that specifies the group and the period of time during which the authorization is valid.

D. Payment Options. The agency authorizes and establishes the payment options for relocation incentives. See 5 CFR 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. A 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 OASDI and/or Medicare and federal, state, and local income tax withholding. This incentive is not subject to retirement, FEGLI, or TSP.

2. The relocation incentive is included in the aggregate limitation on pay as discussed at subparagraph 030203.B. See 5 CFR 530, Subpart B.

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

4. The agency will not pay the incentive until the employee establishes a residence in the new geographic location.

F. Termination of a Service Agreement. An agency must notify an employee in writing when it terminates the service agreement for the relocation incentive. The employee may not grieve or appeal the termination of a service agreement.

1. Mandatory Termination. If the employee is demoted for cause, separates for cause, or the employee receives a less than "Fully Successful" or equivalent rating, the service agreement will terminate. 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 servicing PRO must prorate the full amount of the authorized relocation incentive across the length of the service period to determine the amount of the relocation incentive attributable to completed service and uncompleted service. The servicing PRO must recover the amount owed by the employee in accordance with agency debt collection regulations. See Volume 16. The servicing HRO must notify the servicing PRO of the relocation incentive repayment/debt 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.

G. Documentation and Recordkeeping. The servicing HRO must document each relocation incentive via an SF 50.

030603. Retention Incentive

A. Purpose. [Title 5, U.S.C. § 5754](#) and 5 CFR 575, Subpart C authorizes a payment of retention incentives. An agency may offer a retention incentive of up to 25 percent of basic pay 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 CFR 575.305. The OPM may waive the 25 percent limitation based on critical agency need. Agencies must document justification for paying retention incentives.

B. Service Agreement. The employee must sign a written agreement to serve a specified period of employment with the agency before a retention incentive is paid. However, a service agreement is required for biweekly installment payments only when the incentive is granted under special provisions by the DoD or the employee receives 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. Unless the OPM authorizes a higher rate, group retention incentives may be up to 10 percent of an employee's rate of basic pay. Agencies may not pay group retention incentives to employees in SL, ST, or Executive Schedule positions or other employees with approved recruitment incentives from the OPM.

D. Payment Options. Title 5, U.S.C. § 5754 and 5 CFR 575.309 set out payment options for retention incentives. Agencies may not pay retention incentives as an initial lump-sum payment at the start of a service period or as an installment paid in advance. An agency may pay retention incentives using 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 are not considered a part of the employee's basic pay for any purpose.

1. The retention incentive is subject to OASDI and/or Medicare and federal, state and local income tax withholding. 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 030203.B. See 5 CFR 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. If an employee is demoted for cause, separates for cause, or the employee receives a less than “Fully Successful” or equivalent rating, the service agreement will terminate. 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 must be recovered in accordance with agency debt collection regulations. See Volume 16, Chapter 3. The servicing HRO must notify the servicing PRO of the retention incentive repayment/debt 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. The servicing HRO documents each retention incentive via an SF 50.

*030604. DoD Student Loan Repayment Program

A. Purpose. [Title 5, U.S.C. § 5379](#) and [5 CFR 537](#) authorizes the establishment of student loan repayment programs for the purpose of recruiting and retaining highly qualified personnel. An agency may pay a maximum of \$10,000 per employee for any one calendar year, and \$60,000 in aggregate for any one employee. See the [DoDI 1400.25, V537](#).

B. Service Agreement. The minimum service agreement is three years. Employees who fail to complete the period of service specified in the service agreement must reimburse the DoD for the amount of all benefits received under the existing agreement unless:

1. The employee is involuntary separated for reasons other than misconduct or performance;

2. The employee leaves voluntarily to enter into service in another agency outside of DoD, and reimbursement of DoD is not specified in the employee’s service agreement; or

3. An authorized loan-approving official determines that recovery would be against equity and good conscience, or against the public interest, and waives, in whole or in part, the DoD's right to recover.

C. Payment Options. The servicing PRO remits the student loan repayment directly to the lender under the terms, limitations, and conditions of the written service agreement. The incentive is paid in either lump sum, periodic, or in biweekly installments, and is in addition to basic pay or any other form of compensation payable to the employee.

D. Student Loan Repayment Program Payments. Student Loan Repayment Program payments are not considered a part of the employee's basic pay for any purpose.

1. The Coronavirus Aid, Relief, and Economic Security Act, [P.L. 116-136](#), allows for the first \$5,250.00 of an employee's annual Student Loan Repayment Program payment to be tax free. This exclusion ran from March 27, 2020 to December 31, 2020. The Consolidated Appropriations Act, 2021, [P.L. 116-260, Section 120](#), extended the provision for any payment made before January 1, 2026. Any portion of a Student Loan Repayment Program payment exceeding \$5,250 is subject to OASDI and/or Medicare and federal, state and local income tax withholding. See [26 U.S.C. § 127](#), see also [IRS Publication 15B](#). The Student Loan Repayment Program payment is not subject to retirement, FEGLI or TSP. See Section II of the April 13, 2001, Chief Human Capital Officers Council Memorandum, [Student Loan Repayment](#).

2. The Student Loan Repayment Program payment is not included in the aggregate limitation on pay as discussed at subparagraph 030203.B. The aggregate limitation on pay applies to direct payments made to the employee, whereas student loan payments are paid to the loan holder on behalf of the employee. See the OPM Fact Sheet, [Student Loan Repayment](#).

3. The DoD is not responsible for any late fees or penalties assessed by loan holders before, during, or subsequent to the student loan repayment agreement.

E. Documentation and Recordkeeping. The servicing HRO documents each retention incentive via an SF 50. The servicing HRO must transmit the SF 50 and a copy of the service agreement to the servicing PRO to begin payments.

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 CFR 550, Subpart L.

030702. Lump-Sum Payable

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

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). 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 with 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, provided the employee does not elect to retain the annual leave to his or her credit. See 5 U.S.C. § 5552. 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, provided the employee does not elect to retain the annual leave to his or her credit. See [5 U.S.C. § 3582](#). 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 employees who the agency reemploys within 6 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 must be paid in a lump-sum to his or her designated beneficiary. If an employee has not designated a beneficiary, a lump-sum is paid in the established order of precedence under 5 U.S.C. § 5582(b).

030703. Lump-Sum Not Payable

The servicing PRO may not make a lump-sum payment to an employee for accumulated annual leave when he or she is:

A. An employee 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 3 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. The servicing PRO calculates the lump-sum payment for annual leave, including restored and reinstated annual leave, and includes all pay changes the employee would have received had he or she remained in a duty status throughout the projected leave period. See the OPM Leave Administration Fact Sheet on [Lump-Sum Payments](#) for Annual Leave and 5 U.S.C. § 5551. Holidays count 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 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 when 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. AUO pay, availability pay, and standby duty pay;
6. Night shift differential (FWS employees only, see 5 U.S.C. § 5343(f));
7. Regularly scheduled overtime pay under FLSA for employees on uncommon tours of duty;
8. Supervisory differentials;

9. Nonforeign area COLAs 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 an 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 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 CFR 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 CFR 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. DFAS identifies payments separately, allowing for taxation of the lump-sum leave at a flat 25 percent for federal withholding, except when the employee's exemptions claimed on the Form W-4, Employee's Withholding 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. Lump-sum annual leave payments are not subject to deductions for FEHB, FERS, FEGLI or TSP. Payments are subject to offset for debts owed to the United States. See 5 CFR 550.1205.

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. The servicing PRO may pay excess leave 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. The servicing PRO subtracts such leave from the lump-sum leave period before calculating the refund. If the employee is reemployed, the agency will not credit restored annual leave to an employee 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 the servicing 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 for the 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, 2018. An employee separated within a pay period rather than at the end of the 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 are computed using the average rate of basic pay for the last position held during the 26 biweekly pay periods immediately preceding separation. See 5 CFR 550.707(b).

030802. Payments

A. Severance Payments. Authorized severance payments are paid based on the information processed on an SF 50. Severance payments for employees are subject to appropriate withholding for income and OASDI/Medicare taxes. See 5 CFR 550.709(b).

B. Severance Payments Upon Death of Employee. 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 OASDI and/or Medicare and 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 OASDI and/or Medicare taxes.

C. Debt Collection and Garnishment. 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 CFR 581.103, severance pay is subject to court-ordered garnishments for alimony, child support, and commercial debts. Court-ordered garnishments are cancelled upon the death of the employee.

030803. Withholding Tax Reporting

Severance pay is taxable in the year that the employee receives the pay. This amount is included on the employee's Form W-2 and appropriate government and state taxes are withheld. If an employee dies, the servicing PRO must report any severance pay paid to the beneficiaries on Form 1099-MISC.

030804. Termination of Severance Pay

If an agency reemploys a former employee in federal service, severance pay is discontinued. Discontinuation of payments is effective on the date of reemployment. The losing

agency must report the total of amounts paid to the gaining activity or agency. The agency uses this information 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. Foreign Post Assignment Advances

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. Upon the assignment of an employee to a post in a foreign area, an employee may be authorized a single, lump-sum pay advance of up to 3 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. See [5 U.S.C. § 5927](#) and the DoDI 1400.25, V1250. For additional information pertaining to advances of LQA and TQSA, see subparagraph 030402.A.

A. Eligibility. 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.

B. Foreign Areas. A foreign area is an area located outside the U.S., exclusive of the Commonwealth of Puerto Rico, territories of the U.S., and other areas designated by the Secretary of State.

C. Payment Procedures. Advances of pay for overseas transfers will be paid only by the disbursing officer (or the disbursing officer's overseas agent) who supports the servicing PRO servicing the overseas area, or Outside the Continental U.S. from a disbursing officer who is a deputy to the Continental U.S. office. Payment may be included in the next regular biweekly pay or made in a single lump-sum. An employee may request an advance of pay 3 weeks before the estimated departure date for an assignment to a foreign duty post or up to 2 months after arrival. 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.

D. HRO Duties. The 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 the HRO does not provide confirmation of the foreign pay grade or step, the servicing PRO may use the current gross pay at the time of the advance. The 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.

030902. Advance Payments to Evacuees

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

030903. Collection of Advance Payments

A. Repayment is collected 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. The losing agency must forward a copy of the SF 1190 to the gaining PRO for collection.

B. Partial or lump-sum repayments, in addition to payroll deductions, may 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](#), 31 U.S.C. § 3716, and corresponding regulations.

D. The Defense Debt and Claims Management Office, 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](#), Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances and [5 U.S.C. § 5584](#).

030904. Other Requirements or Conditions for Advances

A. An employee is authorized only one outstanding advance at a time, regardless of the frequency of assignments to a foreign area. If an employee becomes eligible for a second advance, the employee must liquidate the first advance before the employee requests the first payment of the second advance.

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 must develop controls 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.

030905. Additional Advance Payments

Agencies may authorize an additional advance payment 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 exceptional circumstances warranting a second payment include: 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.

030906. Advances in Pay for Newly Hired Employees

The head of an agency has the authority to provide for the advance payment of basic pay to an employee who is newly appointed to a position in the agency. See 5 CFR 550.203. The authority to advance pay is delegated to officials who exercise personnel-appointing authority (normally the head of an installation or activity). This authority is delegated through and subject to the authority of the DoD Component heads to be used on a case-by-case basis. See the DoDI 1400.25, V550.

030907. Advances in Pay for Employees Relocating Within the United States or its Territories

Section 1134 of the [2017 National Defense Authorization Act](#) allows the head of an agency to authorize on a case-by-case basis, an advance of pay covering no more than 4 pay periods to employees relocating within the United States and/or its territories to a location outside the employee's current commuting area. See [5 U.S.C. § 5524a](#). The employee must repay the advance through payroll deductions over a maximum of 14 pay periods, although partial or lump-sum payments may be accepted. If the employee accepts employment with another organization, including one within DoD or another federal agency, or if the employee is terminated, the entire balance will be due in full. See 5 CFR 550.205. Any remaining balance of an advance of pay will be recovered through the debt collection process outlined in Volume 16, Chapter 3.

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 regulations regarding agency award programs are published at [5 CFR Part 451](#). The DoDI 1400.25, [V451](#) prescribes award policies governing the award program for DoD civilian employees.

A. Incentive Awards. The DoDI 1400.25 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 CFR 451.101-451.107 and the DoDI 1400.25, V451.

1. An employee must use the time off granted as an incentive award within 1 year from the effective date. Supervisors and employees are responsible for scheduling the use of this leave within 1 year. If an employee does not use the time off award within the one-year timeframe, the employee will forfeit the incentive leave. There is no provision for restoring time off awards. For time off awards given from March 19, 2019 through September 30, 2020, the 1 year time limit to use a time off award is lifted. An employee must use a time off award given from this time frame prior to using any time off award given after September 30, 2020. See [DCPAS Memorandum, Removal of Expiration Date for Certain Time Off Awards](#).

2. Provisions should be made to accommodate employees who are on long-term training, extended sick leave, called to active duty, or similar situations so that the employee does not forfeit his or her time off award. Agencies may approve sick leave if an employee is unable to perform duty during a period of time off.

3. 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. Agencies may grant part-time employees or those with uncommon tours of duty 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.

4. A time off award cannot be transferred between DoD Components or outside of the DoD. Managers and supervisors should make every effort to ensure that the employee is able to use the time off award before he or she leaves the granting Component. DoD Components may establish procedures to accommodate the transfer of time off awards within their respective Components. Time off awards cannot be converted 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 CFR 451.104(f) and DoD 1400.25, V451.

5. Awards are processed on an SF 50 and issued by the servicing HRO to the servicing 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.

6. Time off awards must be posted to the employee's record and reduced when the time off is taken and/or forfeited. Usage of a time off award by an employee reported prior to the receipt of notification of the award must be reflected as a negative balance in the civilian payroll system. If the servicing HRO does not post a time off award to the employee's record within two pay periods of a negative balance being reflected in the civilian payroll system, then the employee's use of a time off award will be assumed to be a time and attendance error.

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 CFR 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);
2. Be an employee of the agency, as defined at 5 U.S.C. § 3132(a)(1);

and

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. § 4507 and 5 CFR 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 CFR 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 CFR 451. Referral bonus awards are granted at management's discretion and are not considered an entitlement.

031102. Payment of Awards

A. Cash Awards. Cash award payments are subject to the withholding provisions of federal, state, and local income tax laws. The payroll system will deduct 22 percent federal tax automatically on special earnings of this nature. See IRS Publication 15, Employer's Tax Guide. The servicing PRO computes the applicable state and local tax and OASDI and/or Medicare withholding based on tax information in the employee's current master record. The servicing PRO will not withhold state and local taxes for employees assigned to overseas duty locations unless requested by the employee.

B. Payment of Awards to Separated Employees. The agency must reestablish the employee on the payroll using the last known information on the employee's master account record for applicable deductions and mailing address.

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

*REFERENCES

CHAPTER 3- PAYROLL ADMINISTRATION

0301 – GENERAL

0302 – GENERAL PROVISIONS ON PAY

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030203.A.1.d	32 U.S.C. § 709(h)
030203.A.2	5 U.S.C. § 5547(b) 5 CFR 550.106-550.107
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030203.A.2.c	5 U.S.C. § 5545(a)
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030203.A.3	5 U.S.C. § 5547(b) 5 CFR 550.106
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030203.A.4.b(4)	P.L. 110-181
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030203.A.4.b(13)	P.L. 114-328
030203.A.4.b(14)	P.L. 115-91
030203.A.4.b(15)	P.L. 115-232
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030203.B.1	FEPCA of 1990 5 CFR 530, Subpart B 5 U.S.C. § 5383(h) 5 U.S.C. § 5307
030203.B.2	5 CFR 550.202
030203.B.3	5 CFR 530.204 5 U.S.C. § 5582 5 CFR 530.204
030203.B.4	5 CFR 530.203(d) and (e) 5 CFR 530.204
030203.B.4.a	5 CFR 550.202
030204	5 U.S.C. § 5533(a)
030205.A	5 CFR 531.203
030205.B	OPM Salary Table
030205.C.1	5 U.S.C. § 5504
030205.C.4	5 U.S.C. § 5505
030205.D	61 Federal Register 3539
030205.E	5 CFR 531.204 5 CFR, Subpart F 5 U.S.C. § 5304
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030206.A	PMRS Termination Act of 1993 OPM Performance Reference Materials, Instructions: How to Comply with P.L. 103.89
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030302.A.1	5 CFR Subpart A 5 CFR 340.403
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030302.E.2.c	5 U.S.C. § 5542
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030302.E.4	5 CFR 550.114
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030302.E.5.b	5 U.S.C. § 5541(2)
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030304.B	5 U.S.C. § 6128
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	5 CFR 532.511
	Appropriated Fund Operating Manual, Appendix J, Federal Wage System
030308.B.2	5 CFR 532.511

0304- FOREIGN AND NONFOREIGN DIFFERENTIALS

030401.A	DSSR
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030402.A.1.b	DSSR, Chapter 900, section 920
030402.A.2	5 U.S.C. § 5923
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030402.A.2.e	DSSR, Chapter 100, section 124.1
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030501.B.2	5 U.S.C. § 5948(a)
030501.D	5 U.S.C. §5551
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030506.A	26 CFR 1.61-21
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030509.B	5 U.S.C. § 5538

0306 – RECRUITMENT, RELOCATION, AND RETENTION INCENTIVES

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