



DEPARTMENT OF DEFENSE
CIVILIAN PERSONNEL MANAGEMENT SERVICE
1400 KEY BOULEVARD
ARLINGTON, VA 22209-5144

27 JUN 2005

MEMORANDUM FOR: SEE DISTRIBUTION LIST

SUBJECT: Continuing Retention Payments for Current Employees

This memorandum provides Department of Defense guidance for continuing retention allowances paid to employees whose special salary rates were terminated by the implementation of Office of Personnel Management (OPM) interim regulations, "Changes in Pay Administration Rules for General Schedule Employees," released May 31, 2005, but retroactively effective on May 1, 2005. The interim regulations amend part 530, subpart C of title 5, Code of Federal Regulations (CFR).

OPM's interim regulations discontinue special salary rates for an employee entitled to a locality rate that is higher than the special rate. As a result, even though an employee receives the same total salary, the base rate is less and full locality is paid. Since retention allowances approved prior to May 1, 2005, were computed as a percentage of an underlying special salary rate rather than the underlying base rate, the amount of the retention allowance will also be reduced when the special rates are discontinued. The reduction of retention allowances is not subject to appeal.

Officials authorized to approve retention allowances may preserve the dollar amount of an affected employee's retention allowance by terminating the existing allowance and establishing a retention incentive under OPM interim regulations, "Recruitment, Relocation, and Retention Incentives," effective May 13, 2005. The OPM interim regulations are supplemented by the DoD Interim Plan and Procedures, "Recruitment, Relocation, and Retention Incentives," effective May 24, 2005, and available on the Civilian Personnel Management Service (CPMS) Pay and Leave web site at www.cpms.osd.mil. Instructions for processing required actions are attached.

If officials choose to establish a retention incentive under the revised OPM regulations and DoD plan, the amount will be determined as a percentage of the employee's total salary (including locality pay) rather than the underlying GS base rate. If officials take no action, the employee's retention allowance payment will automatically continue at the reduced amount.

Effective with the pay period beginning June 12, 2005, the Defense Finance and Accounting Service (DFAS) will compute retention allowance payments on the employee's new base rate rather than the special salary rate. Since the employee's new base rate is lower, the employee's authorized retention allowance also will be lower and the employee's retention allowance will have been overpaid since May 1, 2005. CPMS will request that DFAS grant a blanket waiver for any retention allowance overpayments between May 1 and June 11, 2005, that resulted from the reallocation of an employee's pay when his or her special salary rate was terminated.

If you have further questions, please direct them to Mary Olson of my staff. She may be reached at Mary.Olson@cpms.osd.mil or by telephone at (703) 696-1721.



Brad Bunt
Director

Attachment:
As stated

Department of Defense Processing Instructions

Retention Payments

The Federal Workforce Flexibility Act of 2004 (the Act) (Pub. L. 108-411, October 30, 2004) amended the rules governing pay setting for General Schedule employees and provided new authorities for retention incentives. As a result of the Act, the Office of Personnel Management (OPM) eliminated 103 special rate schedules and revised an additional 217 schedules.

- DoD Human Resources Offices (HROs) will process Nature of Action (NOA) 894, Pay Adjustments, for employees whose entitlements to special rates terminated effective May 1, 2005. All actions should be processed by June 24, 2005, with an effective date retroactive to May 1, 2005.
 - The NOA 894 pay action will change the employee's basic rate of pay to match the GS basic pay table; the employee's locality rate will then match the locality pay table for the employee's geographic area. The adjusted salary will remain the same.
 - The pay action will reduce the employee's basic rate of pay, which will automatically reduce any retention allowance received by the employee.
- Authorized management officials may preserve the amount of the retention allowance the employee was receiving prior to May 1, 2005, by terminating the existing retention allowance and establishing a new retention incentive. Retention incentives are calculated against the employee's adjusted salary, which did not change with the termination of the special salary rate.
 - Officials may establish a new retention incentive, up to 25 percent of the employee's adjusted salary, by submitting an NOA 827, Recruitment, Relocation, Retention Incentive, with an effective date no earlier than May 29, 2005, which was the beginning of the first pay period after the DoD plan went into effect.
 - Officials must also terminate the existing retention allowance by submitting an NOA 810, Change in Allowance/Differential, with an effective date one day prior to the effective date for the new retention incentive.
- The CPMS Regionalization and Modernization Office established Official Workaround 05-0008 to document how the NOA 827 is to be processed by HROs and the Defense Finance and Accounting Service (DFAS) so employees can be paid. This Official Workaround will remain in effect until changes to Defense Civilian Personnel Data System (DCPDS) and Defense Civilian Payroll System (DCPS) are implemented in the near future.