



*NOTE: Pursuant to Section 101 of the Aviation and Transportation Security Act (49 U.S.C. 114 (n)), this directive establishes Transportation Security Administration (TSA) policy and supersedes the Federal Aviation Administration (FAA) orders, policies, guidance, and bulletins regarding Recruitment and Relocation Bonuses or Incentives, or Retention Allowances or Incentives issued under the FAA Personnel Management System.*

**REVISION:** This revised directive amends and supersedes TSA MD No. 1100.57-3, *Recruitment, Relocation and Retention Incentives*, dated November 30, 2004.

**SUMMARY OF CHANGES:** This directive introduces three enhanced forms of compensation incentives: recruitment, relocation, and retention incentives (formerly known as recruitment and relocation bonuses and retention allowances). Under certain conditions, this directive now permits the payment of these incentives at higher rates than in the past and provides for the use of service agreements that may help tie the payment of incentives to recipients' performance. In addition, this guidance now permits the payment of a retention incentive to retain an employee leaving TSA service for an offer of employment at another Federal agency. Section 3, Authorities, adds two TSA MDs; Section 4, Definitions, adds revised definitions; Section 5, Responsibilities, adds responsibilities for TSA program offices; and Section 7, Procedures, revises information concerning the amount and payment of various incentives.

1. **PURPOSE:** This directive establishes TSA's policy on the payment of recruitment, relocation, and retention incentives.
2. **SCOPE:** This directive applies to all TSA employees.
3. **AUTHORITIES:**
  - A. Aviation and Transportation Security Act, P.L. 107-71.
  - B. [TSA MD 1000.4, Waiver of Collection of Employee Indebtedness](#).
4. **DEFINITIONS:**
  - A. Commuting area: The geographic area surrounding a work site that encompasses the localities where people live and reasonably can be expected to travel back and forth daily to work.
  - B. Involuntary separation: For purposes of this directive, a separation initiated by an agency against the employee's will and without his or her consent. A separation for cause (e.g., for reasons of misconduct or unacceptable performance, including a separation resulting from the employee's inability to do the work following efforts to perform the work) is considered involuntary for purposes of this directive. In addition, when an employee is separated because he or she declines to accept assignment outside his or her commuting area as defined in 4A above, the separation is involuntary if the employee's job document or other written agreement does not contain a mobility or reassignment requirement. However, an employee's separation is not involuntary if such a written mobility agreement is added to the employee's position and the employee subsequently declines the reassignment outside his/her commuting area. Also, a

separation is not involuntary if, without a mobility or reassignment agreement in place, an employee accepts a reassignment outside his or her commuting area and then subsequently declines another such reassignment.

C. New appointment:

- (1) The first appointment, regardless of tenure, as an employee of the Federal Government;
- (2) An appointment to a Federal Government position following a break in service of at least 90 days from the candidate's last period of Federal employment; or,
- (3) An appointment as an employee of the Federal Government when the employee's Federal service during the 90-day period immediately preceding the appointment was limited to one or more of the following:
  - (a) employment on a time-limited or non-permanent basis;
  - (b) employment with the government of the District of Columbia when the candidate was first appointed by the DC government on or after October 1, 1987;
  - (c) employment as an expert or consultant; and,
  - (d) employment under a provisional appointment.

D. Rate of basic pay: The rate of pay in the Core Compensation or Transportation Security Executive Service system for the position to which the employee is or will be newly appointed. For the purpose of calculating a recruitment, relocation, or retention incentive, an employee's rate of basic pay includes a retained rate, but excludes additional pay of any other kind. A recruitment, relocation, or retention incentive is not part of an employee's basic pay for any purpose such as calculation of retirement benefits. All three forms of incentives are considered income for tax purposes.

E. Service agreement: A written agreement between TSA and an employee under which the employee agrees to a pre-defined period of employment within TSA, ranging from 12 months (one year) to 48 months (four years), in return for payment of a recruitment, relocation, or retention incentive. Under certain conditions, a service agreement may be for a period of employment of less than 12 months. The agreement will also state that the employee is liable for repayment of a pro-rated portion of the incentive if they fail to complete the entire agreed period of service. (See [TSA Form 1130, Recruitment, Relocation, or Retention Incentive Service Agreement](#).)

**5. RESPONSIBILITIES:**

- A. Managers are responsible for applying the provisions of this directive when considering and monitoring recruitment, relocation, and retention incentives and recommending such incentives, including providing appropriate justification (including lapse rate) for such payments.
- B. The Office of Human Capital (OHC) is responsible for:
  - (1) Approving or disapproving requests for the payment of recruitment, relocation, and retention incentives;
  - (2) Monitoring, tracking, and recertifying incentives; and,
  - (3) Coordinating with the Office of Finance and Administration (OFA) to ensure sufficient funding is available and to ensure requests for waivers of repayment of debt are approved or disapproved.
- C. The OFA is responsible for:
  - (1) Approving or disapproving incentives, based on the availability of funds;
  - (2) Monitoring expenditure of resources for large groups of workers authorized incentives;
  - (3) Participating in the recertification process; and,
  - (4) Ensuring that any debts owed to the Federal Government are collected.

**6. POLICY:** It is the policy of TSA that;

- A. Recruitment, relocation, and retention incentives will be used by TSA to help build and maintain a viable and responsive workforce.
- B. These incentives will be paid only when the criteria specified in Section 7, are met.
- C. Further, *recruitment* incentives will only be paid to employees receiving new appointments within TSA as defined in this directive.

**7. PROCEDURES:**

- A. Approval Procedures
  - (1) General

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- (a) TSA may pay a *recruitment or relocation incentive* if TSA determines that it would encounter difficulty filling a position with a highly qualified employee, or group of employees. A written determination must be made before the employee enters on duty in the position for which recruited (recruitment incentive) or for which a relocation incentive is warranted. TSA may target groups of similar positions that have been difficult to fill in the past or that will likely be difficult to fill in the future and may make the determination to offer a recruitment or relocation incentive for a group of positions and employees on that basis. A relocation incentive may also be used as a restructuring/placement tool to help management avoid or minimize the need to involuntarily separate employees before or during restructuring efforts.
- (b) TSA may pay a *retention incentive* to an employee based on a written determination that the unusually high or unique qualifications of the employee or a special need for the employee's services makes it essential to retain the employee and that, in the absence of such an incentive, the employee would be likely to leave TSA service. This determination will address the extent to which the employee's departure would affect TSA's ability to carry out an activity or perform a function essential to its mission. Retention incentives may also be paid to groups of employees. Group retention incentives require the same written determination. The targeted group will be narrowly defined using factors such as occupational series, pay band level, distinctive job duties, unique qualifications, assignment to a special project, organization or team designation, geographic location, or performance level. A retention incentive may be paid to an employee likely to leave TSA service for a reason including, but not limited to, retirement from Federal service or resignation because of an offer of employment outside of the TSA, including another Federal agency. In the case of an offer of employment, a copy of the offer letter must be attached to the incentive determination.
- (c) A determination to pay an incentive must be made on a case-by-case basis, taking into consideration the criteria in Section 7A(2).
- (d) Service agreements are required for all three types of incentives, except when paid on a bi-weekly basis. If required, the agreement must be signed by the employee before the incentive may be paid. Service agreements will normally range from a minimum of 12 months to a maximum of 48 months. With justification, a service agreement may be for a period of employment of less than 12 months. (Note: When a relocation allowance, associated with moving/travel expenses related to a Permanent Change of Station, is also paid, TSA will require a separate service agreement under governing TSA/FAA Travel Policy.)
- (e) If an employee voluntarily separates from TSA during the service agreement period, he or she will be indebted to TSA for a prorated amount of the incentive.
- (f) A service agreement must begin on the first day of a pay period and end on the last day of a pay period.

- (2) Criteria: In determining the appropriateness and amount of a recruitment, relocation, or retention incentive, the following factors must be considered:
- (a) The success of recent efforts to recruit and/or retain highly qualified candidates for similar positions, including indicators such as offer acceptance rates, the proportion of positions filled, turnover rates, and the length of time required to fill similar positions;
  - (b) Labor-Market factors, such as salaries paid outside the Federal Government, that may affect the ability to recruit and retain highly qualified candidates for similar positions now or in the future;
  - (c) Special or unique competencies needed for the position;
  - (d) For a recruitment incentive, the practicalities of setting pay above the minimum rate of the pay band, alone or in combination with a recruitment incentive;
  - (e) Efforts to use non-pay authorities, such as special training and work schedule flexibilities, to resolve difficulties alone or in combination with an incentive;
  - (f) The desirability of the duties, work, organizational environment, or geographic location of the position; and,
  - (g) Other supporting factors.
- (3) Final Approval:
- (a) Each recruitment, relocation, or retention incentive request must be submitted to the appropriate office head (e.g., Administrator, Deputy Administrator, Associate Administrator, Assistant Administrator, Area Director, or Federal Security Director) for review and approval. If approved by the appropriate office head, the request should be forwarded to the Assistant Administrator, OHC (AA/OHC), for approval or disapproval.
  - (b) Availability of funds will be cleared through the Assistant Director and Chief Financial Officer, OFA. A disapproved incentive will be returned by the OHC to the submitting office with justification for denial. No incentives may be paid until approved by the AA/OHC.

## B. Payment

### (1) Percentage Determination

- (a) A *recruitment, relocation, or retention* incentive (individual or group) shall be calculated as a percentage of the employee's annual rate of basic pay, generally not to exceed 25 percent per year. An incentive exceeding 25 percent must be based on a unique and critical TSA need. The total incentive may not exceed 100 percent of the

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employee's annual rate of pay at the beginning of the service period over the duration of the service agreement (not to exceed 4 years). (For example, 25% x 4-year service agreement, 50 % x 2-year service agreement, etc.). However, exceptions may be approved or disapproved by the AA/OHC (see Section 7B(1)(b), as special needs of the TSA require.

Example: An applicant is offered employment with the TSA as a Program Analyst, J Band, at a rate of basic pay of \$90,000. As part of the total compensation package, the applicant is offered a \$45,000 (50%) recruitment incentive in exchange for a minimum service agreement of 2 years. The incentive will be paid in four (4) equal installments of \$11,250, at six (6) month intervals, over the two-year service agreement.

- (b) Generally, one year of service is required for every 25 percent of salary (beginning), or fraction thereof, except in unique and critical circumstances. Any request to require a service agreement of less than one year, for each 25% of salary; or, an amount greater than 25% for the duration of the service agreement (or for a bi-weekly incentive where no service agreement is required) must be fully documented in the requester's written justification supporting payment of an incentive.

Example: An applicant is offered a one-year time-limited appointment with the TSA as a Chemist, K Band, at a rate of basic pay of \$100,000. As part of the total compensation package, the applicant is offered a \$75,000 (75%) recruitment incentive in exchange for completion of a high-profile project by the end of the one-year appointment. The applicant possesses highly specialized qualifications required by the TSA. Written justification fully and completely documents the need to pay an incentive at a rate above 25% for a one year period of service (see Section 7B(1)(b)). The incentive will be paid at the end of the one-year appointment upon meeting specific performance goals and objectives that are defined in the service agreement.

- (c) A recommending official must consider the criteria in paragraph 7A(2) above when determining the incentive amount.

(2) Payment Options and Special Requirements

- (a) A *recruitment or relocation incentive* may be paid as an initial lump sum payment at the beginning of the service period, bi-weekly, in installments throughout the service period, as a lump sum payment upon completion of the service period, or in a combination of these methods. No service agreement is required when a recruitment or relocation incentive is paid on a bi-weekly basis. A *recruitment* incentive may be paid to an individual not yet employed who has received a written offer of employment and signed a written service agreement.
- (b) A *relocation incentive* may be paid if the duty station of the current position and the position for which the incentive is being recommended are in different commuting areas, as determined by TSA; or, the duty station of the current position and position for which the incentive is being recommended are in the same commuting area, but reporting to the new worksite will require a commuting trip that TSA considers

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significantly more burdensome for the employee. A commuting trip may be considered significantly more burdensome, for instance, if TSA believes it would compel the employee to change his or her place of residence to continue employment, taking into account commuting time and distance, availability of public transportation, cost, and any other relevant factors. A relocation incentive may not be paid unless and until the employee establishes a new residence in the new commuting (geographic) area. (Note: Separate and apart from a relocation incentive, an employee may also be entitled to a relocation allowance, associated with a Permanent Change of Station, governed by TSA/FAA Travel Policy.)

(c) A *retention* incentive may be paid on a biweekly basis, in installments after the completion of specified periods of service within the full period of service required by the service agreement, or in a single lump sum after completion of the full period of service required by the service agreement. No service agreement is required when a retention incentive is paid on a bi-weekly basis. A retention incentive may not be paid to an individual prior to employment with TSA. In addition, TSA may not begin paying a retention incentive during the service period established by an employee's recruitment or relocation incentive service agreement. However, a relocation incentive may be paid to an employee who is already receiving a retention incentive. There may be a need to terminate a retention incentive under provisions of Section 7D, due to changing conditions including, but not limited to, restructuring and/or realignment of staff. Termination of one retention incentive does not preclude approval of a new incentive, as appropriate.

(3) **Aggregate Pay Limitation:** Payment of a recruitment, relocation, or retention incentive is subject to an aggregate limitation on pay and, under most circumstances, may not exceed the rate payable for Level I of the Executive Schedule (EX I) -- \$183,500 in 2006. However, in unique circumstances, where the services of an individual with highly specialized qualifications is required, the AA/OHC may waive the EX I limitation and raise the aggregate limitation to an amount not to exceed \$250,000 only for purposes of payment of a recruitment, relocation, or retention incentive. Excess payments that would cause an employee's total compensation to exceed the applicable aggregate limitation may be deferred and paid in a lump-sum payment at the beginning of the following calendar year.

**C. Recovery of a Recruitment, Relocation, or Retention Incentive**

(1) If an employee voluntarily separates, or involuntarily separates for certain reasons, to include for cause, the employee may be indebted to TSA for a prorated amount of the incentive payment already paid to the employee as of the separation date. The amount of indebtedness will be determined based on the calculation contained in Section 7C(2). An employee receiving an incentive on a biweekly basis (no service agreement) will not be indebted.

**Note:** Repayment of a relocation allowance, associated with a Permanent Change of Station, and separate from a relocation incentive, is governed by TSA/FAA Travel Policy.

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- (2) Two calculations are required to determine a separated employee's indebtedness to TSA:
- (a) the monthly incentive amount and (b) the total number of months remaining on the service obligation.
- (a) To determine the monthly incentive amount: Divide the total (i.e., original) amount of the employee's incentive by the number of months in the service agreement.
- (b) To determine the months remaining on the service obligation: Subtract the number of full months of the service obligation completed from the total (original) number of months in the service agreement. The employee's indebtedness equals the monthly incentive amount multiplied by the remaining months of service obligation.

Example: An employee, who received a \$12,000 recruitment incentive and signed a 24-month service requirement, separates after seven (7) months 20 days of service. To compute the employee's indebtedness, divide the \$12,000 incentive by 24 to arrive at a \$500 monthly incentive. Only full months of service are counted to compute the indebtedness, so subtract seven (7) from 24. This results in the employee having 17 months remaining on his or her service obligation at the time of separation, and a debt to TSA of \$8,500, (17 X \$500).

- (3) Waiver: A request for waiver of indebtedness may be considered and must be sent to the OFA, Accounting Branch, in accordance with TSA MD 1000.4. [TSA Form 1002, Application to Request a Waiver of Indebtedness](#), must be utilized to submit the waiver application. The waiver request must contain sufficient information and/or documentation to permit an informed decision on the request. The AAFA has final approval authority of the waiver request. Waiver in whole or in part may be granted only after a determination is made that recovery would be against equity and good conscience or against the public interest.

**D. Continuation, Reduction, or Termination of an Incentive:**

- (1) A recruitment, relocation, or retention incentive must be reduced or terminated in the following circumstances if, during the service period, an employee:
- (a) is demoted or separated for cause (i.e., unacceptable performance or conduct);
  - (b) receives a rating of record below "Fully Successful" or equivalent; or,
  - (c) otherwise fails to fulfill the terms of the service agreement.

In such cases, an employee is entitled only to that portion of the incentive payment(s) previously paid by TSA that is attributable to the completed portion of the service period. In other words, TSA is not obligated to pay the employee outstanding incentive payments attributable to the months of the service agreement that have not been completed as of the

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effective date of the event. Also, if the incentive payment has already been made in an amount that exceeds the portion attributable to the months of completed service (i.e., a lump sum payment was made at the beginning of the service period), the employee is indebted for the excess amount.

(2) There are additional conditions that may be weighed in the overall determination to reduce or terminate an incentive. However, it is recommended that the following factors be applied to a future decision to reduce or offer an incentive rather than to a decision that would reduce or terminate an incentive currently being paid to an employee. These conditions include:

- (a) If a determination is made that a lesser amount (or none at all) would be sufficient to retain the employee (or group of employees);
- (b) If labor-market factors make it more likely (or reasonably likely) to recruit a candidate with qualifications similar to those possessed by the employee (or group of employees); or,
- (c) If TSA's need for the services of the employee (or group of employees) has been reduced to a level that makes it unnecessary to continue payment at the level originally approved or to continue the payment at all.

E. Notification: Reduction or termination of a recruitment, relocation, or retention incentive must be made in writing to an employee by the OHC, Human Capital Services Division.

F. Appeal Rights: The approval, continuation, reduction, or termination of a recruitment, relocation, or retention incentive may not be appealed or grieved.

G. Budgetary Considerations: The approval, continuation, reduction, or termination of a recruitment, relocation, or retention incentive is always subject to availability of budgetary resources to fund such incentives. Funds for incentives will be sourced by the compensation and benefits that support the annual FTE allocations provided to the respective staff.

H. Internal Monitoring, Review, and Recertification:

(1) Initial and continuing payments of recruitment, relocation, and retention incentives will be reviewed and monitored by managers responsible for recommended incentives, TSA's OHC, Human Capital Services Division, and Chief Financial Officer.

(2) Monitoring and review will be conducted to ensure appropriateness and consistency in application of policies and procedures for payment, in reduction and discontinuance of incentives, and in expenditure of Federal resources.

(3) All incentives must be recertified on an annual basis.

I. Existing Agreements: An incentive payment or service agreement authorized before the effective date of this directive remains in effect under its original terms.

8. **EFFECTIVE DATE AND IMPLEMENTATION:** This directive is effective immediately upon signature.

**APPROVAL**



02/23/2006

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Assistant Administrator for Human Capital

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Date

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