

## PAY ADMINISTRATION

- 1. REASON FOR ISSUE:** To revise Department of Veterans Affairs (VA) policy regarding pay administration.
- 2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This handbook contains mandatory VA procedures on pay administration. The pages in this issuance replace the corresponding page numbers in VA Handbook 5007. Revised text is contained in brackets. These changes will be incorporated into the electronic version of VA Handbook 5007 that is maintained on the [Office of Human Resources Management Web site](#). Significant changes include:
  - a. Provides additional guidance on requesting, documenting and approving a request for an appointment above the minimum rate of the grade.
  - b. Establishes a sample template to be used when requesting an appointment above the minimum rate of the grade under 5 CFR 531.212.
  - c. Provides instructions for requesting, documenting and approving pay determinations using highest previous rate (maximum payable rate) provisions.
- 3. RESPONSIBLE OFFICE:** The Compensation and Classification Service (055), Office of the Deputy Assistant Secretary for Human Resources Management.
- 4. RELATED DIRECTIVE:** VA Directive 5007, Pay Administration.
- 5. RESCISSIONS:** None

**CERTIFIED BY:**

/s/  
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**BY DIRECTION OF THE SECRETARY  
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/s/  
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(8) The initial rate of pay for employees in hybrid occupations listed under 38 U.S.C. 7401(3) who have prior VA or other Federal civilian service may be set by the approving official at any step rate of the grade which does not exceed the highest previous rate (maximum payable rate) rule (see 5 CFR 531.221), unless a higher rate is approved under chapter 3, paragraph 3 of this part. The specific pay rate shall be based on the recommendation of the appropriate Standards Board, which is to compare the quality of service rendered during the individual's prior employment with the quality of service expected of other persons in the same grade who have attained pay rates above the minimum rate of the grade. The provisions of this subparagraph are not to be construed as precluding reappointment at a higher grade if the person is qualified.

**(9) Appointments, Reappointments and Transfers from Other Agencies of Nurses and Nurse Anesthetists Under the Locality Pay System (LPS)**

(a) **Employees Without Prior VA or Other Creditable Federal Civilian Service.** The initial rate of pay shall be the applicable minimum rate of the grade and level unless the approving official authorizes a higher step [on the basis of the individual's personal qualifications and attainments, superior qualifications, or special needs of the VA. In addition the approving official may authorize a higher step for assignment to] a head nurse [position] or [to recruit candidates with] specialized skills [in accordance with] part III, chapter 8. [The specific step rate should be based on a recommendation of the Nurse Professional Standards Board.]

(b) **Prior VA Service Under the LPS.** Former employees who served under the LPS may have their step set at any step which does not exceed their highest previous step unless the approving official authorizes a higher step as described in subparagraph (a).

(c) **Current or Prior Federal Service Which Does Not Include Service Under the LPS.** The employee may be paid at any step of the grade which does not exceed the employee's relative position in the former rate range unless the approving official authorizes a higher step as described in subparagraph (a). Current employees converted to a covered position at their request are not eligible for pay retention under part III, chapter 6, paragraph 4.

(d) **Restrictions on Making Highest Previous Step Determinations.** All highest previous step determinations are subject to the following restrictions:

1. The highest previous step must have been earned in a full-time, part-time or intermittent appointment, not limited to 90 days or less, or for a period of not less than 90 days under one or more appointments without a break in service.

2. The highest previous step may not include higher rates of pay for being a head nurse, higher rates based on specialized skills or an interim geographic adjustment approved under Executive Order 12826, dated December 31, 1992.

3. The earned step on any special rate range approved under 38 U.S.C. 7455 is to be used for the purposes of computing the highest previous step.



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(3) A pay rate approved under this paragraph may subsequently be used in applying the highest previous rate rule. The highest previous rate is not an entitlement, however, and should be judiciously used in situations where employees move to positions which might not qualify for an appointment above the minimum rate of the grade. In addition, the following restrictions apply when making highest previous rate determinations:

(a) The rate must be based on prior full-time, part-time or intermittent service under an appointment or contractual agreement (38 U.S.C. 513), not limited to 90 days or less, or for a period of not less than 90 days under one or more appointments or contractual agreements without a break in service.

(b) It is generally inappropriate to use above-minimum entrance rates and special rate ranges as the highest previous rate when an employee voluntarily moves to a position where lower rates of pay apply. This is because approval of such rates is the result of recruitment or retention problems at a particular VA health care facility and higher non-Federal pay rates in a specific labor market. See chapter 4 of this part for additional information on applying highest previous rate when setting pay.

(c) In view of subparagraph a(3)(b) above, above-minimum entrance rates or special rates may be used as the highest previous rate only with the prior approval of the facility director and if the criteria in 5 CFR 531.222 and 531.223 are met. A copy of this approval shall be filed [in the permanent folder of the e-OPF] and documented in the “Remarks” section of the Request for Personnel Action, or its electronic equivalent.

(4) A pay rate approved under this paragraph shall be used when determining an employee’s pay upon promotion to a higher grade position.

(5) When setting rates under this paragraph, consideration shall be given to the locality comparability payment authorized for the geographic area and the fact that the employee will receive the locality comparability payment in addition to the basic rate of pay selected from the General Schedule.

**b. Criteria for Pay Determinations**

(1) Pay determinations under this paragraph may be made after considering a candidate’s existing pay, recent salary history or competing job offer, higher or unique qualifications or special needs of VA. [The following factors must be documented and forwarded to the authorizing official for consideration when requesting appointment of an individual at a rate above the minimum rate of the grade:

a. Recommended grade, step and salary rate;

b. Reason for requesting an appointment above the minimum rate of the grade. This may include information on the candidate’s existing pay or recent salary history, competing job offer(s), higher or unique qualifications, or special needs of VA;

c. Methodology used to determine the recommended rate of pay if not discussed above; and

d. Information regarding competing job offers or information regarding tentative benefits package, if used to justify a higher rate of pay.

**NOTE:** *For hybrid occupations listed under 38 U.S.C. 7401(3) or occupations approved for hybrid status under the provisions of VA Handbook 5005, Part II, Chapter 3, paragraph 2, the selecting official must forward the recommendation for appointment above the minimum rate of the grade to the appropriate professional or similar standards board. The board will consider this information when making a formal recommendation regarding the candidate's qualifications, and recommended grade and step upon appointment.]*

(2) Before using this pay setting authority, approving officials should consider such things as the number of on-duty personnel in the category under consideration and their pay rates, the number of vacancies and the availability of well-qualified candidates; possible employee and/or community relations problems which may result from using this authority and alternatives to using this authority to include the use of recruitment incentives, a more comprehensive recruitment effort, job redesign, internal training, use of part-time employees, etc.

(3) This authority is intended to enhance VA's ability to meet its recruitment needs and may be used with full-time, part-time, intermittent, permanent, or temporary appointments provided its use is consistent with the criteria contained herein. It is typically used for new appointments (i.e., first appointment as an employee of the Federal Government), however it may be used for reappointments, provided the candidate had a break in service of at least 90 calendar days. A 90-day break in service is not required if the candidate's civilian service immediately preceding the appointment consisted of one or more periods of employment under a time-limited or non-permanent appointment, employment as an expert or consultant under 5 U.S.C. 3109 and 5 CFR 304, or employment under a provisional appointment under 5 CFR 316.403.

#### c. On-Duty Employees

(1) A higher step rate may be approved for on-duty employees in the situations shown below if the appropriate standards board or recommending official (if a standards board is not appropriate) has recommended a higher step rate than otherwise applicable. The recommendation may be based on higher or unique qualifications of individual or special needs of VA.

(a) On-duty employees converted to occupations listed under 38 U.S.C. 7401(3); and

(b) On-duty employees reassigned to a new position or changed to a new lower grade position under 38 U.S.C. 7401(3). For the purpose of this paragraph, a new position means a position subject to different qualification standards and in a different occupational series.

(2) On-duty employees in the same occupation as an individual newly appointed under 38 U.S.C. 7401(3) are not entitled to have their pay rate adjusted.

d. **Limitations on Pay Rates.** Approving officials shall not authorize a rate above the maximum rate of the grade. In addition, pay rates approved under this paragraph are limited by the payable rate for Level V of the Executive Schedule.

e. **Retroactive Administrative Determination.** The authority contained in this paragraph is a discretionary administrative determination, which shall not be made on a retroactive basis.

f. **Superior Qualifications Appointments.** Employees covered by this paragraph may not be considered for superior qualifications appointments under 5 U.S.C. 5333 and paragraph 4 below.

#### **4. APPOINTMENT ABOVE THE MINIMUM RATE OF THE GRADE FOR PERSONNEL SUBJECT TO CHAPTER 51**

a. Under the provisions of 5 U.S.C. 5333(a) and 5 CFR 531.212, appointment at a rate above the minimum of a General Schedule (GS) grade may be made based on the superior qualifications of a candidate or a special VA need for the candidate's services. **NOTE:** *VHA GS employees who provide direct patient care services or services incident to direct patient services are covered by paragraph 3 above, and are not covered by this paragraph.*

b. Appointments at above-minimum rates under this paragraph will be fully justified in accordance with criteria outlined in 5 CFR 531.212 and meet all legal and regulatory requirements.

c. Office of Personnel Management regulations require that consideration must be given to a recruitment incentive before approval of an above-minimum rate under this authority (5 CFR, part 575). This requirement is predicated on the fact that an appointment with an above-minimum rate will be significantly more costly because it has a lasting effect on future pay entitlements and increases retirement, life insurance, and premium pay entitlements.

d. The authority in this paragraph is to be used in individual cases of superior qualifications or special VA need. It is not to be used for occupational pay comparability or substituted for above-minimum entrance rates for an occupation or special rates for an occupation. Consideration is to be given to the effect approval may have on the morale of current employees and/or community relations.

e. Above-minimum rates are typically authorized for individuals entering Federal civilian service for the first time, however it may be used for reappointments, provided the candidate had a break in service of at least 90 calendar days. A 90-day break in service is not required if the candidate's civilian service immediately preceding the appointment consisted of one or more periods of employment under a time-limited or non-permanent appointment, employment as an expert or consultant under 5 U.S.C. 3109 and 5 CFR 304, or employment under a provisional appointment under 5 CFR 316.403. An above-minimum rate must be approved before the candidate enters on duty; retroactive adjustment is not permitted.

f. An above-minimum rate may not exceed the rate for the tenth step of the grade.

g. [A sample template for requesting an appointment above the minimum rate of the grade is contained in Appendix D. Each request to appoint an individual above the minimum rate of the grade must be made in writing and address the factors contained in the sample template. Requests will be forwarded through organizational channels to the serving HR office for technical review and concurrence prior to submission to the approving official.]

**5. APPOINTMENT ABOVE THE MINIMUM RATE OF THE GRADE FOR FEDERAL WAGE SYSTEM PERSONNEL.** Appointing officials may make a new appointment at any step rate of the appropriate grade in recognition of skills and experience of an exceptional or highly specialized nature in a particular trade or craft. Such appointments, however, may be made only when it is not possible to recruit an applicant at the minimum rate and VA has a specific need for the applicant's special



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qualifications. When an appointment above the minimum rate is made, the following statement will be placed in the "Remarks" section of the 50-B, Notification of Personnel Action: "Salary rate approved under FWS Operating Manual, section S8-3b(1)." Reasons for the determination will be recorded on the Request for Personnel Action, or its electronic equivalent.

[(4) The use of highest previous rate to set pay is discretionary and should be made on an individual case-by-case basis. Human Resources staff should calculate the maximum payable rate in each situation and notify the appropriate management/selecting official. In turn, the management/selecting official should submit in writing their recommendation on setting pay up to the maximum payable rate after considering the guidance provided in this paragraph. Requests must be forwarded through organizational channels to the servicing HR office for technical review and concurrence prior to submission to the approving official.]

h. Removal from a position for failure to satisfactorily complete the managerial/supervisory probationary period will be considered as follows:

(1) An employee who, for reasons of managerial/supervisory performance, does not satisfactorily complete the managerial/supervisory probationary period will be placed, except as provided in subparagraph (2) below, in a position of no lower grade and pay than the one the employee left to accept the managerial/supervisory position.

(2) A non-supervisory or non-managerial employee who is demoted into a position in which a probationary period is required, and who, for reasons of managerial/supervisory performance, does not complete the probationary period is entitled to be placed in a position at the same grade and pay as the position in which he or she was serving during the probationary period.

i. When an employee is demoted at his or her request, with the prospect of re-promotion back to the former grade as soon as possible under merit promotion rules, the appointing official will select a rate in the lower grade which upon promotion back will place the employee in a rate of the higher grade which he or she would have attained if he or she had remained at that grade. **NOTE:** *If the employee is eligible for pay retention as a result of the personnel action, the change to a lower grade is not considered to be at the employee's request.*

### **3. HIGHEST PREVIOUS RATE FOR FEDERAL WAGE SYSTEM (FWS) EMPLOYEES**

a. A rate above the minimum rate of the grade using the principle of highest previous rate will only be approved where the record indicates that the experience in the previous position, on which the higher rate is proposed to be based, was of such quality and duration that the individual's qualifications for the position in which being placed have been appreciably enhanced. The employee's tenure in the position on which the rate is based must also have been sufficient to demonstrate ability to perform satisfactorily in that grade. Thus, except as provided in part III, chapter 3, paragraph 3, on changes to lower grade or chapter 4, paragraph 3b on reassignments, an employee is to have at least 1 year of continuous service at a particular grade to have the service considered when computing the highest previous rate.

b. The rate selected shall represent equity to the employee and VA, and afford reasonable internal alignment with rates received by similar employees at the facility.



**APPENDIX D.**

**AUTHORIZING INDIVIDUAL APPOINTMENTS ABOVE MINIMUM RATE OF GRADE UNDER 5 U.S.C. 5333 AND PART II, CHAPTER 3, PARAGRAPH 4 OF THIS HANDBOOK**

1. Requests for approval of an appointment above the minimum rate under this authority must meet all of the requirements of [part II, chapter 3] and must also satisfy the provisions of 5 CFR 531.212.
2. Requests for centralized positions will be forwarded through organizational channels and the Office of Human Resources Management (OHRM) (055) for technical review and concurrence prior to submission to the approving official.
3. For Central Office positions, requests for approval will be submitted through organizational channels to the Central Office Human Resources Service (05HRS) for technical review and concurrence prior to submission to the approving official. [For positions in the field, requests should be submitted by the appropriate recommending or selecting official to the facility Human Resources Office for technical review and concurrence prior to submission to the approving official. In the field, the facility Director or his/her designee is the approving official.]
4. Justifications for all appointments above the minimum rate of the grade will [be documented using the sample template contained in this appendix.]
5. The facility HRMO or the Director, Central Office Human Resources Service (05HRS), as appropriate, shall maintain a case file for each action which will contain the information required in [the sample template contained in this appendix] and a copy of the local or Central Office approval. Files will be retained for two years.
6. A copy of the approval shall be filed [in the permanent folder of the employee's e-OPF].



**SECTION C – Factors Demonstrating a Candidate Possesses Superior Qualifications**

- 1. Describe the level, type and/or quality of the candidate’s skills or competencies demonstrated or obtained through experience and/or education that distinguish the candidate as possessing superior qualifications.**
  
- 2. Describe the quality of the candidate’s experience, skills, competencies, education and/or accomplishments compared to other candidates.**
  
- 3. Describe the candidate’s experience, skills, competencies, education and/or accomplishments relevant to the requirements of the position to be filled. Describe how these skills, competencies, experience and or accomplishments are significantly higher or more specialized than what is minimally required.**
  
- 4. Describe the candidate’s existing salary, recent salary history or salary documented in a competing job offer.**
  
- 5. Discuss significant disparities between Federal and non-Federal salaries for the skills and competencies required for the position to be filled.**
  
- 6. Describe existing labor market conditions and employment trends, including the availability and quality of candidates for the same or similar position(s).**
  
- 7. Describe the success of recent efforts to recruit high quality candidates for the same or similar position(s).**
  
- 8. Describe recent turnover in the same or similar position(s).**

**SECTION C – Factors Demonstrating a Candidate Possesses Superior Qualifications - Continued**

- 9. Describe the importance/criticality of the position to be filled and the effect on the organization if the position is not filled or if there is a delay in filling the position.**
  
- 10. Describe any other factors that affect filling the position with a high quality candidates (i.e. desirability of the geographic location, duties and/or work environment, etc).**
  
- 11. Discuss the consideration given to authorizing a recruitment incentive in lieu of recommending an appointment above the minimum rate of the grade.**

**SECTION D – Factors Demonstrating a Candidate Fills a Special Need**

- 1. Describe the special or unique need of the organization; include special or unique competencies that are required for the position.**
  
- 2. Describe the candidate’s type, level or quality of skills and competencies, or qualities and experiences that are relevant to the requirements of the position to be filled.**
  
- 3. Describe how the candidate’s experience, skills or competencies are essential to accomplishing an important mission, goal or program activity.**
  
- 4. If applicable, describe how the candidate meets workforce needs as documented in the Department or Facility strategic human capital plan.**
  
- 5. Describe the candidate’s existing salary, recent salary history or salary documented in a competing job offer.**
  
- 6. Discuss significant disparities between Federal and non-Federal salaries for the skills and competencies required for the position to be filled.**

**SECTION D – Factors Demonstrating a Candidate Fills a Special Need - Continued**

- 7. Describe existing labor market conditions and employment trends, including the availability and quality of candidates for the same or similar position(s).**
  
- 8. Describe the success of recent efforts to recruit high quality candidates for the same or similar position(s).**
  
- 9. Describe recent turnover in the same or similar position(s).**
  
- 10. Describe the importance/criticality of the position to be filled and the effect on the organization if the position is not filled or if there is a delay in filling the position.**
  
- 11. Describe any other factors that affect filling the position with a high quality candidates (i.e. desirability of the geographic location, duties and/or work environment, etc).**
  
- 12. Discuss the consideration given to authorizing a recruitment incentive in lieu of recommending an appointment above the minimum rate of the grade.]**