



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

The Director

FEB 3 2010

**MEMORANDUM FOR CHIEF HUMAN CAPITAL OFFICERS**

**FROM: JOHN BERRY  
DIRECTOR**

A handwritten signature in black ink, appearing to read "John Berry", written over the printed name and title.

**Subject: Plan to Improve the Administration and Oversight of  
Recruitment, Relocation, and Retention Incentives**

Last year, I informed you about a U.S. Office of Personnel Management (OPM) project to review and improve the administration and oversight of recruitment, relocation, and retention incentive (3Rs). For nearly two decades the 3Rs have proven to be valuable compensation tools. Over the last several months, we have learned much more about the 3Rs program. Notably, agencies continue to find the 3Rs essential to meeting their most serious staffing challenges and report they would have difficulties accomplishing their missions or may need to resort to more expensive solutions if they were not available for use. However, we have also learned that there are a number of areas in which the 3Rs program needs urgent attention. This memorandum outlines OPM's plan to work with agencies to address those areas and improve the administration and oversight of the 3Rs.

**Background**

In my May 27, 2009, memorandum, I asked you to review your 3Rs programs to ensure that ongoing and new authorizations for payments to employees are used only when necessary to support your mission and program needs and are consistent with the criteria in law and OPM's regulations. In my July 10, 2009, memorandum, I asked each agency to review and, if needed, update its 3Rs plans, as well as approval and internal monitoring procedures to ensure they meet the requirements in 5 CFR part 575, subparts A, B, and C. I also asked you to certify in writing within 45 days that you have completed these actions. Thank you for completing your certifications.

I also requested the establishment of an interagency work group to develop recommendations for improving the administration and oversight of the 3Rs authorities with a special emphasis on developing approaches for measuring the cost-benefit of the 3Rs program to the Government. I specifically asked the work group to consider the impact of scaled-back funding for the 3Rs. In August 2009, OPM convened a work group of compensation experts from the 12 Federal agencies that used the greatest number of 3Rs in 2007: Departments of Agriculture, Commerce, Defense, Energy, Health and Human Services, Homeland Security, the Interior, Justice, State, the Treasury, and Veterans Affairs, and the National Aeronautics and Space Administration.

## **Plan for Improving the 3Rs**

I'm pleased to report that the work group has made its recommendations and OPM will work with agencies to improve the administration and oversight of the 3Rs authorities as follows:

- OPM will develop additional guidance and tools to help agencies write stronger justifications for 3Rs authorizations, improved 3Rs plans, and more explicit agency internal monitoring procedures, with greater emphasis on the consideration of the costs and benefits of the 3Rs; and
- OPM will issue proposed regulations to require agencies to review all retention incentives and group recruitment incentives at least annually to determine whether they should be revised or discontinued.

Even with these recommendations for improvement, I remain concerned about the continued growth in 3Rs payments given recent labor market conditions. The 3Rs report to Congress for calendar year 2008 shows that 47 agencies paid 39,512 3Rs payments worth more than \$284 million. Between 2007 and 2008, the total number of incentives paid increased by more than 21 percent and the total incentive cost increased by more than 37 percent.

Over the course of the work group meetings, OPM learned that most agencies delegate the administration of their 3Rs programs to subordinate organizations and to the field. This is understandable, since the supervisors and managers in such subordinate organizations are the most knowledgeable about local staffing problems and the supply and demand for particular occupations. It appears the problem for many agencies is that there is neither detailed knowledge nor adequate overview at the headquarters level of 3Rs use in the subordinate organizations and field. Aside from periodic audits of sample populations, OPM is concerned that many agencies rely on their reporting for OPM's annual 3Rs report to Congress to summarize and understand the nature and trends of 3Rs use, but this data reflects practices in the previous calendar year. We need to have a more contemporaneous and active management of the 3Rs program.

OPM plans to review the 3Rs data for agencies that used the greatest number of 3Rs that they submit to OPM's Central Personnel Data File and Enterprise Human Resources Integration (EHRI) systems on a periodic basis. OPM will share this data with agencies and ask agencies to validate or certify the data accuracy. Once the 3Rs data is validated, OPM and agencies will be better able to track 3Rs trends on an on-going basis and, if necessary, investigate any 3Rs data anomaly and take corrective actions immediately.

**Additional Information**

If you have questions or need additional information, agency headquarters-level human resources officials may contact Jerome D. Mikowicz by email at [pay-performance-policy@opm.gov](mailto:pay-performance-policy@opm.gov) or by phone at (202) 606-2858. Employees should contact their agency's human resources offices for assistance.

cc: Human Resources Directors