

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT Washington, DC 20415

July 9, 2007 CPM 2007-05

MEMORANDUM FOR CHIEF HUMAN CAPITAL OFFICERS

FROM: Linda M. Springer,

Director

SUBJECT: 2007 Annual Review of Special Rates

This memorandum announces the 2007 annual review of special rates authorized under 5 U.S.C. 5305 and 5 CFR part 530, subpart C. The U.S. Office of Personnel Management (OPM) authorizes special rates for specific occupations, grades, and locations to alleviate existing or likely significant recruitment or retention problems. Under 5 CFR 530.307(a), OPM may, at any time, conduct general or targeted reviews of established special rates to determine whether they should be increased, decreased, or discontinued based on staffing considerations. By this memorandum, OPM is requesting that agencies conduct a general review of special rates for the purpose of determining the special rate adjustments that should be made in January 2008 in conjunction with the General Schedule (GS) annual pay adjustment.

OPM Review and Adjustment of Special Rates

Under 5 CFR 530.304(c), a special rate generally is computed by adding a special rate supplement (i.e., a fixed dollar amount or fixed percentage amount) to the underlying GS rate. At the time of a GS annual pay adjustment, special rate employees will receive the same adjustment in their underlying GS rate (or LEO special base rate) as other GS employees. However, OPM must make a separate determination as to whether to adjust (increase or decrease) or discontinue a special rate supplement, taking into account the circumstances and factors that led to establishing the special rate schedule. Based on the adjustment of a special rate supplement, the corresponding special rate (i.e., underlying GS rate plus supplement) may be increased, reduced, or discontinued.

We are using an exception-based approach for the annual review. Under this approach, agencies must submit information to OPM only if they are requesting a special rate adjustment greater than or less than the January 2008 GS annual pay adjustment under 5 U.S.C. 5303 or similar provision of law. OPM will review such agency submissions and make determinations regarding the appropriate adjustment in the affected special rate schedules. All other special rate schedules will be adjusted by the same percentage as the January 2008 GS pay adjustment.

Attachment 1 provides detailed instructions for requesting an adjustment in a special rate supplement that is greater than or less than the January 2008 GS annual pay adjustment and other information about the exception-based approach. Attachment 2 provides an index of the current special rate schedules by agency. Agencies must submit requests to OPM to adjust (increase or decrease) or discontinue a special rate supplement by October 12, 2007.

Terminated Special Rates

Under 5 U.S.C. 5305(h) and 5 CFR 530.303(d), an employee's entitlement to a special rate is eliminated if the employee is entitled to a higher rate of basic pay, such as a locality rate under 5 U.S.C. 5304. As a result of the January 2008 GS annual pay adjustment, some special rate schedules may be terminated because higher locality rates apply at all steps of each covered grade, or certain grades or steps of a special rate schedule may be discontinued because higher locality rates apply. Some special rates also may be terminated because the applicable locality rate is equal to the special rate. The termination of special rates will not result in a loss in pay for any covered employees because all affected employees will receive an equal or higher locality rate to which they are otherwise entitled. OPM will notify agencies of any terminated special rates when we announce the results of the 2007 annual review of special rates.

Discontinued or Decreased Special Rates

If a special rate schedule (or grade of a schedule) applicable to a position is discontinued or decreased by OPM, and the employee holding the position is placed in a non-special rate position or a lower-paid special rate position, the employee may be entitled to pay retention under 5 CFR 536.301(a)(8). Agencies must follow the rules in 5 CFR 536.304 to determine the employee's pay retention entitlement. (See also the *Grade and Pay Retention Examples* at http://www.opm.gov/oca/pay/HTML/Grade_PayRetention_EX.asp.)

We ask agency headquarters to bring any problems encountered in implementing the annual review process to our attention as they arise. You may contact the Center for Pay and Leave Administration by telephone at (202) 606-2858, by fax at (202) 606-0824, or by email at performance-policy@opm.gov.

cc: Human Resources Directors

Attachments

2007 ANNUAL REVIEW INSTRUCTIONS

1. General

The U.S. Office of Personnel Management (OPM) is conducting the 2007 review of special rates authorized by 5 U.S.C. 5305 and 5 CFR part 530, subpart C. OPM authorizes special rates for specific occupations, grades, and locations to alleviate existing or likely recruitment or retention problems. The special rate schedules applicable to your agency are listed in the index in Attachment 2. Please note that the six schedules for information technology (IT) employees, tables 999A-999F, are listed in the third row of the index and are applicable to all agencies employing General Schedule (GS) employees even though they are not shown in the individual agency listings.

2. Deadline

Agencies must submit all annual review materials to OPM by **October 12, 2007,** unless an extension is approved by OPM. Please send your materials to the Center for Pay and Leave Administration by email at <u>pay-performance-policy@opm.gov</u>, by fax at (202) 606-0824 or by mail to the following address:

Office of Personnel Management Division for Strategic Human Resources Policy Center for Pay and Leave Administration Attn: Special Rates Annual Review Team 1900 E Street, NW., Room 7H31 Washington, DC 20415-8200

3. Agency Reviews

In conducting the annual review of special rates, OPM relies on the reviews conducted by agencies employing special rate employees. In conducting their reviews, agencies must consider the circumstances and factors consistent with OPM's regulations at 5 CFR 530.304 and 530.306.

4. Adjustments Equal to the GS Adjustment

Agencies do not need to submit any documentation to request adjustments in special rate schedules equal to the GS annual pay adjustment in January 2008. As permitted by 5 CFR 530.307, special rate schedules will automatically be adjusted in January 2008 by the GS annual pay adjustment without any agency action, unless OPM specifically approves an alternative adjustment. This means that fixed-dollar special rate supplements will be adjusted by approximately the same percentage as the January 2008 GS annual pay adjustment, while fixed-percentage supplements will remain at the same percentage amount.

5. Adjustments Greater Than the GS Adjustment

Agencies requesting special rate adjustments that are **greater** than the January 2008 GS annual pay adjustment must submit additional data in accordance with OPM regulations and the instructions on OPM Form 1397. (See CFR 530.304 and 530.306.) Staffing data should cover the period from May 28, 2006, through May 26, 2007, if possible. (A copy of OPM Form 1397 is available at opm.gov/oca/compmemo/2000/ssrpage.asp.)

All requests for special rate adjustments greater than the January 2008 GS annual pay adjustment must address the existing or likely significant recruitment or retention problem justifying the proposed increase. Requests for special rate increases to keep up with GS locality pay increases or to maintain an advantage over GS locality rates without evidence of an existing or likely significant recruitment or retention problem will not be considered.

When determining whether to request a special rate adjustment greater than the January 2008 GS annual pay adjustment, agencies also should consider the use of other human resources flexibilities to address targeted, short-term recruitment and retention problems. These flexibilities include recruitment, relocation and retention incentives; the superior qualifications and special needs pay-setting authority; and the student loan repayment program. For example, recruitment, relocation, and retention incentives are appropriate for short-term staffing problems and do not confer the same ongoing impact on agency salary outlays associated with a special rate increase. Information on these flexibilities is available at opm.gov/oca/pay/HTML/factindx.asp.

6. Adjustments Less Than the GS Adjustment

Agencies requesting special rate adjustments that are **less than** the January 2008 GS annual pay adjustment must submit a written justification and any applicable supporting data in accordance with OPM regulations and the instructions on OPM Form 1397. Such a request may be appropriate if you have determined that special rates are no longer necessary to prevent a serious staffing problem and you wish to phase out special rates by freezing or reducing the special rate supplement. (See also "Requests for Reduction or Termination of Special Rate Schedules.")

7. Requests for Reduction or Termination of Special Rate Schedules

Agencies may request to reduce or terminate special rate schedules or grades of a schedule as part of the annual review process. These types of requests trigger the pay retention provisions of 5 U.S.C. 5363 for eligible employees. Therefore, OPM advises agencies to consider phasing out special rates that are no longer necessary by freezing or reducing special rate supplements without reducing the corresponding special rate. (A special rate supplement may be reduced without triggering pay retention as along as the employee's underlying base rate is increased simultaneously by a sufficient amount to prevent the employee's special rate from being reduced. In other words, if the increase in the underlying base rate exceeds the reduction in the special rate supplement, the employee will still have a net increase in his or her special rate.)

Termination of a special rate schedule may be appropriate if there are no longer any employees covered by that schedule. In this case, the affected agency or agencies should provide OPM Form 1397 indicating the termination of the schedule and that there are no covered employees.

8. Certification

The head of each agency must document and certify his or her recommendation for any special rate adjustment not equal to the January 2008 GS annual pay adjustment or to terminate a special rate schedule and submit such certification to OPM on OPM Form 1397. A headquarters official designated to act on behalf of the head of the agency may sign the certification.

If there are substantial differences among agency recommendations for a particular special rate schedule, OPM will designate a lead agency (usually the agency with the largest number of covered employees). OPM generally will be the lead agency for worldwide/nationwide schedules. The lead agency will be responsible for obtaining a consensus from the major agencies involved and submitting a final recommendation for that schedule. We expect each agency covered by a schedule to cooperate with the designated lead agency in attempting to reach a consensus.

9. New Requests Not Part of the Annual Review

Agencies should indicate how requests to establish a new special rate schedule submitted between now and December 31, 2007, relate to the anticipated January 2008 GS annual pay adjustment.

10. Effective Date

Adjustments in special rate schedules resulting from this year's annual review will take effect on the same date as the 2008 general GS adjustment—i.e., the first day of the first applicable pay period beginning on or after January 1, 2008. If there is no general GS adjustment in 2008, the amount of the special rate adjustment will be zero, unless an adjustment greater than the GS adjustment is requested and approved. Any such adjustment will take effect on the first day of the first applicable pay period beginning on or after January 1, 2008. However, OPM may authorize new schedules and changes in existing special rate schedules at any time during the year if all the required criteria for establishing or adjusting special rates are met. (Note: Incomplete requests for special rate supplement increases that are greater than the January 2008 GS annual pay adjustment may delay OPM review and approval beyond the first day of the applicable first pay period beginning on or after January 1, 2008.)

11. For More Information

For more information on the 2007 annual review of special rates, contact the Center for Pay and Leave Administration by telephone at (202) 606-2858, by fax at (202) 606-0824, or by email at pay-performance-policy@opm.gov. Agencies contemplating a request for an adjustment greater than or less than the January 2008 GS annual pay adjustment or a

reduction or termination of a special rate schedule should contact OPM's Center for Pay and Leave Administration for additional information and instructions.

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AM	00	AGENCY FOR INTERNATIONAL DEVELOPMENT	0029 0499 0524
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RH	01	ARMED FORCES RETIREMENT HOME-GULFPORT	0290
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IB	00	BROADCASTING BOARD OF GOVERNORS	0012 0029 0070 0414 0422
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DD		DEPARTMENT OF DEFENSE (EXCL MIL DEPTS)	0012 0023 0029 0032 0057 0065 0070 0071 0072 0137 0150 0151 0152 0156 0174 0198 0223 0282 0302 0304 0305 0402 0414 0422 0428 0484 0567 0589
ED		DEPARTMENT OF EDUCATION	0012 0023 0029 0057 0070
DN	00	DEPARTMENT OF ENERGY	0012 0023 0029 0032 0137 0173 0290 0304 0305 0329 0349 0414 0415 0422 0499 0504 0400 04
HE		DEPARTMENT OF HEALTH AND HUMAN SERVICES	0012 0023 0029 0032 0039 0057 0070 0071 0112 0138 0168 0187 0269 0270 0271 0275 0290 0304 0305 0323 0329 0414 0417 0422 0474 0499 0524 983D
HS	00	DEPARTMENT OF HOMELAND SECURITY	0012 0023 0029 0057 0070 0071 0112 0140 0159 0187 0224 0290 0304 0305 0316 0329 0334 0348 0365 0366 0414 0422 0499 980A 980B 980C 980D 980E 980F 983A 983B 983C 983D 983E 983F
DJ		DEPARTMENT OF JUSTICE	0012 0013 0023 0029 0032 0057 0070 0071 0112 0124 0152 0187 0190 0214 0224 0230 0282 0286 0287 0288 0289 0290 0292 0293 0294 0296 0299 0300 0301 0304 0316 0357 0365 0366 0379 0384 0385 0410 0414 0422 0438 0440 0453 0464 0492 0495 0496 0497 0498 0502 0506 0510 0511 0518 0519 0527 0532 0539 0540 0541 0574 983A 983D 983E
DL		DEPARTMENT OF LABOR	0012 0023 0029 0032 0057 0070 0071 0112 0137 0159 0304 0305 0414 0417 0422 0499
ST	00	DEPARTMENT OF STATE	0012 0023 0029 0057 0070 0223 0290 0302 0304 0414 0422
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			0071 0072 0133 0150 0151 0153 0156 0181 0182 0188 0195 0200 0204 0206 0214 0218 0223 0224 0225 0230 0233 0238 0250 0252
			0258 0259 0260 0280 0282 0290 0302 0303 0304 0305 0314 0316
			0318 0319 0323 0328 0329 0334 0336 0337 0338 0339 0350 0354 0357 0360 0397 0399 0405 0409 0414 0415 0420 0422 0424 0425
			0428 0430 0431 0433 0435 0440 0454 0456 0465 0469 0470 0476 0477 0481 0484 0486 0490 0499 0501 0514 0522 0524 0528 0556
			0563 0565 0566 0568 0575 0577 983P 983Q 983R 983S 983T 983U
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			0072 0105 0115 0137 0139 0140 0150 0151 0156 0174 0182 0198 0208 0223 0224 0227 0230 0235 0238 0252 0276 0282 0290 0302
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EC	00	OFFICE OF ADMINISTRATION	0029
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TN	00	OFFICE OF THE U.S. TRADE REPRESENTATIVE	0029
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SM		SMITHSONIAN INSTITUTION	0012 0023 0029 0070 0223 0302 0304 0305 0414 0422 0499 0589
SZ	00	SOCIAL SECURITY ADMINISTRATION	0023 0029 0032 0039 0057 0070 0071 0072 0112 0138 0187 0304 0305 0323 0414 0422 04999 0499 0499 0
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