



## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

Tuesday, February 20, 2001  
CPM 2001-3

### MEMORANDUM FOR: Human Resources Directors

**FROM:** Henry Romero, Associate Director for Workforce Compensation and Performance

**Subject:** Calculating Rates of Basic Pay for Certain GM Employees Who Receive Special Salary Rates

Agency human resources officials have called our attention to a problem involving the calculation of the underlying rates of basic pay (and the corresponding locality rates of pay) for a small number of GM employees. The only employees potentially affected by this problem are employees at grades GM-13, 14, and 15 who are covered by special rate table 0558 (Air Force Reserves and Air National Guard pilots) and employees at grade GM-13 who are covered by special rate tables 999B-F (information technology workers). This memorandum provides guidance on how to calculate pay rates correctly for this small group of employees.

#### Background

GM employees are employed only at grades 13 through 15 of the General Schedule (GS). They were covered by the Performance Management and Recognition System when it was terminated in 1993, and they remain covered by the GM pay plan code. (See 5 CFR 531.202 and 531.203(g).) As GM employees, their rate of basic pay does not have to be set at one of the fixed step rates for their grade, but may be set at any dollar rate. The Office of Personnel Management's (OPM's) regulations provide detailed rules for applying the annual across-the-board GS pay increase to GM rates. (See 5 CFR 531.205(a)(2).) These rules are designed to ensure that the employee's new GM rate retains the same relative position in the rate range as the old GM rate.

GM employees may be covered by special salary rates. When a special rate schedule is established or increased, GM employees' new special rates are calculated under the same rules used to apply the annual across-the-board GS pay increase. (See 5 CFR 531.306(a)(3), which requires use of the rules in 5 CFR 531.205(a)(2).)

Under the traditional approach for designing special rate schedules, a fixed dollar amount is added to each GS step rate of the grade for which special rates are established. Thus, the special rate schedule is built using the same within-grade increase dollar amounts as the regular General Schedule. In contrast, the special rate schedules cited above were constructed by increasing each GS step rate by a fixed percentage (parallel to the way locality payments are calculated). This means that the within-grade increases in these special rate schedules are larger than the regular GS within-grade increases for the corresponding GS grade. As a result, the rate range for each

grade under these special rate schedules is larger (in dollar terms) than the rate range for the corresponding GS grade.

### **The Problem**

For GM employees who are receiving special rates, the GM rate of basic pay is used only for limited purposes, such as calculating locality payments and applying the maximum payable rate rule. For locality pay and law enforcement officer (LEO) geographic adjustment purposes, the rate of basic pay used to calculate locality and LEO geographic payments is referred to as a "scheduled annual rate of pay." (See 5 CFR 531.602 and 531.301.) OPM regulations provide that the scheduled annual rate of pay for GM employees is calculated by (1) finding the difference between the employee's GM special rate and the step 1 special rate for the applicable grade and (2) adding that difference to the step 1 GS rate for the applicable grade.

In most cases, this rule works perfectly well as a shortcut method for determining an employee's new GM rate of basic pay without having to follow the more detailed method prescribed in 5 CFR 531.205(a)(2). This shortcut, however, was designed specifically for special rate schedules constructed by using the traditional fixed-dollar within-grade increase approach. The shortcut method therefore does **not** provide the correct GM rate of basic pay when the employee is covered by a special rate schedule for which the special rates were set by increasing the GS rates by a fixed percentage amount at each grade. If your payroll system relied on this shortcut method for GM employees under tables 0558 and 999B-F, it will have generated an incorrect GM rate of basic pay and incorrect locality or LEO geographic payments. These incorrect rates will be higher than the correct rates. In the case of a GM employee at step 10, for example, the incorrect rates would exceed the maximum GS and locality rates.

### **How to Correct the Problem**

Rates constructed by using the shortcut method must be corrected. We encourage agencies to make appropriate use of their waiver authority under 5 U.S.C. 5584 in dealing with any overpayments resulting from use of the shortcut method.

Agencies must calculate the correct GM rate of basic pay for affected employees by using the more detailed method in 5 CFR 531.205(a)(2). For example, in the case of any GM-13 employee covered by the information technology special rates (tables 999B-F), follow the following steps to apply the detailed method and compute the correct GM unadjusted rate of basic pay in effect at the beginning of the first pay period in January 2001:

1. Derive the relative-position factor (using steps A-C of the formula in 5 CFR 531.205(a)(2), considering only unadjusted rates of basic pay).
2. Multiply that factor by the difference between the GS-13, step 10, and the GS-13, step 1, unadjusted GS rates for 2001.
3. Add the result to the unadjusted GS step 1 rate to derive the correct GM unadjusted rate of basic pay. That rate will have the same relative position in the rate range as the employee's GM unadjusted rate of basic pay before the special rate increase.

We issued an example of a pay calculation for a GM-13 employee covered by table 999C in an attachment to our December 26, 2000, memorandum for agency human resources directors about the January 2001 pay adjustments (CPM 2000-19). Example 8b followed the shortcut rule and

was incorrect. We have attached a corrected example 8b to this memorandum, along with a copy of the original example 8a.

We sincerely apologize for any confusion caused by our failure to identify this problem sooner. Please let us know if we can provide any assistance to you in calculating the appropriate rate of pay for any affected employee. You may contact our Pay and Leave Administration Division by calling (202) 606-2858 or by email at [payleave@opm.gov](mailto:payleave@opm.gov).

## Attachment

**Examples of GM 2001 Pay Computations Who Receive Special Salary Rates****8a. GM employee at grade GS-13 on the IT special rate schedule****IT Special Rate Conversion**

Basic Rate for GS-334-13, step 00 (not on step):\$71,000 (December 2000)

Location: Washington-Baltimore, DC-MD-VA-WV

IT Special Rate: Table 999C

2000 Locality Rate: \$77,426 (\$71,000 x 1.0905)

Reference: 5 CFR 530.306(a)(3) and 531.205(a)(2)

Step 2: Subtract the GS-13, step 1, rate from the GS-13, step 10, rate. (Use the 2000 GS basic schedule).

2000 GS basic rate	\$72,586	(GS-13, step 10)
2000 GS basic rate	\$55,837	(GS-13, step 1)
Difference	<b>\$16,749</b>	(\$72,586 - \$55,837)

Step 3: Divide the results of step 1 by the results of step 2. Carry the result to the seventh decimal place and truncate.

$$\$15,163 \div \$16,749 = 0.9053077$$

Step 4: Subtract the GS-13, step 1, rate from the GS-13, step 10, rate. (Use the 2001 IT special salary rate table, 999C).

2001 IT special rate	\$78,281	(GS-13, step 10, Table 999C)
2001 IT special rate Difference	\$60,212	(GS-13, step 1, Table 999C)
	\$18,069	(\$78,281 - \$60,212)

Step 5: Multiply the results in step 3 by the results in step 4.

$$0.9053077 \times \$18,069 = \$16,358.00483$$

Step 6: Add the results of step 5 to the GS-13, step 1, IT special rate from Table 999C and round to the next whole dollar.

$$\$16,358.00483 + \$60,212 = \$76,571$$

The employees GM IT special rate in 2001 is **\$76,571**.

**8b. GM employee at grade GS-13 on the IT special rate schedule**  
**Locality Rate Determination**

Basic Rate for GS-334-13: \$71,000 (December 2000)[between steps 9 and 10]  
 Location: Washington-Baltimore, DC-MD-VA-WV  
 IT Special Salary Rate: Table 999C

Step 1: Subtract the GS-13, step 1, GS basic rate in 2000 from the employees rate of basic pay in 2000. (Use the 2000 GS basic schedule.)

2000 GM basic rate	\$71,000	(\$71,000 - \$55,837)
2000 GS-13 basic rate	\$55,837	
Difference	\$15,163	

Step 2: Subtract the GS-13, step 1, GS basic rate in 2000 from the GS-13, step 10, GS basic rate in 2000. (Use the 2000 GS basic schedule.)

2000 GS-13 basic rate	\$72,586	(GS-13, step 10)
2000 GS-13 basic rate	\$55,837	(GS-13, step 1)
Difference	\$16,749	(\$72,586 - \$55,837)

Step 3: Divide the result of step 1 by the result of step 2. Carry the result to the seventh decimal place and truncate.

$$\$15,163 / \$16,749 = .9053077$$

Step 4: Subtract the GS-13, step 1, rate in 2001 from the GS-13, step 10, rate in 2001. (Use the 2001 GS basic schedule.)

2000 GS-13 basic rate	\$74,553	(GS-13, step 10)
2000 GS-13 basic rate	\$57,345	(GS-13, step 1)
Difference	<b>\$17,208</b>	(\$74,553 - \$57,345)

Step 5: Multiply the results of step 3 by the results of step 4.

$$.9053077 \times \$17,208 = \$15,578.5349$$

Step 6: Add the results of step 5 to the GS-13, step 1, GS basic rate in 2001 and round to the next whole dollar

$\$15,578.5349 + \$57,345 = \$72,924$  [Note that \$72,924 exceeds the employees former GM basic rate of \$71,000 by approximately 2.7%, which was the amount of the GS across-the-board increase in January 2001.]

Step 7: Multiply the results of step 6 by the DC locality rate in 2001.

2001 GM basic rate	\$72,924	(2001 GM basic rate, determined in step 6)
2001 GM locality rate	\$80,384	

The employees locality pay rate in 2001 is **\$80,384**. The employees IT special rate (\$76,571) is the underlying rate of basic pay used for some pay administration purposes. (IT special rate table 999C provides a 5 percent special rate supplement at grade 13. Note that the employees IT special rate of \$76,571 is approximately 5 percent above the GM basic rate of \$72,924.)