



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

Monday, December 27, 2010
CPM 2010-22

MEMORANDUM FOR: Heads Of Executive Departments And Agencies

FROM: John Berry Director

Subject: Fiscal Year 2011 Prevailing Rate Pay Adjustments

Section 147 of the Continuing Appropriations Act, 2011 (Pub. L. 111-242), as amended by section 1(a) of the Continuing Appropriations and Surface Transportation Extensions Act, 2011 (Pub. L. 111-322, December 22, 2010) (the FY 2011 Act), provides that notwithstanding any other provision of law, no statutory pay adjustment which (but for this subsection) would otherwise take effect during the period beginning on January 1, 2011, and ending on December 31, 2012, will be made. Under this section, no statutory pay adjustment will be made under section 5343(a) of title 5, United States Code, or similar authority.

The Consolidated Appropriations Act, 2010 (Public Law 111-117, December 16, 2009) (the FY 2010 Act), contained two provisions that continue to affect the determination of pay adjustments for certain prevailing rate (wage) employees in FY 2011. The FY 2011 Act extends into FY 2011 the pay limitation provision of section 710 of the FY 2010 Act and the floor pay adjustment provision under section 744.

This means that, as extended, section 710 provides that pay increases for certain prevailing rate employees in FY 2011 may not exceed 0 percent—the sum of the January 2011 General Schedule (GS) across-the-board percentage adjustment and the difference between the overall average percentage locality payments for GS employees in FY 2010 and FY 2011. Section 744 provides that, notwithstanding section 710, pay adjustments for certain prevailing rate employees in FY 2011 may not be less than the January 2011 pay adjustments received by GS employees where they work. Since GS employees are not entitled to an increase in pay in January 2011, the adjustment under section 744 is equal to 0 percent. Section 710 applies to wage employees covered by 5 U.S.C. 5342(a)(2) or 5348. Section 744 applies to wage employees covered by 5 U.S.C. 5344 or 5348. Sections 710 and 744 do not apply to wage employees who negotiate their pay under section 9(b) of Public Law 92-392.

In previous years, lead agencies have established wage rates for affected prevailing rate employees for FY 2011 by determining the maximum rates applicable under the pay limitation provisions of section 710, determining the minimum pay increase applicable under section 744, and then applying the **higher** of the rates to affected prevailing rate wage schedules. In some wage areas, wage schedule adjustments under the minimum increase provisions of section 744 have been higher than under the maximum increase provisions of section 710. In addition, as a

result of section 744, certain prevailing rate wage areas will continue to have more than one wage schedule in effect during FY 2011.

The FY 2011 Act establishes a narrow exception allowing locality pay increases for certain employees in nonforeign areas (including Alaska and Hawaii) covered by the Non-Foreign Area Retirement Equity Assurance Act of 2009 (NAREAA), under which employees receive locality pay increases to offset reductions in cost-of-living allowances. Prevailing rate employees at duty stations in the nonforeign areas are covered by the pay freeze and are not eligible to receive locality adjustments that apply to those employees who are covered by the NAREAA.

Changes in Minimum Wage Levels

Any adjustment of a wage schedule rate for prevailing rate employees otherwise required by OPM regulations pursuant to a change in an applicable State or local minimum wage rate is prohibited by the FY 2011 Act.

Obtaining Wage Schedules

Prevailing rate wage schedules will continue to be distributed by lead agencies through normal agency distribution channels. In addition, Federal Wage System wage schedules are accessible via the Internet through the Wage and Salary Division of the Department of Defense Civilian Personnel Management Service (Internet address cpms.osd.mil/wage).

For further information, please contact OPM's Pay Systems, Pay and Leave, at (202) 606-2838 or by email at pay-performance-policy@opm.gov.

cc: Chief Human Capital Officers
Human Resources Directors