



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

Monday, January 27, 2014
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MEMORANDUM FOR: Heads Of Executive Departments And Agencies

FROM: Katherine Archuleta
Director

Subject: Fiscal Year 2014 Prevailing Rate Pay Adjustments

The Consolidated Appropriations Act, 2014, contains provisions affecting the determination of pay adjustments for certain prevailing rate (wage) employees in fiscal year 2014. Section 740(a) of the Financial Services and General Government Appropriations Act, 2014, as contained in the Consolidated Appropriations Act, 2014, provides that pay increases for certain prevailing rate employees in FY 2014 may not exceed 1 percent—the sum of the January 2014 General Schedule (GS) across-the-board percentage adjustment and the difference between the overall average percentage locality payments for GS employees in FY 2013 and FY 2014. Section 740(b) provides that, notwithstanding section 740(a), annual pay adjustments for certain prevailing rate employees in FY 2014 may not be less than the January 2014 pay adjustment received by GS employees where they work. Section 740(a) applies to wage employees covered by 5 U.S.C. 5342(a)(2) or 5348. Section 740(b) applies to wage employees covered by 5 U.S.C. 5344 or 5348. Section 740 does not apply to wage employees who negotiate their pay under section 9(b) of Public Law 92-392.

Lead agencies must establish wage rates for affected prevailing rate employees for FY 2014 by determining the maximum rates applicable under the pay limitation provisions of section 740(a), determining the minimum pay increase applicable under section 740(b), and then applying the **higher** of the rates to affected prevailing rate wage schedules. As a result of section 740(b), certain prevailing rate wage areas will continue to have more than one wage schedule in effect during FY 2014.

Determining Rates under Section 740(a)

Section 740(a) provides that pay increases for wage employees in FY 2014 may not exceed

1 percent—the sum of the GS across-the-board percentage adjustment and the difference between the overall average percentage locality payments for GS employees in FY 2013 and FY 2014.

If any rate exceeds the rate payable on September 30, 2013, by more than 1 percent, or if any rate exceeds the rate payable on September 30, 2013, by more than 1 percent due to rounding, that rate must be reduced to the highest rate that does not exceed 1 percent. If the annual wage

survey of private sector rates in a given wage area indicates an adjustment of less than 1 percent is warranted under section 740(a), the lower prevailing rate will be payable under section 740(a).

Wage schedules issued pursuant to a wage survey under the authority of 5 U.S.C. 5343 are subject to the limitation in section 740(a). The limitation also applies to wage schedules produced by reference to schedules adjusted pursuant to wage surveys and to wage schedules that have been temporarily set aside from certain provisions of the Federal Wage System (FWS) pending study by the Federal Prevailing Rate Advisory Committee.

The adjustment of a wage rate required pursuant to a change in an applicable Federal, State, or local minimum wage rate is not subject to the limitation in section 740(a). Although U.S. Office of Personnel Management regulations at 5 CFR 532.205(d) require all wage schedule adjustments to account for State or local minimum wage rates to be effective on the effective date of the applicable wage rate, these adjustments will take effect after the statutory pay freeze expired on December 31, 2013. Rates established as the result of an adjustment in an applicable minimum wage rate will be the basis for determining the limitation on subsequent adjustments indicated by an annual prevailing rate wage survey.

Determining Rates under Section 740(b)

Notwithstanding section 740(a), section 740(b) provides that adjustments in basic pay that take place in FY 2014 under 5 U.S.C. 5344 and 5348 may not be less than the percentage adjustments under 5 U.S.C. 5303 and 5304 received by GS employees in the same location in January 2014. The General Schedule was adjusted by 1 percent in January 2014, and this percentage amount serves as the increase amount for prevailing rate adjustments in FY 2014.

The geographic boundaries of appropriated and nonappropriated fund prevailing rate wage areas and of GS locality pay areas are not the same. Consequently, section 740(b) requires that certain prevailing rate wage areas continue to have more than one wage schedule in effect during FY 2014. Although a majority of prevailing rate wage areas coincide only with part of the Rest of U.S. (RUS) GS locality pay area, many prevailing rate wage areas coincide with parts of more than one GS locality pay area. In each situation where a prevailing rate wage area's boundary coincides with a single GS locality pay area boundary, the lead agency for that wage area must establish one wage schedule applicable in the wage area. In each situation where a prevailing rate wage area coincides with part of more than one GS locality pay area, the lead agency for that wage area must continue to establish more than one prevailing rate wage schedule for that wage area.

Prevailing rate employees in overseas locations described in 5 U.S.C. 5343(a)(5) also must receive increases at least equal to the increase received by GS employees in the RUS GS locality pay area.

Prevailing rate adjustments under section 740(b) must be rounded upwards when necessary so that such adjustments are not less than the 1 percent GS adjustment for January 2014.

Effective Date of Retroactive Pay Adjustments

The wage rates on certain FY 2014 wage schedules are effective retroactively to the normal effective date prescribed on the wage schedule by the lead agency. This uniform date is fixed for all agencies using a wage schedule.

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 available from the Wage and Salary Branch of the Department of Defense's Defense Civilian Personnel Advisory Service (www.cpms.osd.mil/Subpage/Wage).

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

cc: Chief Human Capital Officers

Human Resources Directors