



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

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MEMORANDUM FOR: HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: KATHLEEN M. McGETTIGAN, ACTING DIRECTOR

Subject: Fiscal Year 2018 Prevailing Rate Pay Adjustments

Division E of the Consolidated Appropriations Act, 2017 (the fiscal year 2017 Act), contains two provisions that affect the determination of pay adjustments for certain prevailing rate (wage) employees. The Further Additional Continuing Appropriations Act, 2018, extends into FY 2018 the two provisions of the FY 2017 Act.

As extended, section 737(a) provides that pay increases for certain prevailing rate employees in FY 2018 may not exceed 2.13 percent—the sum of the January 2018 General Schedule (GS) across-the-board percentage adjustment and the difference between the overall average percentage locality payments for GS employees in FY 2017 and FY 2018. Section 737(b) provides that, notwithstanding section 737(a), pay adjustments for certain prevailing rate employees in FY 2018 may not be less than the January 2018 pay adjustments received by GS employees where they work. Section 737(a) applies to wage employees covered by 5 U.S.C. 5342(a)(2) or 5348. Section 737(b) applies to wage employees covered by 5 U.S.C. 5344 or 5348. Sections 737(a) and 737(b) do 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 2018 by determining the maximum rates applicable under the pay limitation provisions of section 737(a), determining the minimum pay increase applicable under section 737(b), 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 737(b) will be higher than under the maximum increase provisions of section 737(a). In addition, as a result of section 737(b), certain prevailing rate wage areas will have more than one wage schedule in effect during FY 2018.

In addition to regular appropriated and nonappropriated fund wage schedules, prevailing rate pay systems have numerous special pay practices that are affected by sections 737(a) and 737(b). Pay adjustments for employees who are paid special rates or are paid from special wage schedules are explained in detail in an attachment to this memorandum.

Determining Rates Under Section 737(a)

Section 737(a) provides that pay increases for wage employees in FY 2018 may not exceed 2.13 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 2017 and FY 2018.

If any rate exceeds the rate payable on September 30, 2017, by more than 2.13 percent, or if any rate exceeds the rate payable on September 30, 2017, by more than 2.13 percent due to rounding, that rate must be reduced to the highest rate that does not exceed 2.13 percent. If the annual wage survey of private sector rates in a given wage area indicates an adjustment of less than 2.13 percent is warranted under section 737(a), the lower prevailing rate will be payable under that section.

Wage schedules issued pursuant to a wage survey under the authority of 5 U.S.C. 5343 are subject to the limitation in section 737(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 737(a). 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 737(b)

Section 737(b) provides that adjustments in basic pay that take place in FY 2018 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 2018.

The geographic boundaries of appropriated and nonappropriated fund prevailing rate wage areas and of GS locality pay areas are not the same. Consequently, section 737(b) requires that certain prevailing rate wage areas have more than one wage schedule in effect during FY 2018. 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 the boundary of a prevailing rate wage area coincides with the boundary of a single GS locality pay area boundary, the lead agency for that wage area must establish one wage schedule applicable in the wage area. For example, the Cascade, MT, nonappropriated fund FWS wage area coincides with part of the RUS GS locality pay area. In this example, the minimum prevailing rate adjustment for the Cascade wage area is the same as the RUS GS locality pay area adjustment, 1.67 percent.

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 establish more than one prevailing rate wage schedule for that wage area. For example, the boundaries of the Philadelphia, PA, appropriated fund FWS wage area coincide with parts of two different GS locality pay areas—New York-Newark, NY-NJ-CT-PA and Philadelphia-Reading-Camden, PA-NJ-DE-MD. In this

example, the lead agency for the Philadelphia wage area must establish two separate wage schedules for use during FY 2018 in the Philadelphia FWS wage area. In the part of the Philadelphia wage area that coincides with the New York-Newark, NY-NJ-CT GS locality pay area, the minimum prevailing rate adjustment is 2.10 percent and in the part coinciding with the Philadelphia-Reading-Camden, PA-NJ-DE-MD GS locality pay area, the minimum prevailing rate adjustment is 1.99 percent.

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

Prevailing rate adjustments under section 737(b) must be rounded upwards when necessary so that such adjustments are not less than the relevant GS percentage adjustments that occur in January 2018.

Effective Date of Retroactive Pay Adjustments

The wage rates on certain FY 2018 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. For example, the wage schedule for the Washington, DC, FWS wage area has a normal effective date in FY 2018 of October 15, 2017. Employees paid from this wage schedule are entitled to pay adjustments retroactive to October 15, 2017. For wage areas with normal effective dates later in the fiscal year, retroactive adjustments will not be required. For example, wage schedules for the Savannah, GA, FWS wage area will have a normal effective date in FY 2018 of July 22, 2018. Employees stationed in this wage area will see their wage schedule adjusted prospectively on July 22, 2018.

Obtaining Wage Schedules

Prevailing rate wage schedules will continue to be distributed by lead agencies through normal agency distribution channels. In addition, FWS wage schedules are available from the Wage and Salary Division of the U.S. Department of Defense's Defense Civilian Personnel Advisory Service (cpms.osd.mil/Subpage/Wage).

For further information, please contact OPM's Pay Systems, Pay and Leave, at (202) 606-2858 or by email at pay-leave-policy@opm.gov.

cc: Human Resources Directors, and Chief Human Capital Officers

Attachment (see 508-compliant PDF below)