



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

The Director

Friday, January 1, 2021  
CPM 2021-02

**MEMORANDUM FOR: HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES**

FROM: MICHAEL J. RIGAS, ACTING DIRECTOR

Subject: Fiscal Year 2021 Prevailing Rate Pay Adjustments

The Consolidated Appropriations Act, 2021, contains provisions affecting the determination of pay adjustments for certain prevailing rate (wage) employees in Fiscal Year (FY) 2021. Section 737(a) provides that pay increases for certain prevailing rate employees in FY 2021 may not exceed 1 percent—the sum of the January 2021 General Schedule (GS) across-the-board percentage adjustment and the difference between the overall average percentage locality payments for GS employees in FY 2020 and FY 2021. Section 737(b) provides that, notwithstanding section 737(a), annual pay adjustments for certain prevailing rate employees in FY 2021 may not be less than the January 2021 pay adjustment 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. Section 737 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 2021 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. As a result of section 737(b), certain prevailing rate wage areas will continue to have more than one wage schedule in effect during FY 2021.

**Determining Rates under Section 737(a)**

Section 737(a) provides that pay increases for wage employees in FY 2021 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 2020 and FY 2021.

If any rate exceeds the rate payable on September 30, 2020, by more than 1 percent, or if any rate exceeds the rate payable on September 30, 2020, 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 737(a), the lower prevailing rate will be payable under section 737(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 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)**

Notwithstanding section 737(a), section 737(b) provides that adjustments in basic pay that take place in FY 2021 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 2021. The General Schedule was adjusted by 1 percent in January 2021, and this percentage amount serves as the increase amount for prevailing rate adjustments in FY 2021.

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 continue to have more than one wage schedule in effect during FY 2021. 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 737(b) must be rounded upwards when necessary so that such adjustments are not less than the 1 percent GS adjustment for January 2021.

### **Effective Date of Retroactive Pay Adjustments**

The wage rates on certain FY 2021 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 (<https://www.dcpas.osd.mil/BWN/WageIndex>).

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](mailto:pay-leave-policy@opm.gov).

cc: Chief Human Capital Officers (CHCOs), Deputy CHCOs, and Human Resources Directors