



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

The Director

Tuesday, December 30, 2003

CPM 2003-22

**MEMORANDUM FOR: Chief Human Capital Officers**

FROM: Kay Coles James, Director

Subject: Implementing the January 2004 Pay Adjustments

The President has signed an Executive order to implement the January 2004 pay adjustments. (See Attachment.) This memorandum reviews relevant portions of the Executive order and provides general information on the 2004 pay adjustments for the General Schedule (GS) and certain other pay systems and schedules.

**2004 Salary Tables and Effective Date**

The 2004 salary tables discussed in this memorandum can be found on OPM's Web site at [opm.gov/oca/payrates/index.asp](http://opm.gov/oca/payrates/index.asp). Unless otherwise noted, the 2004 rates of pay will become effective on the first day of the first applicable pay period beginning on or after January 1, 2004 (January 11, 2004, for most employees).

**The General Schedule and Other Statutory Pay Systems**

As stipulated in the President's alternative pay plan of August 27, 2003, the Executive order provides for an across-the-board increase of 1.5 percent in the rates of basic pay for the statutory pay systems—the GS, the Foreign Service Schedule, and certain schedules for the Veterans Health Administration of the Department of Veterans Affairs.

**Locality Payments**

The President's alternative pay plan for January 2004 authorized an overall average increase in the current GS locality rates equal to approximately 0.5 percent of the GS payroll. (See CPM 2003-11.) The 2004 salary tables reflect the higher locality pay percentages incorporated in the alternative plan.

On December 17, 2003, the President's Pay Agent (the Secretary of Labor, the Director of the Office of Management and Budget, and the Director of the Office of Personnel Management) extended the 2004 locality-based comparability payments to certain categories of non-GS employees. The maximum locality rate of pay for these employees is the rate for level III of the Executive Schedule (\$144,600 in 2004). By law, Executive Schedule officials are not authorized to receive locality payments.

As a result of the new performance-based Senior Executive Service (SES) pay system discussed below, locality-based comparability payments will not be extended to the SES, the Federal Bureau of Investigation and Drug Enforcement Administration SES, the Senior Foreign Service, and certain other equivalent pay systems. (See President's Pay Agent memorandum to heads of agencies, dated December 17, 2003.)

### **2003 Annual Review of Special Salary Rates**

In a separate memorandum, OPM will announce the results of the 2003 annual review of existing special salary rates. Based upon agency submissions received to date, we expect that virtually all special rate schedules will be increased by 1.5 percent in 2004. We will issue additional guidance to agencies as soon as the annual review has been completed.

### **The Senior Executive Service**

Section 1125 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136, November 24, 2003), established a new pay-for-performance system for the SES. The new law replaces the current six-level SES pay system with a single open-range pay system, with only the minimum and maximum rates of pay set by law. The minimum rate of basic pay may not be less than the minimum rate payable under 5 U.S.C. 5376 for senior-level positions (\$103,700 in 2004), and the maximum rate of basic pay may not exceed the rate for level III of the Executive Schedule (\$144,600 in 2004). The maximum rate of the SES rate range will increase to level II of the Executive Schedule (\$157,000 in 2004) in those agencies that obtain certification under 5 U.S.C. 5307(d). (See CPM 2003-19 for additional information on the new SES pay system.)

### **Administrative Law Judges**

The Executive order reflects a decision by the President to increase the rates of basic pay for administrative law judges (ALJs) by 1.5 percent (rounded to the nearest \$100). The rate of basic pay for AL-1 will be \$136,000. The rate of basic pay for AL-2 will be \$132,400. The rates of basic pay for AL-3/A through 3/F range from \$90,500 to \$125,300, as shown in the table following "Administrative Appeals Judges," below.

### **Administrative Appeals Judges**

Under 5 U.S.C. 5372b, the rates of basic pay for administrative appeals judge (AAJ) positions must be set at a rate not less than the minimum rate of basic pay for level AL-3 and not more than the maximum rate of basic pay for level AL-3 of the ALJ pay system established under 5 U.S.C. 5372. OPM's regulations at 5 CFR 534.603 link the structure of the AAJ pay system directly to the structure for level AL-3 of the ALJ pay system. The AAJ pay system includes six rates of basic pay—AA-1, 2, 3, 4, 5, and 6. These rates correspond to the rates of basic pay for AL-3/A, B, C, D, E, and F of the ALJ pay system, as shown in the following table:

AAJ Pay Level	ALJ Pay Level	Rate of Basic Pay in 2004
AA-1	AL-3/A	\$90,500
AA-2	AL-3/B	\$97,400
AA-3	AL-3/C	\$104,400
AA-4	AL-3/D	\$111,400
AA-5	AL-3/E	\$118,300
AA-6	AL-3/F	\$125,300

### **Executive Schedule**

Under 5 U.S.C. 5318, the Executive Schedule pay increase in January 2004 is limited to the across-the-board portion of the GS pay increase, or 1.5 percent, rounded to the nearest \$100.

### **Order for Processing Pay Actions**

The general pay adjustments that take effect in January 2004 must be processed **before** any individual pay action (e.g., a within-grade increase or promotion) that takes effect on the same date. General pay adjustments include across-the-board increases under 5 U.S.C. 5303, increases in locality payments or other geographic adjustments, special rate increases, increases in retained rates, and increases in continued rates under 5 CFR 531.703 or 531.307. If multiple individual pay actions become effective on the date of the January 2004 pay adjustment, those actions must be processed in the order that satisfies the simultaneous action rule in 5 CFR 531.203(f). Note that special rules apply to the order of processing pay actions when converting members of the SES to the new SES pay-for-performance system. (See CPM 2003-19.)

### **2004 Premium Pay Caps**

Under 5 U.S.C. 5547(a) and 5 CFR 550.105, GS employees and other covered employees may receive certain types of premium pay in a biweekly pay period only to the extent that the sum of basic pay and premium pay for the pay period does not exceed the greater of the biweekly rate for (1) GS-15, step 10 (including any applicable locality rate or special salary rate), or (2) level V of the Executive Schedule (\$127,300 in 2004). In certain emergency or mission-critical situations, an agency may apply an annual premium pay cap instead of a biweekly premium pay cap, subject to the conditions prescribed by law and regulation. (See 5 U.S.C. 5547(b) and 5 CFR 550.106-550.107.) We have posted the biweekly premium pay caps on OPM's Web site at [opm.gov/oca/pay/html/04GSCap.asp](http://opm.gov/oca/pay/html/04GSCap.asp).

### **Pay Administration**

We are providing examples of pay computations to assist agencies in administering the 2004 pay adjustments for GS employees. These examples are available on OPM's Web site, as follows:

Examples of January 2004 Pay Computations -- See  
[opm.gov/oca/compmemo/2003/04PAYCOMP.ASP](http://opm.gov/oca/compmemo/2003/04PAYCOMP.ASP).

How to Compute Rates of Pay -- See  
<http://www.opm.gov/oca/pay/HTML/computerates.asp>.

How to Compute FLSA Overtime Pay -- See  
<http://www.opm.gov/oca/pay/HTML/computeflsa.asp>.

### **Salary Tables for 2004**

The Government Printing Office will publish the "Salary Tables for 2004" book in early 2004. The salary table book will provide the 2004 salary tables, locality pay tables (including hourly rate tables), and detailed information on administering locality rates of pay, calculating rates of pay, maximum limitations on pay, and deductions for benefits. The Internal Revenue Service (IRS) Publication 15, Circular E, Employer's Tax Guide (revised January 2004), will show the 2004 wage bracket income tax withholding tables for both single and married persons who are paid on a biweekly basis. IRS will mail Publication 15 to employers, and this publication also should be available at IRS offices in December 2003. (Call 1-800-829-3676 to order copies.) IRS publications may be downloaded from the IRS Web site at  
<http://www.irs.gov/formspubs/index.html>.

### **Questions**

For additional guidance, agency Chief Human Capital Officers, their Technical Assistants, and/or Human Resources Directors may contact their assigned OPM Human Capital Officers. Employees should contact their agency human resources offices for assistance.

Attachment

cc: Technical Assistants to the Chief Human Capital Officers

Human Resources Directors