



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

Tuesday, December 3, 2002

CPM 2002-14

MEMORANDUM FOR: Human Resources Directors

FROM: Donald J. Windstead, Acting Director Workforce Compensation and Performance Service

Subject: January 2003 Pay Adjustments

Under the authority of 5 U.S.C. 5304a, the President has transmitted to Congress an alternative plan for locality payments payable to General Schedule (GS) employees in January 2003. (See [HTML](#) or PDF version of **Attachment 1**.) The President's alternative plan holds locality rates at the percentages of basic pay currently authorized. Under the alternative plan, most GS employees can expect to receive a pay increase of 3.1 percent in January 2003.

2003 Salary Tables and Effective Date

We have posted the draft salary tables discussed in this memorandum on the Office of Personnel Management's (OPM's) Web site at opm.gov/oca/payrates/index.asp. The rates of pay shown in these draft salary tables will not become official until the President issues an Executive order later this year to implement the GS pay adjustment, which will become effective on the first day of the first pay period beginning on or after January 1, 2003. Until the President issues his Executive order, agencies may use the draft salary tables for payroll planning purposes.

The General Schedule and Other Statutory Pay Systems

Section 5303 of title 5, United States Code, provides that the rates of basic pay for the statutory pay systems-the General Schedule, the Foreign Service schedule, and certain schedules for the Veterans Health Administration of the Department of Veterans Affairs-are to be adjusted effective on the first day of the first applicable pay period beginning on or after January 1 of each calendar year by a percentage based on the 12-month increase in the Employment Cost Index (ECI) (minus 0.5 percentage point) unless the President transmits a plan for alternative pay adjustments to Congress before September 1 of the preceding year. The President did not transmit an alternative plan for the ECI-based adjustment this year. Therefore, the 2003 across-the-board increase in the scheduled rates of basic pay for the GS and the other statutory pay systems will be 3.1 percent.

Locality Payments

On November 27, 2002, the President signed an alternative plan for GS locality pay adjustments in January 2003. In his alternative plan, the President determined that the locality pay percentages authorized for 2002 will remain in effect in 2003.

The locality pay areas for 2003 also are unchanged from 2002. There are 32 locality pay areas, including the "Rest of U.S." locality pay area. We have posted the definitions of the locality pay areas on OPM's Web site at opm.gov/oca/payrates/index.asp. [Attachment 2](#) provides a chart showing an example of how the 2003 locality rate is computed for an employee in the "Rest of U.S." locality pay area. The chart also shows that the end result of applying the locality pay percentage (which remains unchanged from 2002) to the higher rate of basic pay is a total pay increase of 3.1 percent.

The Executive Schedule

By law (5 U.S.C. 5318), the rates for levels I through V of the Executive Schedule (EX-I through EX-V) will increase by 3.1 percent (rounded to the nearest \$100) on January 1, 2003.

Board of Contract Appeals and Senior-Level and Scientific or Professional Positions

Pay rates for certain other employees are linked to the Executive Schedule. The rates of basic pay for Board of Contract Appeals (BCA) members are calculated as a percentage of the rate for level IV of the Executive Schedule. (See 5 U.S.C. 5372a.) Therefore, BCA rates of basic pay will increase by approximately 3.1 percent in January 2003.

The maximum rate of basic pay for senior-level (SL) and scientific or professional (ST) positions will increase by approximately 3.1 percent (to \$134,000). The minimum rate of basic pay for SL/ST positions is equal to 120 percent of the minimum rate of basic pay for GS-15 and thus will increase by 3.1 percent (to \$102,168) based on the 3.1 percent across-the-board GS basic pay adjustment. Subject to these minimum and maximum rates, pay adjustments for SL/ST employees are determined by the employing agency. (See 5 U.S.C. 5376.)

The Senior Executive Service and Other Non-GS Positions

Basic pay increases for members of the Senior Executive Service (SES) and administrative law judges (ALJs) are determined by the President under separate provisions of law. Basic pay increases for administrative appeals judges (AAJs) are set by reference to the rates established by the President for ALJs. Decisions on pay increases for employees covered by these pay plans will be made later this year. Wages for blue-collar employees covered by the Federal Wage System (FWS) are set under a separate local prevailing rate system. Consequently, the 3.1 percent across-the-board GS pay increase described above does not apply to SES members, ALJs, AAJs, or FWS employees.

2002 Annual Review of Special Salary Rates

The 2002 annual review of special salary rates authorized under 5 U.S.C. 5305 is now underway. We will announce the results of the annual review in a separate memorandum and post the 2003 special salary rates on OPM's Web site as soon as the annual review has been completed.

IGA Continued Rates

Certain employees in the former interim geographic adjustment (IGA) areas are entitled to a "continued rate" under 5 CFR part 531, subpart G. These continued rates were established in January 1994, when our regulations were revised to discontinue the practice of paying IGAs on top of nationwide or worldwide special rates. At the time of the January 2003 general pay increase, an IGA continued rate will be increased by the dollar amount of the increase in the employee's underlying GS rate. (See 5 CFR 531.703.) Since a continued rate is a form of saved pay, it is not affected by other pay actions, such as within-grade increases or promotions.

Law Enforcement Officers

We have prepared separate locality or geographic salary tables for law enforcement officers (LEOs) in each locality pay area. These tables incorporate the statutory worldwide law enforcement special rates for grades GS-3 through GS-10 (Special Rate Table No. 491), which are used as the basis for computing any locality or other geographic payment. While LEOs are entitled to the same locality pay percentages that apply to other GS employees, a special LEO geographic pay adjustment of 16 percent continues to apply to LEOs in the New York and Boston metropolitan areas.

Certain law enforcement officers are entitled to a "continued rate" under 5 CFR 531.307 (established in January 1994 when our regulations were revised to discontinue the practice of paying LEO geographic adjustments on top of nationwide or worldwide special rates). As with IGA continued rates, at the time of the January 2003 across-the-board pay increase, an LEO continued rate will be increased by the dollar amount of the increase in the law enforcement officer's underlying GS rate. (See 5 CFR 531.307(b).)

Questions

For further information, please contact OPM's Office of Compensation Administration by calling (202) 606-2858 or sending an email message to payleave@opm.gov.

Attachment 1 to CPM 2002-14

Text of a Letter from the President to the Speaker of the House of Representatives and the President of the Senate

November 27, 2002

Dear Mr. Speaker (Dear Mr. President):

I am transmitting an alternative plan for locality pay increases payable to civilian Federal employees covered by the General Schedule (GS) pay system in January 2003.

Under title 5, United States Code, civilian Federal employees covered by the GS pay system would receive a two-part pay increase in January 2003: (1) a 3.1 percent across-the-board increase in scheduled GS rates of basic pay linked to the part of the Employment Cost Index (ECI) that deals with changes in the wages and salaries of private industry workers, and (2) a locality pay increase based on Bureau of Labor Statistics' salary surveys. For Federal employees covered by the locality pay system, the overall average pay increase would be about 18.6 percent.

For each part of the two-part pay increase, title 5, United States Code, authorizes me to implement an alternative pay plan if I view the adjustment that would otherwise take effect as inappropriate due to "national emergency or serious economic conditions affecting the general welfare." For the reasons described below, I have determined that it would be appropriate to exercise my statutory alternative plan authority to limit the locality pay portion of the January 2003 GS pay increase.

A national emergency has existed since September 11, 2001. Full statutory civilian pay increases in 2003 would interfere with our Nation's ability to pursue the war on terrorism. They would cost about \$13.6 billion in 2003 alone-\$11.2 billion more than the 2.6 percent overall Federal civilian pay increase I proposed in my 2003 Budget-and would build in later years. Such cost increases would threaten our efforts against terrorism or force deep cuts in discretionary spending or Federal employment to stay within budget. Neither outcome is acceptable. Therefore, I have determined that a total pay increase of 3.1 percent would be appropriate for GS employees in January 2003.

Because 5 U.S.C. 5303 already mandates an across-the-board GS pay increase of 3.1 percent in January 2003, GS locality-based comparability payments under 5 U.S.C. 5304 must remain at current levels. While my Administration remains committed to the principle of adjusting civilian Federal pay rates in keeping with changes in local labor market rates, our national situation precludes granting larger pay increases to GS employees at this time.

Accordingly, I have determined that-

1. Under the authority of section 5303(a) of title 5, United States Code, the pay rates for each statutory pay system will be increased by 3.1 percent, effective on the first day of the first applicable pay period beginning on or after January 1, 2003; and

2. Under the authority of section 5304a of title 5, United States Code, locality-based comparability payments in the percentages set forth in the attached table will remain in effect in 2003.

Finally, the law requires that I include in this report an assessment of the impact of my decision on the Government's ability to recruit and retain well-qualified employees. I do not believe this decision will materially affect our ability to continue to attract and retain a quality Federal workforce. Inflation, as measured by the Consumer Price Index, is at 2.1 percent, well below the 3.1 percent across-the-board pay increase already mandated by current law, and Federal quit rates are at an all-time low of 2.1 percent per year, well below the overall average quit rate in private enterprise. Should the need arise, the Government has many compensation tools, such as recruitment bonuses, retention allowances, and special salary rates, to maintain the high quality workforce that serves our Nation so very well.

Sincerely,

George W. Bush

Attachment

Locality-Based Comparability Payments Under Alternative Plan

Locality Pay Area ¹	Locality Payment
Atlanta, GA	9.74 %
Boston-Worcester-Lawrence, MA-NH-ME-CT	13.57
Chicago-Gary-Kenosha, IL-IN-WI	14.58
Cincinnati-Hamilton, OH-KY-IN	12.09
Cleveland-Akron, OH	10.33
Columbus, OH	10.70
Dallas-Fort Worth, TX	10.90
Dayton-Springfield, OH	9.62
Denver-Boulder-Greeley, CO	13.34
Detroit-Ann Arbor-Flint, MI	14.71
Hartford, CT	14.11
Houston-Galveston-Brazoria, TX	18.61
Huntsville, AL	9.08
Indianapolis, IN	8.85
Kansas City, MO-KS	9.28
Los Angeles-Riverside-Orange County, CA	16.05
Miami-Fort Lauderdale, FL	12.45
Milwaukee-Racine, WI	10.05
Minneapolis-St. Paul, MN-WI	11.56
New York-N. New Jersey-Long Island, NY-NJ-CT-PA	15.23

¹ Locality pay areas are defined in 5 CFR 531.603.

Locality Pay Area ¹	Locality Payment
Orlando, FL	8.67
Philadelphia-Wilmington-Atlantic City, PA-NJ-DE-MD	12.11
Pittsburgh, PA	9.52
Portland-Salem, OR-WA	11.64
Richmond-Petersburg, VA	9.67
Sacramento-Yolo, CA	11.99
St. Louis, MO-IL	8.98
San Diego, CA	12.70
San Francisco-Oakland-San Jose, CA	19.04
Seattle-Tacoma-Bremerton, WA	11.77
Washington-Baltimore, DC-MD-VA-WV	11.48
Rest of U.S.	8.64

Attachment 2

General Schedule Pay Adjustment January 2003 (Rest of U.S. Locality Pay Area)

To calculate the 2003 locality rate of pay for an employee at GS-9, step 1:

1. Increase the 2002 basic rate (\$34,451) by the 3.1 percent across-the-board increase;
2. Increase the 2003 basic rate (\$35,519, as computed in step 1) by the locality pay percentage for 2003 (8.64 percent).

The resulting 2003 locality rate of pay is \$38,588. The total increase is 3.1 percent, as illustrated in the chart below.

A chart illustrating the instructions above