



Office of the
Director

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

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MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: LINDA M. SPRINGER,
DIRECTOR

SUBJECT: January 2006 Pay Adjustments

The President has signed an Executive order to implement the January 2006 pay adjustments. (See *Attachment 1*.) The Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006 (Public Law 109-115, November 30, 2005), provides an overall average pay increase of 3.1 percent for the "statutory pay systems," including the General Schedule (GS). This memorandum reviews relevant portions of the Executive order and provides general information on the 2006 pay adjustments for the GS pay system and certain other pay systems and schedules.

2006 Salary Tables and Effective Date

The 2006 salary tables discussed in this memorandum can be found on the Office of Personnel Management's (OPM's) Web site at opm.gov/oca/payrates/index.asp. Unless otherwise noted, the 2006 rates of pay will become effective on the first day of the first pay period beginning on or after January 1, 2006 (January 8, 2006).

The General Schedule and Other Statutory Pay Systems

The Executive order provides an across-the-board increase of 2.1 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.

Senior-Level and Scientific or Professional Positions

The minimum rate of basic pay for the senior-level and scientific or professional (SL/ST) rate range is increased by 2.1 percent (\$109,808 in 2006), which is the amount of the across-the-board GS pay increase. The maximum rate of basic pay for the SL/ST rate range is the rate for level IV of the Executive Schedule (\$143,000 in 2006).

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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 2.1 percent, rounded to the nearest \$100. The rate of basic pay for AL-1 will be \$143,000. The rate of basic pay for AL-2 will be \$139,500. The rates of basic pay for AL-3/A through 3/F range from \$95,500 to \$132,000, as shown in the table under "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 2006
AA-1	AL-3/A	\$95,500
AA-2	AL-3/B	\$102,700
AA-3	AL-3/C	\$110,100
AA-4	AL-3/D	\$117,400
AA-5	AL-3/E	\$124,800
AA-6	AL-3/F	\$132,000

Changes in Locality Pay Areas in 2006

The President's Pay Agent has approved the following changes in locality pay areas effective on the first day of the first pay period beginning on or after January 1, 2006 (January 8, 2006):

- The Kansas City, St. Louis, and Orlando locality pay areas are merged with the Rest of U.S. locality pay area;
- New locality pay areas are established for the Buffalo, Phoenix, and Raleigh metropolitan areas; and
- Fannin County, TX, is added to the Dallas-Fort Worth, TX, locality pay area.

Pay area boundaries are based on the metropolitan statistical areas defined in OMB Bulletin 05-02, which is available at whitehouse.gov/omb/bulletins/fy05/b05-02.html. The locality pay area boundaries also reflect a change in the criteria for evaluating Federal facilities that cross county lines. The change was recommended by the Federal Salary Council and is described in the Supplementary Information accompanying the final regulations on changes in

locality pay areas. Locality pay area definitions are posted at opm.gov/oca/06tables/locdef.asp.

Locality Payments

The President's Executive order establishes the amounts of the 2006 locality payments for GS employees. With this memorandum, we are providing a list of the 2006 locality pay percentages for the 32 locality pay areas, as well as the net percentage increase in each area (reflecting the combined effect of the 2.1 percent across-the-board base pay increase and the applicable increase in the locality pay percentage.) (See *Attachment 2*.)

Also provided is a chart showing an example of how the 2006 locality rate and net increase are computed for an employee in the "Rest of U.S." locality pay area. (See *Attachment 3*.)

On November 22, 2005, the Director of OPM issued a memorandum on behalf of the President's Pay Agent (the Secretary of Labor and the Directors of the Office of Management and Budget (OMB) and OPM) that extends the GS locality payments to ALJs, employees in SL/ST positions, and certain other non-GS categories of employees again in 2006. By law, Executive Schedule officials and members of the Senior Executive Service (SES) and certain other equivalent pay systems are not authorized to receive locality payments.

2005 Annual Review of Special Salary Rates

In a separate memorandum, OPM has announced the results of the 2005 annual review of existing special rates. As a result of the annual review, 286 special rate schedules will be increased in tandem with the 2.1 percent increase in General Schedule rates. (See *2005 Annual Review of Special Rates*.)

The Senior Executive Service

The President's Executive order adjusts the minimum rate of basic pay for the SES rate range to be consistent with the increase in the minimum rate of basic pay for senior-level positions under 5 U.S.C. 5376 (\$109,808 in 2006). The applicable maximum rate of basic pay for the SES is \$165,200 (EX-II) for SES members covered by a certified SES performance appraisal system and \$152,000 (EX-III) for SES members covered by an SES performance appraisal system that has not been certified. An SES member at the minimum rate of the SES rate range must receive a pay increase of 2.1 percent in January 2006, since an SES member may not receive less than the minimum rate of the SES rate range. An increase in pay necessary to ensure that an SES member's rate of basic pay remains within the SES rate range is not considered a pay adjustment for the purpose of applying the 12-month rule.

Agencies should complete SES performance appraisals expeditiously so that pay adjustments may be processed for SES members based on their performance no later than the end of the first full pay period in January 2006 (i.e., by January 21, 2006). OPM's regulations at 5 CFR 534.404(b) provide an alternative means of adjusting pay for SES members based on their

“relative position in the rate range.” The regulations allow an agency to increase the rate of basic pay of an SES member who meets or exceeds his or her performance expectations by an amount that does not exceed the amount necessary to allow the employee to maintain his or her relative position in the SES rate range. This pay increase is effective on the date the minimum and/or maximum rate range for the SES is adjusted and is not considered a pay adjustment for the purpose of applying the 12-month rule. (See 5 CFR 534.404(c).) Examples showing how to determine the amount needed to allow an SES member to maintain his or her relative position in the SES rate range may be found at opm.gov/oca/compmemo/2004/2004-25.asp.

Post Employment Restrictions

Agencies are required to notify SES members and other individuals who are paid at a rate of basic pay equal to or greater than 86.5 percent of the rate for level II of the Executive Schedule (\$142,898 in 2006) that they are subject to certain post-employment restrictions in 18 U.S.C. 207(c). (See 18 U.S.C. 207(c)(2)(A)(ii).) OPM's regulations requiring notification of post-employment restrictions are available at opm.gov/fedregis/html/oct04.asp. (Also see OPM's memorandum at opm.gov/oca/compmemo/2005/2005-21.asp.)

Higher Aggregate Limitation on Pay

Agencies with certified performance appraisal systems for SES members and SL/ST positions must also apply a higher aggregate limitation on pay—up to the Vice President's salary (\$212,100 in 2006). (See 5 U.S.C. 5307 and 5 CFR part 530, subpart B.) Information on obtaining certification of performance appraisal systems for SES members and employees in SL/ST positions is available at opm.gov/oca/compmemo/2004/2004-13.asp.

The Executive Schedule

Under 5 U.S.C. 5318, Executive Schedule rates of pay will be increased by 1.9 percent, rounded to the nearest \$100. The new Executive Schedule rates of pay will become effective on the first day of the first pay period beginning on or after January 1, 2006 (January 8, 2006).

Order for Processing Pay Actions

The general pay adjustments that take effect in January 2006 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 base pay increases under 5 U.S.C. 5303 and increases in locality payments or other geographic adjustments, special rate supplements, and retained rates. If multiple individual pay actions become effective on the date of the January 2006 pay adjustment, those actions must be processed in the order that satisfies the simultaneous action rule in 5 CFR 531.206.

2006 Premium Pay Caps

Under 5 U.S.C. 5547(a) and 5 CFR 550.105, GS 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 such 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 payment or special rate supplement), or (2) level V of the Executive Schedule (\$133,900 in 2006). 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 in 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/06GSCap.asp.

Pay Administration

We are providing the following examples of pay computations to assist agencies in administering the 2006 pay adjustments for GS employees:

Examples of January 2006 Pay Computations -- See opm.gov/oca/compmemo/2005/06PAYCOMP.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 2006

The Government Printing Office will publish the "Salary Tables for 2006" book in 2006. The salary table book will provide the 2006 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. Internal Revenue Service (IRS) Publication 15, Circular E, Employer's Tax Guide (revised January 2006), will show the 2006 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 2005. (Call 1-800-829-3676 to order copies.) IRS publications may be downloaded at <http://www.irs.gov/formspubs/index.html>.

Questions

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

Attachments

Attachment 1

Attachment 2

Attachment 3

cc: Chief Human Capital Officers
Human Resources Directors