



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

The Director

Friday, December 22, 2017
CPM 2017-18

MEMORANDUM FOR: HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: KATHLEEN M. McGETTIGAN, ACTING DIRECTOR

Subject: January 2018 Pay Adjustments

The President has signed an Executive Order to implement the January 2018 pay adjustments. (See [Attachment 1](#).) The Executive Order authorizes a 1.4 percent across-the-board increase for statutory pay systems and locality pay increases costing approximately 0.5 percent of basic payroll, reflecting an overall average pay increase of 1.9 percent. This is consistent with the President's alternative pay plan issued under 5 U.S.C. 5303(b) and 5304a on August 31, 2017. This memorandum reviews relevant portions of the Executive Order and provides general information on the 2018 pay rates.

2018 Salary Tables and Effective Date

We have posted the 2018 salary tables on the U.S. Office of Personnel Management's (OPM's) website at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/>. The 2018 pay schedules will become effective the first day of the first applicable pay period beginning on or after January 1, 2018 (January 7, 2018, based on the standard biweekly payroll cycle).

The General Schedule and Other Statutory Pay Systems

The Executive Order provides an across-the-board increase of 1.4 percent in the rates of basic pay for the statutory pay systems—the General Schedule (GS), the Foreign Service schedule, and certain schedules for the Veterans Health Administration of the U.S. Department of Veterans Affairs. Special base rates for law enforcement officers at GS grades 3 through 10 are also increased by 1.4 percent. (These law enforcement officers are assigned the “GL” pay plan code.)

Executive Schedule

Under 5 U.S.C. 5318, Executive Schedule (EX) rates of pay will be increased by 1.4 percent (rounded to the nearest \$100). The EX salary table is available on OPM's website at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2018/executive-senior-level/>. (See also the “Pay Freeze for Certain Senior Political Officials” section, below.)

Senior Executive Service

Under 5 U.S.C. 5382, the minimum rate of basic pay for the Senior Executive Service (SES) rate range will be adjusted to be consistent with the increase in the minimum rate of basic pay for

senior-level positions under 5 U.S.C. 5376 (\$126,148 in 2018). The applicable maximum rate of basic pay for the SES will be \$189,600 (EX-II) for SES members covered by a certified SES performance appraisal system and \$174,500 (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 not less than 1.4 percent in January 2018, since an SES member may not receive less than the minimum rate of the SES rate range. Other SES pay adjustments must generally be made based on individual performance, contribution to the agency's performance, or both, as determined under a rigorous performance management system, pursuant to 5 U.S.C. 5382. An agency's determination to adjust the rate of basic pay for an SES member that is approved by the end of the first pay period in January 2018 (January 20, 2018) may be made effective as of the first day of that first pay period (January 7, 2018). Determinations to adjust SES pay that are approved after January 20, 2018, will become effective at the beginning of the next pay period following the approval. OPM's regulations for setting and adjusting SES pay are available at 5 CFR part 534, subpart D. (See also the "Pay Freeze for Certain Senior Political Officials" section, below.)

Senior-Level and Scientific and Professional Positions

The minimum rate of basic pay for the senior-level (SL) and scientific and professional (ST) rate range will be increased by 1.4 percent (\$126,148 in 2018), which is the amount of the GS increase. The applicable maximum rate of basic pay will be \$189,600 (EX-II) for SL or ST employees covered by a certified SL/ST performance appraisal system and \$174,500 (EX-III) for SL or ST employees covered by an SL/ST performance appraisal system that has not been certified. An SL or ST employee at the minimum rate of the SL/ST rate range must receive a pay increase of not less than 1.4 percent in January 2018, since an SL or ST employee may not receive less than the minimum rate of the SL/ST rate range. Effective at the same time the General Schedule is adjusted (January 7, 2018), agencies must adjust each SL/ST employee's rate of basic pay by the amount the agency determines to be appropriate based on the employee's individual performance or contribution to agency performance. (See 5 CFR 534.507.) If the agency head decides upon a zero adjustment, the reasons for that decision must be communicated to the employee in writing where required by 5 CFR 534.507(h). An agency's determination to adjust the rate of basic pay for an SL/ST employee that is approved by the end of the first pay period in January 2018 (January 20, 2018) may be made effective as of the first day of that first pay period (January 7, 2018). OPM's regulations for setting and adjusting SL/ST pay are available at 5 CFR part 534, subpart E.

Pay Freeze for Certain Senior Political Officials

The Consolidated Appropriations Act, 2017, contained a provision that continued the freeze on the payable rates of pay for the Vice President and certain senior political appointees at 2013 levels during calendar year 2017. Unless extended by new legislation, the pay freeze will end on the last day of the last pay period that begins in calendar year 2017 (i.e., January 6, 2018, for those on the standard biweekly payroll cycle). For additional information on the 2017 pay freeze for certain senior political officials, see <https://www.chcoc.gov/content/continued-pay-freeze-certain-senior-political-officials>. We will issue separate guidance regarding whether this pay freeze will be continued or terminated.

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 1.4 percent, rounded to the nearest \$100. The rate of basic pay for AL-1 will be \$164,200 (equivalent to the rate for EX-IV). The rate of basic pay for AL-2 will be \$160,100. The rates of basic pay for AL-3/A through 3/F will range from \$109,600 to \$151,700. The ALJ salary table is available on OPM's website at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2018/executive-senior-level/>.

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. At 5 CFR 534.603, OPM's regulations 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. The AAJ salary table is available on OPM's website at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2018/executive-senior-level/>.

Locality Payments

The President's Executive Order reflects the amounts of the 2018 locality payments for GS employees implemented by the President under his alternative pay plan authority. Attachment 2 provides a table showing the 2018 locality pay percentage and total percentage increase in each locality pay area (reflecting the combined effect of the 1.4 percent across-the-board increase and the applicable increase in the locality pay percentage). Locality pay area definitions are available at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2018/locality-pay-area-definitions/>. The 2018 locality pay tables for the General Schedule are available at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2018/general-schedule/>. GS locality rates are limited to the rate for EX-IV. (See 5 U.S.C. 5304(g)(1) and the "Executive Schedule" section, above.) Also provided is a chart showing an example of how the 2018 locality rate and total increase are computed for an employee in the Rest of U.S. locality pay area. (See Attachment 3.)

Locality Pay Extensions

On November 22, 2017, OPM issued a memorandum on behalf of the President's Pay Agent (the Secretary of Labor and the Directors of the U.S. Office of Management and Budget and OPM) that continues GS locality payments for ALJs and certain other non-GS employee categories in 2018. The memo is available at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/continuation-of-locality-payments-for-non-general-schedule-employees-november-22-2017.pdf>. By law, EX officials, SES members, employees in SL/ST positions, and employees in certain other equivalent pay systems are not authorized to receive locality payments. (Note: An exception applies to certain grandfathered SES, SL, and ST employees stationed in a nonforeign

area on January 2, 2010. See CPM 2009-27 at <https://www.chcoc.gov/content/nonforeign-area-retirement-equity-assurance-act>.)

Cost-of-Living Allowance Rates for Nonforeign Areas

As provided under the Nonforeign Area Retirement Equity Assurance Act of 2009 (subtitle B of title XIX of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84, October 28, 2009)), employees in nonforeign areas entitled to cost-of-living allowances (COLAs) have corresponding reductions in their COLAs when locality rates increase. The locality and COLA rates in each COLA area are available at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/nonforeign-areas/>.

Special Rates

We are issuing a separate memorandum announcing the results of OPM's annual review of special rates and the 2018 special rate adjustments.

Prevailing Rate Pay Adjustments

We are issuing a separate memorandum on pay adjustments for certain prevailing rate (wage) employees.

Aggregate Limitation on Pay

The aggregate limitation on pay for calendar year 2018 will be \$210,700 (equivalent to the rate for EX-I). SES members and employees in SL/ST positions who are covered by a certified performance appraisal system are subject to a higher aggregate limitation on pay of the Vice President's salary (\$243,500 in 2018). (See 5 U.S.C. 5307 and 5 CFR part 530, subpart B.)

2018 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 payable for (1) GS-15, step 10 (including any applicable locality payment or special rate supplement), or (2) the rate payable for EX-V (\$153,800 in 2018). 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 2018 biweekly premium pay caps on OPM's website at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/#url=Biweekly-Pay-Caps>.

Under section 1105 of the National Defense Authorization Act for Fiscal Year 2018, the head of an agency may waive, during calendar year 2018, the premium pay cap under 5 U.S.C. 5547 for civilian employees working in certain overseas locations. We will issue a separate memorandum with additional information on this authority and other recent legislative changes.

Adjusting Retained Rates

Certain employees are entitled to retained rates above the applicable rate range under 5 U.S.C. 5363 and 5 CFR part 536. As provided in 5 U.S.C. 5363(b)(2)(B) and 5 CFR 536.305, when the maximum rate of the highest applicable rate range for an employee's position of record is increased while the employee is receiving a retained rate, the employee is entitled to 50 percent of the amount of the increase in that maximum rate. An example of adjusting a retained rate in January 2018 can be found in the fact sheet at [opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/January-2018-pay-examples](https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/January-2018-pay-examples). We have also updated our fact sheet on pay retention for former National Security Personnel System employees at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/pay-retention-for-former-nsps-employees/>.

Post-Employment Restrictions

Agencies are required to notify SES members, SL and ST employees, and other individuals who are paid at a rate of basic pay equal to or greater than 86.5 percent of the rate for EX-II (\$189,600 x 86.5 percent = \$164,004 in 2018) that they are subject to certain post-employment restrictions in 18 U.S.C. 207(c)(2)(A)(ii). OPM's regulations requiring notification of post-employment restrictions are available at 5 CFR part 730. Agencies may continue to use the sample notice OPM provided in its memorandum of January 6, 2004 (CPM 2004-01), to notify an SES member, an SL or ST employee, or other individual that he or she is subject to the post-employment restrictions in 18 U.S.C. 207(c). (Agencies will need to update the pay system, salary threshold, and effective date, as appropriate.) The sample notice is available at archive.opm.gov/oca/compmemo/2004/2004-01_attach1.asp.

Order for Processing Pay Actions

The general pay adjustments that take effect in January 2018 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 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 2018 pay adjustment, those actions must be processed in the order applicable to the employee's pay system (e.g., the simultaneous action rule for GS employees in 5 CFR 531.206).

Pay Administration

We have updated examples of pay computations to reflect the January 2018 pay adjustments for GS employees:

Examples of January 2018 Pay Computations – See [opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/January-2018-pay-examples/](https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/January-2018-pay-examples/).

How to Compute Rates of Pay - See <https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/how-to-compute-rates-of-pay/>.

How to Compute Fair Labor Standards Act Overtime Pay - See <https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/how-to-compute-flsa-overtime-pay/>.

Questions

Agency headquarters-level human resources offices may contact OPM at pay-leave-policy@opm.gov. Employees should contact their agency human resources offices for assistance.

3 Attachments (see 508-compliant PDFs below)

cc: Chief Human Capital Officers, and Human Resources Directors