



## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

Thursday, January 23, 2003

CPM 2003-01

FROM: Donald J. Winstead, Acting Director

Subject: Limitation on Prevailing Rate Pay Adjustments

Section 3 of Public Law 108-2 (January 10, 2003), "making continuing appropriations for fiscal year 2003 and for other purposes," amends section 613 of Public Law 107-67, the Treasury and General Government Appropriations Act, 2002, to place a limitation on pay increases for certain prevailing rate (wage) employees in fiscal year 2003. Public Law 108-2 provides that pay increases for wage employees in FY 2003 may not exceed 3.1 percent-the sum of the General Schedule (GS) across-the-board percentage adjustment and the difference between the overall average percentage locality payments for GS employees in FY 2002 and FY 2003.

If any rate exceeds the rate payable on September 30, 2002, by more than 3.1 percent, or if any rate exceeds the rate payable on September 30, 2002, by more than 3.1 percent due to rounding, that rate must be reduced to the highest rate that does not exceed 3.1 percent. If the annual wage survey of private sector rates in a given wage area indicates an adjustment of less than 3.1 percent is warranted, the lower prevailing rate will be payable.

The pay limitation applies to wage employees covered by sections 5342(a)(2) and 5348 of title 5, United States Code. The limitation does not apply to wage employees who negotiate their pay under section 9(b) of Public Law 92-392.

All wage schedules issued pursuant to a wage survey under the authority of section 5343 of title 5, United States Code, are subject to this limitation. This 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.

Following the enactment of Public Law 108-2, FWS wage rates on FY 2003 wage schedules must be applied as follows:

- Increased rates 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 the schedule, regardless of differing pay period cycles.
- Decreased rates are effective prospectively as of the first day of the first pay period beginning on or after the schedule issue date. The new scheduled rates are applicable to new hires. Current employees, if otherwise eligible, are entitled to pay retention under 5 CFR 536.104. No retroactive change will be made if any personnel or pay actions taken and payments made during the period of retroactivity are more advantageous to the employee than the rate of pay resulting from the new schedule.

Wage schedules will continue to be distributed by lead agencies through normal agency distribution channels. In addition, Federal Wage System wage schedules are accessible via the Internet through the Wage and Salary Division of the Department of Defense Civilian Personnel Management Service (Internet address [cpms.osd.mil/wage](http://cpms.osd.mil/wage)).