



## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

Thursday, January 31, 2002

MSG-007

### **MEMORANDUM FOR: Human Resources Directors**

**FROM:** Donald J. Windstead, Acting Associate Director for Workforce Compensation and Performance

**Subject:** Monroney Amendment

Section 1113 of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107, December 28, 2001) amended section 5343(d) of title 5, United States Code, to cover Department of Defense (DOD) employees. This memorandum provides Federal agencies with instructions to implement this change in law. The Federal Prevailing Rate Advisory Committee, the national labor-management committee responsible for advising the Office of Personnel Management (OPM) on the administration of the Federal Wage System, has reviewed and approved these instructions.

This change in law affects certain prevailing rate (wage) employees of DOD. This change does not affect prevailing rate employees of non-DOD agencies. The Monroney Amendment currently increases pay rates slightly at some grade levels in about one-fifth of the Federal Wage System (FWS) wage areas.

### **Background**

Section 5343(d) of title 5, United States Code, is commonly known as the Monroney Amendment. Under Public Law 107-107, the Monroney Amendment will cover DOD and non-DOD employees equally for the first time since 1985. The Monroney Amendment is a statutory provision that affects the pay of Federal blue-collar workers. The provision may cause rates of pay for FWS employees to increase when the Government has large numbers of employees in specialized industries, such as aircraft maintenance, but there are insufficient private sector employees involved locally in similar work. Under OPM regulations, in FWS wage areas with insufficient comparable private sector specialized workers, local wage surveys must use wage data from the nearest similar wage area that has sufficient specialized industry. The National Defense Authorization Act for Fiscal Year 1986 required the use of local survey data only for DOD schedules. Since 1985, DOD and non-DOD employees in some wage areas have had separate wage schedules. This change in policy does not affect employees in non-DOD agencies because the Monroney Amendment continued to apply to them after 1985.

## **Effective Dates**

In FWS wage areas where the Monroney Amendment applies, DOD agencies will implement this change in policy on the normal effective date of the first wage schedule adjustment in each FWS wage area that occurs on or after December 28, 2001. Retroactive pay adjustments will apply to DOD employees in wage areas with normal effective dates between December 28, 2001, and the date their agency implements this change in policy. For example, the first wage area affected by this change is the Wilmington, Delaware, FWS wage area, where a new wage schedule became effective on January 13, 2002. DOD employees in the Wilmington wage area are entitled to retroactive adjustments in scheduled rates of pay for the period between January 13, 2002, and the date DOD implements this change in policy in the wage area.

## **Pay Administration**

In FWS wage areas where the Monroney Amendment applies, a new single schedule will supersede the existing two schedules on the normal effective date of the first wage schedule adjustment in each FWS wage area that takes place on or after December 28, 2001. DOD agencies will move their FWS employees from their previous wage schedule to the single new wage schedule for the wage area on a grade-for-grade and step-for-step basis. The wage schedule adjustment limitation provision of section 613 of the Treasury and General Government Appropriations Act, 2002 (Public Law 107-67, November 12, 2001), does not affect the mechanical process of moving employees from the former DOD-only wage schedule to the single new wage schedule for the wage area.

DOD employees covered by the pay retention provisions of part 536 of title 5, Code of Federal Regulations, will receive pay adjustments under part 536 based on any applicable increases in pay rates on the single new wage schedule for their wage area. If an employee is on pay retention prior to the wage schedule adjustment in his or her wage area, and can be accommodated within the rate range of the new wage schedule, the employee will be placed at the highest step of his or her grade and pay retention will cease to apply.

Occasionally, prevailing rate wage schedules decrease when average private sector pay rates decrease in a wage area. If the rate of pay for a DOD employee's grade and step would be lower on the single new wage schedule, and the employee is otherwise eligible for pay retention under part 536, the employee will retain the rate of pay he or she held prior to the normal effective date of the new wage schedule. If an employee's retained rate in this circumstance would place the employee between two steps on the new wage schedule, the employee should be placed at the higher of the two steps and pay retention will cease to apply.