



## UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

The Director

Monday, March 24, 2003  
CPM 2003-03

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

**FROM:** Ron Sanders, Associate Director for Strategic Human Resources Policy

**Subject:** Retroactive 2003 Pay Adjustment

The President has signed an Executive order to implement retroactive locality pay increases costing approximately 1 percent of payroll. (See Attachment 1.) This pay adjustment is effective as of the first day of the first applicable pay period beginning on or after January 1, 2003. As explained below and in Attachment 2, the additional pay increase attributable to the new locality pay rates ranges from about 0.9 percent (in the Rest of U.S. locality pay area and a few other areas) to about 1.7 percent (in the San Francisco area) for most covered employees, including the non-General Schedule (GS) employees to whom the 2003 GS locality payments already have been extended.

#### **New 2003 Salary Tables**

We have posted the new 2003 salary tables discussed in this memorandum on the Office of Personnel Management's (OPM's) Web site at <http://www.opm.gov/oca/payrates/index.asp>. The new rates of pay reflect a 4.1 percent overall average pay adjustment, as required by the Consolidated Appropriations Resolution, 2003 (Public Law 108-7, February 20, 2003).

#### **Scheduled Rates of Basic Pay**

The President's Executive order does not increase the scheduled rates of basic pay for the General Schedule and the other statutory pay systems. Executive Order 13282, December 31, 2002, provided for an across-the-board increase of 3.1 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. This across-the-board increase remains unchanged.

#### **Locality Payments**

The President's Executive order distributes the 1 percent locality pay increase for 2003 by providing a larger pay increase for locality pay areas with larger overall pay disparities. The increases are consistent with those recommended by the Federal Salary Council in October 2002 and endorsed by the House/Senate conference report accompanying Public Law 108-7. Attachment 2 provides a list of the new locality pay rates for the 32 locality pay areas established by the President's Pay Agent. Attachment 2 also shows the increase attributable to the new locality pay rates and the total increase in pay over the 2002 rates for each locality pay area.

Attachment 3 provides a chart showing an example of how the 2003 locality pay rate and total increase is computed for an employee in the "Rest of U.S." locality pay area.

### **GS Locality Pay Limitation**

Under 5 U.S.C. 5304(g)(1), locality-adjusted rates of pay for GS employees may not exceed the rate payable for level IV of the Executive Schedule (\$134,000 in 2003). As a result of the increase in the locality percentages for 2003, the locality-adjusted rate for GS-15, step 10, in the San Francisco locality pay area otherwise would exceed the rate for level IV. Therefore, the GS-15, step 10, locality-adjusted rate is limited to \$134,000 for all GS employees in the San Francisco locality pay area.

### **Locality Pay for Non-GS Employees**

On December 5, 2002, the President's Pay Agent (the Secretary of Labor, the Director of the Office of Management and Budget, and the Director of the Office of Personnel Management) extended the 2003 locality payments to the same Governmentwide and single-agency categories of employees that were authorized to receive the 2002 locality payments. (See the President's Pay Agent's memorandum to agency heads.) Based on this action, the new 2003 locality payments that apply to GS employees also will apply retroactively to these same categories of employees. Covered employees include members of the Senior Executive Service (SES), employees in senior-level and scientific or professional (SL/ST) positions, administrative law judges (ALJs), administrative appeals judges (AAJs), and members of Boards of Contract Appeals (BCA). By law, Executive Schedule officials are not authorized to receive locality pay.

### **Law Enforcement Officers**

We have prepared new 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 certain LEOs in the Boston metropolitan area (as defined in 5 CFR 531.301). LEOs who are covered by this special LEO table will not receive an additional increase as a result of the 2003 retroactive increase in locality pay percentages. (Note: The locality pay percentage for New York in 2003 (16.83 percent) is higher than the special LEO geographic pay adjustment of 16 percent. Therefore, LEOs in the New York locality pay area will receive the higher locality pay percentage (16.83 percent). The LEO special geographic adjustment in New York is terminated as of the first day of the first applicable pay period beginning on or after January 1, 2003.)

### **2003 Special Salary Rates**

The 2003 special salary rate schedules are not affected by the increase in locality pay percentages for 2003. The 2003 special rate schedules approved as a result of OPM's annual review of special salary rates remain in effect. (See CPM 2002-15.) Since a special rate employee receives the greater of the applicable special rate or the locality rate for his or her grade and step, agencies must compare an employee's special rate with the new locality pay rate to ensure the employee is paid from the proper schedule.

## Pay Administration

We have revised the following fact sheets to reflect the increase in the 2003 locality payments. The revised fact sheets are available on OPM's Web site, as follows:

Biweekly Caps on Premium Pay - See  
[opm.gov/oca/pay/html/03GSCap.asp](http://opm.gov/oca/pay/html/03GSCap.asp).

Examples of January 2003 Pay Computations - See  
[opm.gov/oca/compmemo/2002/03paycomp.asp](http://opm.gov/oca/compmemo/2002/03paycomp.asp).

How to Compute Rates of Pay - See  
<http://www.opm.gov/oca/pay/HTML/computerates.asp>.

How to Compute FLSA Overtime - See  
<http://www.opm.gov/oca/pay/HTML/computeflsa.asp>.

## Processing and Documenting Retroactive Pay Adjustments

The President's Executive order makes the increases in locality payments effective retroactively to the first day of the first applicable pay period beginning on or after January 1, 2003 (January 12 for most employees). **It is imperative that agency human resources offices process these retroactive adjustments in locality payments expeditiously so that Federal payroll providers can issue payments to employees as soon as possible.**

To document the retroactive adjustment in locality payments, agencies should use nature of action (NOA) code "**895/Locality Payment**," legal authority code "**VGR**," and remark code "**P92**." In addition, agencies must correct any intervening personnel actions that took effect between the first day of the first pay period in January 2003 and the date the retroactive adjustment in locality payments is processed. Please consult "The Guide to Processing Personnel Actions" for more information regarding how to process these actions. The Guide is available on OPM's Web site at [opm.gov/feddata/persdoc.htm](http://opm.gov/feddata/persdoc.htm).

In the case of an employee who **separated** from Federal employment after the effective date of the January 2003 pay adjustment, the former employing agency is responsible for processing a retroactive adjustment in his or her locality payment to ensure that the employee receives the additional pay to which he or she was entitled for the period between the first day of the first pay period in January 2003 and the date of separation. The former employing agency also is responsible for ensuring appropriate processing/distribution/filing of the personnel action(s).

In the case of an employee who **transferred** to a different Federal agency after the effective date of the January 2003 pay adjustment, the employee's **current** employing agency and payroll provider are responsible for (1) processing the adjustment in his or her locality payment retroactively to the first day of the first pay period beginning on or after January 1, 2003, (2) paying that portion of the retroactive payment covering the period of time following the transfer, and (3) ensuring appropriate processing/distribution/filing of the personnel action(s). The **prior** employing agency and payroll provider is responsible for paying that portion of the retroactive payment covering the period between the first day of the first pay period in January 2003 and the date of transfer.

Employees are not entitled to interest on any payments received as a result of processing the retroactive locality pay adjustment. Back pay is payable under 5 CFR part 550, subpart H, whenever an employee has been affected by an "unjustified or unwarranted personnel action" that results in the withdrawal, reduction, or denial of all or part of the pay, allowances, and differentials otherwise due the employee. The retroactive locality pay adjustment does not meet the definition of "unjustified or unwarranted personnel action" and does not correct a "withdrawal, reduction or denial of pay." Therefore, employees are not entitled to any interest on the retroactive payment even if agencies cannot process the adjustment within 30 days.

## **Other Affected Pay and Benefits**

### *Premium Payments*

The retroactive locality pay increase may affect premium pay entitlements, such as overtime, night, Sunday, and holiday pay. Agencies must review each employee's work schedule and make any necessary pay adjustments to reflect the new 2003 locality pay rates for any premium pay hours the employee worked during the intervening period. Agencies also must retroactively adjust affected employees' pay to reflect the new biweekly or annual premium pay limitations. (See the revised fact sheet on Biweekly Caps on Premium Pay at [opm.gov/oca/pay/html/03GSCap.asp](http://opm.gov/oca/pay/html/03GSCap.asp).)

### *Post-Separation Payments*

An employee who separated or retired in late 2002 or early 2003 may be entitled to an adjustment in his or her lump-sum payment for annual leave to reflect the new 2003 locality pay rates. The lump-sum payment for annual leave must be calculated on the basis of the amount of pay the employee would have received if he or she had remained in Federal service and used the annual leave. The retroactive adjustment also may affect severance payments computed using the locality rates in effect before the retroactive adjustment.

### *Retirement*

The retroactive locality pay adjustment is considered basic pay for retirement purposes. Federal payroll providers must submit the appropriate employee deductions and agency contributions due for any additional basic pay to OPM in accordance with standard reporting procedures. For employees who separated after the beginning of the first full pay period of the calendar year, agency payroll offices also must submit a supplemental Individual Retirement Record documenting the revised salary rate and additional employee deductions.

### *Federal Employees' Group Life Insurance (FEGLI)*

If an employee's retroactive pay adjustment moves the employee into a different \$1,000 bracket, the amount of his or her Basic insurance increases. This increases the employee's withholding and the Government contribution. This increase in coverage and withholding also applies to Option B coverage if the employee has that coverage.

In computing any lump-sum catch-up salary payment, agencies must calculate the amount of FEGLI withholdings (and Government contributions) that should have been made based on the new salary and compare that amount with the amount actually withheld for pay periods beginning after January 1. Agencies must make any additional withholdings (and contributions) from the lump-sum catch-up adjustment and submit them to OPM in the usual manner.

### **Federal Wage System**

The limitation on prevailing rate pay adjustments for fiscal year 2003 has changed from 3.1 percent to 4.31 percent. Section 613 of the Treasury and General Government Appropriations Act, 2003, as contained in Public Law 108-7, provides that pay increases for wage employees in FY 2003 may not exceed 4.31 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. OPM will provide additional guidance on this matter in the near future.

### **Questions**

- Policy questions about the retroactive pay increase-including questions about the new salary tables and general questions about the calculation of locality pay percentages, locality rates of pay, biweekly caps on premium pay, and post-separation payments-should be addressed to OPM's Center for Pay and Performance Policy at (202) 606-2880 or by email at [pay-performance-policy@opm.gov](mailto:pay-performance-policy@opm.gov).
- Questions about processing and documenting retroactive pay adjustments should be addressed to OPM's Center for HR Systems Requirements and Strategies at (202) 606-4415.
- Questions about submitting retirement or life insurance deductions/withholdings and agency contributions should be addressed to your agency's benefits officer or to the Financial Reporting and Policy Group in OPM's Center for Financial Services at (202) 606-0667.

### **Attachments**

[EXECUTIVE ORDER - - FURTHER ADJUSTMENT OF CERTAIN RATES OF PAY](#)

[Locality-Based Comparability Payments and Pay Increases in 2003 for General Schedule Employees](#)

[General Schedule Pay Adjustment January 2003 \(Rest of U.S. Locality Pay Area\)](#)

**ATTACHMENT 1****EXECUTIVE ORDER****13291****FURTHER ADJUSTMENT OF CERTAIN RATES OF PAY**

By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered that Executive Order 13282 of December 31, 2002, is amended as follows:

**Section 1.** Section 3(c) of Executive Order 13282 is amended to read as follows:

"(c) Justices and judges (28 U.S.C. 5, 44(d), 135, 252, and 461(a), section 140 of Public Law 97-92, and Public Law 108-6) at Schedule 7."

**Sec. 2.** Section 5(a) of Executive Order 13282 is amended to read as follows:

"(a) Pursuant to section 5304 of title 5, United States Code, and in accordance with section 637 of Division J of Public Law 108-7, locality-based comparability payments shall be paid in accordance with Schedule 9 attached hereto and made a part hereof."

**Sec. 3.** Executive Order 13282 is amended by striking Schedules 7 and 9 attached thereto and inserting Schedules 7 and 9 attached hereto and made a part hereof.

**Sec. 4.** The amendments made by this order are effective on the first day of the first applicable pay period beginning on or after January 1, 2003.

GEORGE W. BUSH  
THE WHITE HOUSE  
March 21, 2003

**SCHEDULE 7--JUDICIAL SALARIES**

**(Effective on the first day of the first applicable pay period beginning on or after January 1, 2003)**

Chief Justice of the United States	\$198,600
Associate Justices of the Supreme Court	190,100
Circuit Judges	164,000
District Judges	154,700
Judges of the Court of International Trade	154,700

## SCHEDULE 9--LOCALITY-BASED COMPARABILITY PAYMENTS

(Effective on the first day of the first applicable pay period beginning on or after January 1, 2003)

### Locality Pay Area<sup>[1]</sup> Rate

Atlanta, GA	10.85%
Boston-Worcester-Lawrence, MA-NH-ME-CT-RI	15.00%
Chicago-Gary-Kenosha, IL-IN-WI	16.15%
Cincinnati-Hamilton, OH-KY-IN	13.44%
Cleveland-Akron, OH	11.50%
Columbus, OH	11.78%
Dallas-Fort Worth, TX	12.10%
Dayton-Springfield, OH	10.67%
Denver-Boulder-Greeley, CO	14.77%
Detroit-Ann Arbor-Flint, MI	16.27%
Hartford, CT	15.56%
Houston-Galveston-Brazoria, TX	20.53%
Huntsville, AL	10.06%
Indianapolis, IN	9.83%
Kansas City, MO-KS	10.26%
Los Angeles-Riverside-Orange County, CA	17.71%
Miami-Fort Lauderdale, FL	13.81%
Milwaukee-Racine, WI	11.20%
Minneapolis-St. Paul, MN-WI	12.84%
New York-Northern New Jersey-Long Island, NY-NJ-CT-PA	16.83%

<sup>[1]</sup> Locality Pay Areas are defined in 5 CFR 531.603.

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Orlando, FL	9.65%
Philadelphia-Wilmington-Atlantic City, PA- NJ-DE-MD	13.43%
Pittsburgh, PA	10.52%
Portland-Salem, OR-WA	12.97%
Richmond-Petersburg, VA	10.75%
Sacramento-Yolo, CA	13.29%
St. Louis, MO-IL	9.99%
San Diego, CA	14.07%
San Francisco-Oakland-San Jose, CA	21.08%
Seattle-Tacoma-Bremerton, WA	13.11%
Washington-Baltimore, DC-MD-VA-WV	12.74%
Rest of U.S.	9.62%

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## ATTACHMENT 2

**Locality-Based Comparability Payments and Pay Increases in 2003 for General Schedule Employees**

Locality Pay Area <sup>[1]</sup>	New Locality Rate <sup>[2]</sup>	Increase Attributable to New Locality Rate <sup>[3]</sup>	Total Increase Over 2002 Pay <sup>[4]</sup>
Atlanta	10.85%	1.01%	4.14%
Boston	15.00%	1.26%	4.40%
Chicago	16.15%	1.37%	4.51%
Cincinnati	13.44%	1.20%	4.34%
Cleveland	11.50%	1.06%	4.19%
Columbus	11.78%	0.98%	4.11%
Dallas	12.10%	1.08%	4.22%
Dayton	10.67%	0.96%	4.09%
Denver	14.77%	1.26%	4.40%
Detroit	16.27%	1.36%	4.50%
Hartford	15.56%	1.27%	4.41%
Houston	20.53%	1.62%	4.77%
Huntsville	10.06%	0.90%	4.03%
Indianapolis	9.83%	0.90%	4.03%
Kansas City	10.26%	0.90%	4.02%
Los Angeles	17.71%	1.43%	4.57%
Miami	13.81%	1.21%	4.35%

<sup>[1]</sup> Locality pay areas are defined in 5 CFR 531.603(b) and are available at [opm.gov/oca/03tables/locdef.asp](http://opm.gov/oca/03tables/locdef.asp).

<sup>[2]</sup> The 2003 locality rate replaces the 2002 rate. It is not paid in addition to or on top of the 2002 locality rate.

<sup>[3]</sup> This column shows the increase in total pay attributable to the new locality rates, rounded to two decimal places.

<sup>[4]</sup> The total increase includes the retroactive locality pay increase and the 3.1 percent across-the-board increase that became effective in January 2003 and is rounded to two decimal places.

Locality Pay Area <sup>[1]</sup>	New Locality Rate <sup>[2]</sup>	Increase Attributable to New Locality Rate <sup>[3]</sup>	Total Increase Over <sup>[4]</sup>
Milwaukee	11.20%	1.04%	4.18%
Minneapolis	12.84%	1.15%	4.28%
New York	16.83%	1.39%	4.53%
Orlando	9.65%	0.90%	4.03%
Philadelphia	13.43%	1.18%	4.31%
Pittsburgh	10.52%	0.91%	4.04%
Portland	12.97%	1.19%	4.33%
Richmond	10.75%	0.98%	4.12%
Sacramento	13.29%	1.16%	4.30%
St. Louis	9.99%	0.93%	4.06%
San Diego	14.07%	1.22%	4.35%
San Francisco	21.08%	1.71%	4.87%
Seattle	13.11%	1.20%	4.34%
Washington, DC	12.74%	1.13%	4.27%
Rest of U.S.	9.62%	0.90%	4.03%

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**ATTACHMENT 3**

**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 (9.62 percent).

The resulting 2003 locality rate of pay is \$38,936. The total increase is 4.03 percent, as illustrated in the chart below.

Accessible version of Next image demonstrating a Sample Calculation