



National Security Personnel System Local Market Supplements Fact Sheet April 2006

This Fact Sheet provides general information concerning local market supplements (LMSs). For more information on LMSs and other NSPS subjects, please visit the NSPS web page at <http://www.cpms.osd.mil/nsps>.

General

Local market supplements (LMSs) are additional payments to employees in specified local market areas, occupations, specializations, or pay bands that are not adequate by world-wide pay band rate ranges. LMSs replace locality pay and special salary rates in NSPS. There are no special salary rates in NSPS.

LMSs are added to base salary. These supplements are calculated as a percentage of base salary and will be set and adjusted by the Department of Defense (DoD). Occupation, specialization (e.g., nurse-anesthetist), pay band, and official worksite determine which LMS is applicable to an employee.

For employees converting to NSPS in Spiral 1.1, the standard LMS will be the same as GS locality pay for each area. Employees are eligible to receive a LMS adjustment if they have a rating of record of Level 2 (Fair) or higher.

LMS and Base Salary

LMSs are considered basic pay for:

- Retirement deductions, contributions, and benefits
- Life Insurance premiums and benefits
- Premium pay
- Severance pay
- Cost-of-living allowances and post differentials
- Overseas allowances and differentials
- Recruitment, relocation, and retention incentives; supervisory differentials; and extended assignment incentives
- Lump-sum payments for accumulated and accrued annual leave
- Other payments and adjustments authorized by DoD

About Local Market Supplement Adjustments

At least once a year, DoD reviews LMSs and adjusts them as appropriate. A variety of factors are reviewed in making LMS determinations, such as:

- Mission requirements
- Labor-market conditions

- Availability of funds
- Allowances and differentials, such as those paid to employees overseas and in Alaska and Hawaii
- Similar pay adjustments received by employees of other federal agencies

Within the same local market area, different supplements may be necessary and approved for different career groups or for different occupations, specializations, or pay bands within the same career group.

Initially, DoD will use existing GS locality pay area definitions for standard local market areas, but has the authority to redefine areas in the future.

DoD will also identify the geographic coverage for a LMS that applies to a specific occupation, specialization, or pay band (referred to as “targeted” LMS).

Relationship of Performance to LMS

Employee eligibility for an increase to LMS is contingent on performance. Employees with a rating of record of unacceptable are not eligible for increases to LMS.

Special Note

LMS is not portable. When an employee moves into a different position or geographic location, the employee receives the LMS for the new position or location. Employees will not retain a higher LMS.

LMS replaces both GS locality pay and special rate supplements.

Frequently Asked Questions

Question: At the time of conversion to NSPS, will the LMS be the same as the locality pay employees are currently receiving?

Answer: Yes, at time of conversion the standard LMS will be the same as GS locality pay for each area. Employees will convert to NSPS without a loss in pay.

Question: What about employees who are receiving a special salary rate?

Answer: In most cases, special salary rates will be subsumed within the broader pay ranges of the NSPS pay bands (including the addition of the standard local market supplement). For employees paid from a special salary table that has a maximum that exceeds the pay band maximum (plus the applicable standard LMS), a targeted LMS will be established. The targeted LMS will ensure that such employees will convert to NSPS without a loss in pay. At the time of conversion, employees' GS adjusted salary (base rate plus special rate supplement) will be the same as their NSPS adjusted salary (base rate plus local market supplement).

Question: Will DoD employees outside the continental United States (OCONUS) receive an LMS when they transition to NSPS?

Answer: In the initial implementation of NSPS in OCONUS locations, only employees who receive a special salary rate under the General Schedule that is not subsumed within the NSPS pay band into which they convert will receive an LMS when they transition to NSPS.

Question: What happens to cost-of-living allowances (COLAs) for nonforeign areas under NSPS (e.g., those that apply in Alaska and Hawaii)?

Answer: NSPS implementation will have no effect on nonforeign area COLAs. The Department has no authority to change nonforeign area COLAs, which are established by the Office of Personnel Management.

Question: If an employee moves from one local market area to another, could the local market supplement change (go up or down)?

Answer: Yes. Just as locality pay may increase or decrease when an employee moves from one locality pay area to another (e.g., moving from Norfolk, VA to San Diego, CA) the local market supplement may increase or decrease as a result of a move.

Question: Do all employees in a given pay band receive an increase in the LMS that applies to their pay band?

Answer: No. Employees with a rating of unacceptable do not.

Question: Could DoD reduce an LMS?

Answer: Similar to GS locality pay percentages, which are subject to being increased, decreased, or left unchanged during the annual adjustment process each January, NSPS LMS may also be increased, decreased, or left unchanged. Under NSPS all LMS will be reviewed at least annually for possible adjustment that will be effective the first pay period beginning in January. While there is the possibility of an LMS being decreased, experience with GS locality pay indicates that this would be a rare occurrence (no locality pay percentage has been reduced since GS locality pay was first introduced).

Question: Is the LMS included in performance-based payout calculations?

Answer: No. Performance-based payout calculations use employees' base salary only.