



# Examples of New Pay-Setting Rules

*Working for America*

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



# Message from the President

*“America depends on thousands of Federal employees who help keep this country strong and ensure that our government functions effectively.”*

**- George W. Bush**





# Authorizing Legislation

---

- Section 301 of Federal Workforce Flexibility Act of 2004 (Public Law 108-411, October 30, 2004)
- Effective date: May 1, 2005
- Affected regulations:
  - Part 530, subpart C (special rates)
  - Part 531, subparts B, C, D, F, and G (pay administration)
  - Part 536 (grade & pay retention)
  - Other (conforming changes)



# GS Pay Setting: General

---

- Defining “rate of basic pay” to include locality rate in applying maximum payable rate rule, promotion rule, etc.
- “Position of record” and “official worksite”
- “Highest applicable rate range” and “payable rate” (Note: Hybrid range)
- Geographic conversion rule
- Simultaneous pay actions



# Pay-Setting Examples

---

- Termination of a Special Rate on May 1, 2005
- Converting Retained Rates on May 1, 2005
- Geographic Conversion
- Maximum Payable Rate Rule—GS and Non-GS HPR
- Promotions—Standard and Alternate Methods
- Grade Retention
- Pay Retention
- Retained Rate Geographic Conversion

## Termination of a Special Rate on May 1, 2005

(Ex. 1, Pay Action Examples Other than Promotions and Grade and Pay Retention)

---

Special rates in Denver for IT specialists on table 999D at GS-13 were terminated on May 1, 2005, because the applicable locality rates exceed the special rates at all steps. The special rates were underlying rates of pay. The employee has no further entitlement to a special rate. (See 5 U.S.C. 5305(h) and 5 CFR 530.303(d).)

### April 30, 2005

- GS-13, step 7, locality rate—\$91,345
- GS-13, step 7, underlying IT special rate—\$83,562

### May 1, 2005

- GS-13, step 7, locality rate—\$91,345
- GS-13, step 7, underlying GS rate—\$77,372



## Converting Retained Rates on May 1, 2005

(Ex. 1, Grade and Pay Retention Examples)

---

Convert locality-adjusted retained rates to new retained rates of an equal amount on May 1, 2005. Employees will not receive locality pay on top of the converted retained rates. Process this conversion before any other pay action that takes effect on May 1, 2005. (See 5 CFR 536.309.)

### April 30, 2005

GS-11, step 00, in the Rest of U.S. (RUS) locality pay area

- Retained rate—\$59,744
- Locality rate—\$66,746 ( $\$59,744 \times 1.1172$  RUS locality payment)

### May 1, 2005

- Converted retained rate = \$66,746 (equal to former locality-adjusted retained rate)



# GS Pay Setting: Geographic Conversion

---

- Apply geographic conversion rule if “official worksite” is changed to new location where different pay schedules would apply to employee’s position of record before move
- Find corresponding rates on new pay schedules (i.e., same grade and step)
- Use resulting rates as existing rates of pay in applying next simultaneous pay action





# GS Pay Setting: Simultaneous Pay Actions

---

- Order of precedence for processing simultaneous pay actions:
  - 1) General pay adjustments
  - 2) Geographic conversion
  - 3) Within-grade increases and QSIs
  - 4) Promotion
  - 5) Other
- Existing rate



## Geographic Conversion

(Ex. 1 & 2, Simultaneous Pay Actions)

---

When an employee's official worksite is changed to a new location, convert the employee to the applicable pay schedule(s) and rate(s) of basic pay for the new official worksite based on the employee's position of record and step before processing any simultaneous pay actions.

### Special Rate to Non-Special Rate

- GS-1529-11, step 5, in DC on SR table 0032—\$67,165
- GS-1529-11, step 5, in Pittsburgh (no SR)—\$57,864 (LR)

### Non-Special Rate to Special Rate

- GS-0343-7, step 1, in Philadelphia (no SR)—\$35,663 (LR)
- GS-0083-7, step 1, in New York on SR table 983E—\$44,322



# GS Pay Setting: Maximum Payable Rate (MPR) Rule

---

- If highest previous rate (HPR) = GS or LEO rate, determine MPR in grade in which pay is currently being set by comparing HPR to GS or LEO range for that grade in effect at same time
- If HPR = special rate, apply geographic conversion (if applicable) and then compare resulting rate to highest applicable rate range for current position
- If HPR = rate under non-GS pay system, determine MPR by comparing HPR to highest applicable rate range (in GS system) in effect at time and place where HPR earned

## Reappointment Using GS Rate as HPR

(Ex. 6, Pay Actions Other than Promotions and Grade and Pay Retention)

Employee hired as GS-7 in Seattle (non-SR). Use the underlying GS rate as the HPR in applying the maximum payable rate rule (5 CFR 531.221(b) and 531.222(b)).

- HPR—GS-9, step 2, in Portland in 1997
- Locality rate—\$32,437
- GS rate—\$30,563

Step A: Compare \$30,563 with GS rates in effect when the HPR was earned for the grade in which pay is currently being set (i.e., the 1997 rates for GS-7).

Step B: Identify the lowest step in the 1997 GS-7 rate range at which the GS rate was equal to or greater than \$30,563.

1997 GS	1	2	3	4	5	6	7	8	<b>9</b>	10
GS-7	24,178	24,984	25,790	26,596	27,402	28,208	29,014	29,820	<b>30,626</b>	31,432

## Reappointment Using GS Rate as HPR—cont'd

(Ex. 6, Pay Actions Other than Promotions and Grade and Pay Retention)

Step C: Identify the rate on the 2005 range of GS rates for the employee's current position of record and grade that corresponds to the step identified in Step B. This is the maximum payable GS rate the agency may pay the employee.

2005 GS	1	2	3	4	5	6	7	8	<b>9</b>	10
GS-7	30,567	31,586	32,605	33,624	34,643	35,662	36,681	37,700	<b>38,719</b>	39,738

Step D: The agency may set the employee's GS rate at any rate in the GS-7 rate range up to step 9. After setting the GS rate, the agency determines the employee's payable locality rate corresponding to that GS rate.

## Reappointment Using Non-GS Rate as HPR

(Ex. 8, Pay Actions Other than Promotions and Grade and Pay Retention)

Former U.S. Capitol Police officer hired as GS-7 police officer in DC. HPR is \$39,427 as Capitol Police officer in DC in 2002. (See 5 CFR 531.221(d).)

Step A: Compare \$39,427 with highest applicable rate range that applied to GS-7 police officers in DC in 2002. Identify the lowest step in that range that was equal to or higher than \$39,427. The highest applicable rate range was the 2002 special rate table 0065.

2002 0065	1	2	3	4	5	6	7	8	9	10
GS-7	33,798	34,737	35,676	36,615	37,554	38,493	39,432	40,371	41,310	42,249

## Reappointment Using Non-GS Rate as HPR—cont'd

(Ex. 8, Pay Actions Other than Promotions and Grade and Pay Retention)

Step B: Convert the step rate identified in Step A to a corresponding rate on the highest applicable rate range that applies to GS-7 police officers in DC in 2005. The highest applicable rate range is the GS-7 range on SR table 983D. This is the maximum payable GS rate the agency may pay the employee.

2005 983D	1	2	3	4	5	6	7	8	9	10
GS-7	43,099	44,536	45,973	47,410	48,847	50,283	51,720	53,157	54,594	56,031



# GS Pay Setting: Promotion Rule

---

- Apply two-step increase rule using the underlying GS (or LEO) schedule
- Determine payable rate for resulting step or rate (i.e., add any applicable supplement)
- Compare payable rate to “highest applicable rate range,” and set pay at lowest step rate that equals or exceeds that rate
- Continue to have special rules if above method produces rate greater than range max or if employee has retained rate before promotion





# GS Pay-Setting: Promotion Rule

---

- If “official worksite” changes to location where different pay schedules apply, apply geographic conversion before applying promotion rule
- Converted rates based on old position of record and new official worksite
- After geographic conversion, apply promotion rule using converted rate as existing rate; compare payable rate (reflecting 2-step increase) to highest applicable rate range for position after promotion

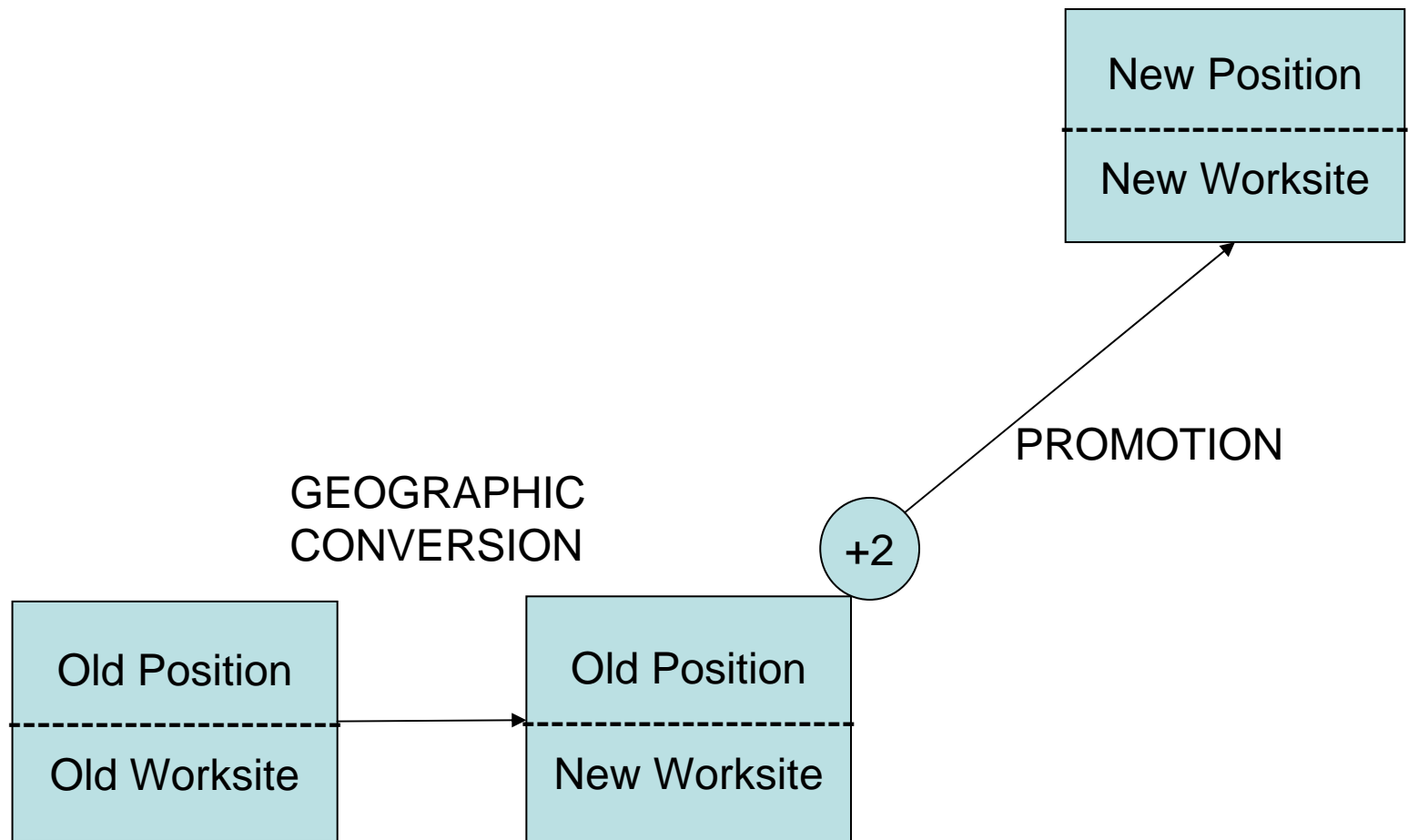


# GS Pay-Setting: Promotion Rule

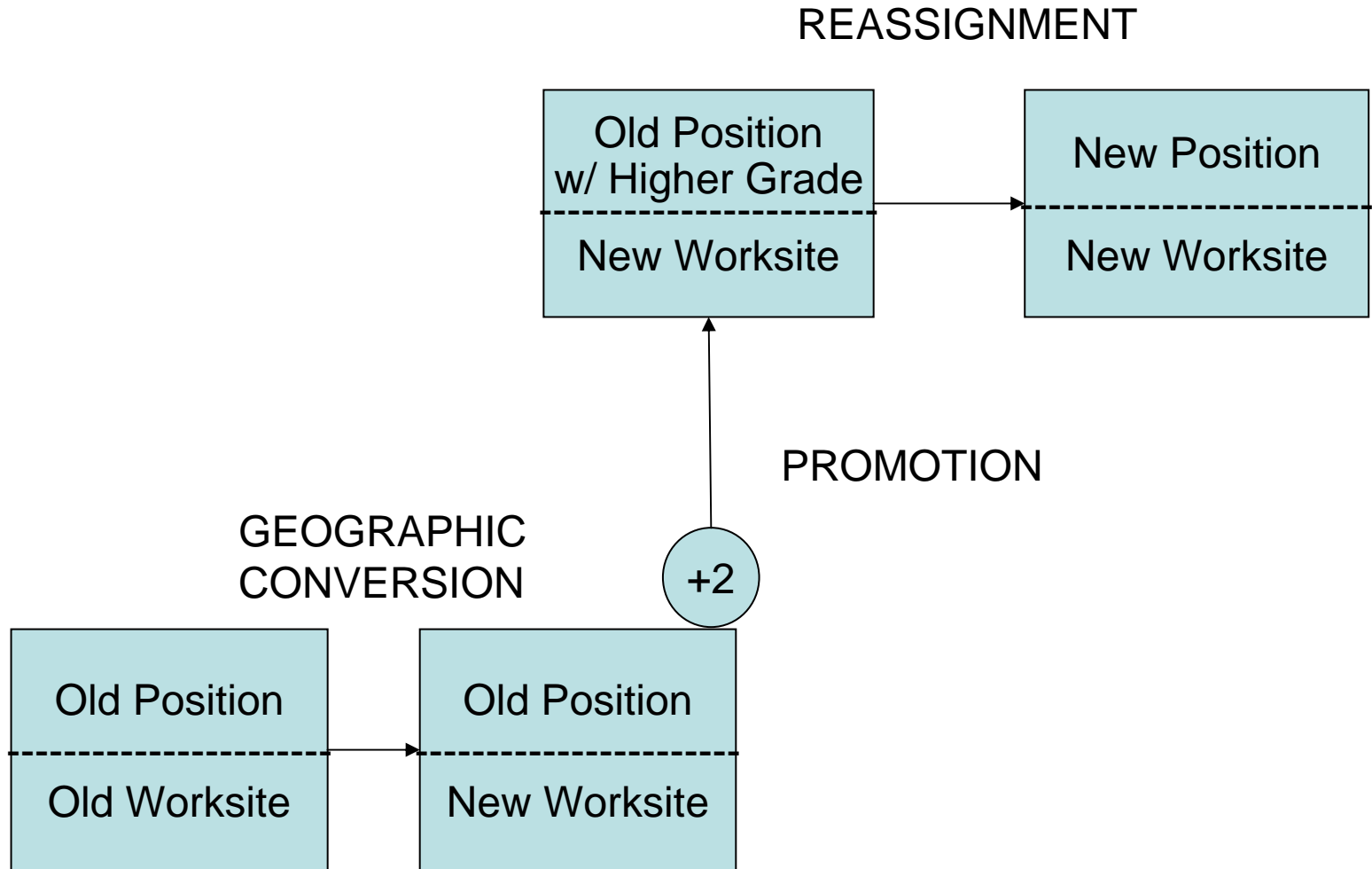
---

- “Alternate method” when (after geographic conversion) different pay schedules apply to position before promotion and position after promotion
- Example situations:
  - Non-special rate to special rate
  - Lower-paying special rate schedule to higher-paying special rate schedule
  - Change in LEO status
- Apply promotion rule using pay schedules that apply to existing position of record, then laterally convert resulting payable rate to the corresponding step rate in highest applicable rate range for the position after promotion
- Generally use alternate method only when it produces higher result (unless special exception applies)

# Standard Promotion Method



# Alternate Promotion Method



## Promotion—Non-SR to Non-SR

A GS-13, step 7, HR specialist is promoted to a GS-14 HR specialist position. Both positions are in Washington, DC, and neither position is covered by a special rate.

Standard Method:

Step A: Using underlying GS rates, increase GS-13/7 by two WGs to produce a GS-13/9 rate.

2005 GS	1	2	3	4	5	6	7	8	9	10
GS-13	64,478	66,627	68,776	70,925	73,074	75,223	<b>77,372</b>	79,521	<b>81,670</b>	83,819

# Promotion—Non-SR to Non-SR—cont'd

Step B: Determine the payable (highest) basic rate for GS-13/9. The payable basic rate is the GS-13/9 DC locality rate.

2005 DC-LR	1	2	3	4	5	6	7	8	<b>9</b>	10
GS-13	74,782	77,274	79,766	82,259	84,751	87,244	89,736	92,228	<b>94,721</b>	97,213

Step C: Set the employee's rate of basic pay at the lowest step rate in the highest applicable rate range that applies to GS-14 HR specialists in DC that equals or exceeds \$94,721. The highest applicable rate range is the DC locality rate range. GS-14, step 4, is the employee's payable rate of basic pay.

2005 DC-LR	1	2	3	<b>4</b>	5	6	7	8	9	10
GS-14	88,369	91,315	94,260	<b>97,206</b>	100,152	103,098	106,044	108,990	111,936	114,882



## Promotion—SR to Non-SR

(Ex. 1, Promotion Examples)

---

- GS-11, step 5, police officer in LA is promoted to a GS-12 police officer position in San Francisco. In San Francisco—
  - A special rate schedule would apply to GS-11 police officers, and
  - A locality rate range applies to GS-12 police officers (no SR).
- After geographic conversion, different pay schedules apply in San Francisco before and after promotion. Under 5 CFR 531.214(d)(2), use the alternate method and the standard method and compare the results to see which is greater.
- However, since there is no change in the position of record other than the grade and no special rates apply at grade 12, the alternate method and standard method would produce the same result. Therefore, use the standard method.

## Promotion—SR to Non-SR—cont'd

(Ex. 1, Promotion Examples)

Standard Method:

Step A: Apply the geographic conversion rule.

- GS-0083-11/5 in LA—\$51,271 (GS rate) & \$64,089 (SR 983E)
- GS-0083-11/5 in SF—\$51,271 (GS rate) & \$67,859 (SR 983F)

Step B: Using underlying GS rates, increase GS-11/5 by two WGIs to produce a GS-11/7 rate.

2005 GS	1	2	3	4	5	6	7	8	9	10
GS-11	45,239	46,747	48,255	49,763	51,271	52,779	54,287	55,795	57,303	58,811



# Promotion—SR to Non-SR—cont'd

(Ex. 1, Promotion Examples)

Step C: Determine the payable (highest) basic rate for GS-11/7. The payable basic rate is GS-11/7 SR on table 983F.

2005 983F	1	2	3	4	5	6	<b>7</b>	8	9	10
GS-11	61,827	63,335	64,843	66,351	67,859	69,367	<b>70,875</b>	72,383	73,891	75,399

Step D: Set the employee's rate of basic pay at the lowest step rate in the highest applicable rate range for GS-12 police officers in SF that equals or exceeds \$70,875. The highest applicable rate range is the SF locality rate range. GS-12, step 3, is the employee's payable rate of basic pay.

2005 SF-LR	1	2	<b>3</b>	4	5	6	7	8	9	10
GS-12	68,530	70,814	<b>73,098</b>	75,382	77,665	79,949	82,233	84,517	86,801	89,085



## Promotion—Non-SR to SR

(Ex. 2, Promotion Examples)

---

- GS-301-9, step 7, employee in Atlanta is promoted to a GS-11 IT position in DC. In DC—
  - A locality rate range applies to GS-301-9 position (no SR), and
  - A special rate range applies to GS-11 IT positions.
- After geographic conversion, different pay schedules apply in DC before and after promotion, and the promotion involves a change in occupational series.
- Under 5 CFR 531.214(d)(2), use the alternate method and the standard method and compare the results to see which is greater.

## Promotion—Non-SR to SR—cont'd

(Ex. 2, Promotion Examples)

Alternate Method:

Step A: Apply the geographic conversion rule.

- GS-301-9/7 in Atlanta—\$44,866 (GS rate) & \$51,089 (LR)
- GS-301-9/7 in DC—\$44,866 (GS rate) & \$52,036 (LR)

Step B: Using underlying GS rates, increase GS-9/7 by two WGs to produce a GS-9/9 rate.

2005 GS	1	2	3	4	5	6	7	8	9	10
GS-9	37,390	38,636	39,882	41,128	42,374	43,620	<b>44,866</b>	46,112	<b>47,358</b>	48,604

# Promotion—Non-SR to SR—cont'd

(Ex. 2, Promotion Examples)

Step C: Determine the employee's payable (highest) rate of basic pay for GS-301-9, step 9, in DC (LR).

2005 DC-LR	1	2	3	4	5	6	7	8	<b>9</b>	10
GS-9	43,365	44,810	46,255	47,700	49,145	50,590	52,036	53,481	<b>54,926</b>	56,371

Step D: Set the employee's rate of basic pay at the lowest step rate in the highest applicable rate range for GS-301-11 positions in DC that equals or exceeds \$54,926. The highest applicable rate range is the DC locality rate range.

2005 DC-LR	1	2	<b>3</b>	4	5	6	7	8	9	10
GS-11	52,468	54,217	<b>55,966</b>	57,715	59,464	61,213	62,962	64,711	66,460	68,209

# Promotion—Non-SR to SR—cont'd

(Ex. 2, Promotion Examples)

Step E: Convert the GS-11, step 3, LR to the higher GS-11, step 3, SR that applies to the employee's new IT position on table 999C. This is the employee's payable rate of basic pay upon promotion.

2005 999C	1	2	<b>3</b>	4	5	6	7	8	9	10
GS-11	54,287	56,096	<b>57,906</b>	59,716	61,525	63,335	65,144	66,954	68,764	70,573

Step F: Apply the standard method. Set the GS-9, step 9, LR of \$54,926 from Step C in the GS-11 IT SR range on table 999C to produce a rate of GS-11, step 2, or \$56,096. The employee receives the rate of \$57,906 from Step E, since that rate is greater than \$56,096 (standard method).

2005 999C	1	<b>2</b>	3	4	5	6	7	8	9	10
GS-11	54,287	<b>56,096</b>	57,906	59,716	61,525	63,335	65,144	66,954	68,764	70,573



# Grade Retention—SR to non-SR (no geo. conv.)

(Ex. 2, Grade and Pay Retention Examples)

---

- GS-9, step 3, police officer in a SR position in LA is placed via RIF in a GS-8 non-SR position in LA. Determine the employee's rate of basic pay as follows:

Step A: Compare the highest applicable rate for the former position with the highest applicable rate for the new position at the same grade and step.

- GS-9/3, SR (table 983E): \$53,841 (former position)
- GS-9/3, LA LR: \$48,516 (new position with retained grade)

Since the rate for the new position is less than the rate for the former position, use pay retention rules to set pay.

# Grade Retention—SR to non-SR—cont'd

(Ex. 2, Grade and Pay Retention Examples)

Step B: Compare the employee's existing payable rate of \$53,841 to the maximum rate of the highest applicable rate range for the employee's new position and retained grade.

2005 LA-LR	1	2	3	4	5	6	7	8	9	<b>10</b>
GS-9	45,485	47,001	48,516	50,032	51,548	53,064	54,579	56,095	57,611	<b>59,127</b>

Step C: Since the employee's existing payable rate of \$53,841 is less than the step 10 LA LR of \$59,127, the employee is entitled to the lowest step in that range that equals or exceeds the existing payable rate.

2005 LA-LR	1	2	3	4	5	6	<b>7</b>	8	9	10
GS-9	45,485	47,001	48,516	50,032	51,548	53,064	<b>54,579</b>	56,095	57,611	59,127

# Pay Retention—SR to non-SR (geo. conv.)

## (Ex. 8, Grade and Pay Retention Examples)

- GS-2210-9, step 8, IT employee in SR position in San Jose (\$64,096 on SR table 999F) is involuntarily reassigned to a GS-343-9 non-SR position in San Diego and is entitled to pay retention. Determine the employee's pay retention entitlement as follows:

### *Geographic Conversion Rule*

Step A: Identify the highest applicable rate range that would apply to the IT position in San Diego.

- Highest applicable pay schedule for GS-2210-9 in SD—IT SR table 999C

Step B: Determine the employee's converted payable rate for GS-9, step 8, on IT SR table 999C.

2005 999C	1	2	3	4	5	6	7	<b>8</b>	9	10
GS-9	48,607	50,227	51,847	53,466	55,086	56,706	58,326	<b>59,946</b>	61,565	63,185



# Pay Retention—SR to non-SR—cont'd

(Ex. 8, Grade and Pay Retention Examples)

## *Pay Retention Rules*

Step C: Compare the employee's existing payable rate of \$59,946 from Step B to the maximum rate of the highest applicable rate range for the employee's new GS-343-9 position (San Diego LR range).

2005 SD-LR	1	2	3	4	5	6	7	8	9	<b>10</b>
GS-9	44,001	45,467	46,933	48,399	49,866	51,332	52,798	54,265	55,731	<b>57,197</b>

Since \$59,946 is greater than \$57,197, the employee is entitled to a retained rate of \$59,946.



# Retained Rate Geographic Conversion

## (Ex. 13, Grade and Pay Retention Examples)

---

- GS-7, step 00, employee in Seattle with a retained rate of \$46,600 moves to a new official worksite in Sacramento without a change in grade. Convert the employee's retained rate to the new geographic location as follows:

### *Geographic Conversion Rule*

Step A: Identify the maximum rate for the highest applicable rate range that applies to the employee's former position of record in the former official worksite.

- GS-7, step 10, Seattle locality rate—\$46,307

Step B: Identify the maximum rate for the highest applicable rate range that applies to the employee's former position of record in the new official worksite.

- GS-7, step 10, Sacramento locality rate—\$46,299

## Retained Rate Geographic Conversion—cont'd

(Ex. 13, Grade and Pay Retention Examples)

---

Step C: Divide the maximum rate in Step B (\$46,299) by the maximum rate in Step A (\$46,307), and round the result to the fourth decimal place.

$$\$46,299 \div \$46,307 = 0.9998$$

Step D: Multiply the factor from Step C (0.9998) by the employee's former retained rate (\$46,600) and round to the nearest whole dollar. This result is the employee's converted retained rate in Sacramento.

$$0.9998 \times \$46,600 = \$46,591$$

Note: The former retained rate was approximately 0.6% above the maximum rate of the Seattle LR range. The converted retained rate is approximately 0.6% above the maximum rate of the Sacramento LR range.



# Retained Rate Geographic Conversion—cont'd

## (Ex. 13, Grade and Pay Retention Examples)

---

### *Pay Retention Rules*

Step E: Identify the highest applicable rate range for the employee's new position in Sacramento.

- If \$46,591 from Step D is greater than the maximum rate of that range, the employee is entitled to a retained rate of \$46,591.
- If \$46,591 from Step D is less than the maximum rate of that range, the employee is entitled to the maximum rate.



# Changes in GS Pay Administration Rules

---

## ***Additional Information***

- *Interim regulations, memorandum, and guidance:*  
[www.opm.gov/oca/compmemo/2005/2005-10.asp](http://www.opm.gov/oca/compmemo/2005/2005-10.asp)
- *Comments on regulations may be submitted by email to*  
[pay-performance-policy@opm.gov](mailto:pay-performance-policy@opm.gov) *or by fax to (202) 606-0824 by August 1, 2005.*