



**DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010**

DEC 30 2010

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
COMMANDERS OF THE COMBATANT COMMANDS
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Implementing Pay Adjustments under DoD Authorities

On December 22, 2010, the President signed into law H.R. 3082. The law provides FY 2011 appropriations through March 4, 2011, for continuing projects and activities of the Federal Government by further amending Public Law 111-242, the Continuing Appropriations Act, 2011. The law provides that no statutory pay adjustment be made under section 5303, 5304, 5304a, 5318, or 5343(a) of title 5, United States Code, or any similar adjustment required by statute for employees in an executive agency. A special provision allows a limited payment of locality rates of pay in Alaska, Hawaii, and other non-foreign areas in order to comply with the Non-Foreign Area Retirement Equity Assurance Act of 2009 (subtitle B of title XIX of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84, October 28, 2009)), under which employees receive locality pay increases to offset reductions in cost-of-living allowances.

The President directed that Heads of Agencies implement that pay freeze in a manner that ensures consistent treatment of executive branch civilian employees. The Secretary of Defense and the Secretaries of the Military Departments have the authority to set civilian compensation under various statutes, including authorities under titles 5, 10, 20, and 38 of the United States Code. Many of these authorities permit pay adjustments similar to those under title 5, but for which there is no statutory requirement for adjustment.

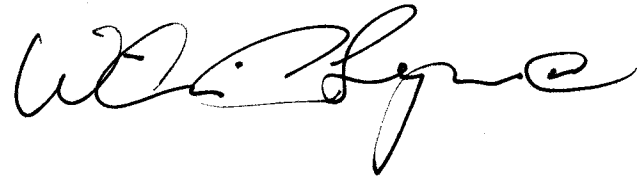
Therefore, to ensure the President's intent with regard to pay adjustments is applied in a fair and equitable manner across the Department of Defense, I exercise my discretion under all DoD civilian pay setting authorities to direct that no discretionary pay adjustments will be made under authorities that are similar to those mentioned in the newly-enacted law, during the period



OSD 14951-10



beginning January 1, 2011, and ending on December 31, 2012. The Secretaries of the Military Departments and other Senior Leaders shall exercise their respective civilian pay setting authorities in the same manner. In situations where the Office of Personnel Management has provided specific guidance on the handling of pay adjustments under negotiated agreements, that guidance shall be controlling.

A handwritten signature in black ink, appearing to read "W. B. Lynne". The signature is fluid and cursive, with a large, stylized initial "W" and a long, sweeping tail.