



The Director

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

JUL 09 2007

MEMORANDUM FOR CHIEF HUMAN CAPITAL OFFICERS

FROM: LINDA M. SPRINGER
Director

A handwritten signature in blue ink, appearing to read "LMS", written over the printed name and title.

SUBJECT: 2007 Annual Review of Special Rates

This memorandum announces the 2007 annual review of special rates authorized under 5 U.S.C. 5305 and 5 CFR part 530, subpart C. The U.S. Office of Personnel Management (OPM) authorizes special rates for specific occupations, grades, and locations to alleviate existing or likely significant recruitment or retention problems. Under 5 CFR 530.307(a), OPM may, at any time, conduct general or targeted reviews of established special rates to determine whether they should be increased, decreased, or discontinued based on staffing considerations. By this memorandum, OPM is requesting that agencies conduct a general review of special rates for the purpose of determining the special rate adjustments that should be made in January 2008 in conjunction with the General Schedule (GS) annual pay adjustment.

OPM Review and Adjustment of Special Rates

Under 5 CFR 530.304(c), a special rate generally is computed by adding a special rate supplement (i.e., a fixed dollar amount or fixed percentage amount) to the underlying GS rate. At the time of a GS annual pay adjustment, special rate employees will receive the same adjustment in their underlying GS rate (or LEO special base rate) as other GS employees. However, OPM must make a separate determination as to whether to adjust (increase or decrease) or discontinue a special rate supplement, taking into account the circumstances and factors that led to establishing the special rate schedule. Based on the adjustment of a special rate supplement, the corresponding special rate (i.e., underlying GS rate plus supplement) may be increased, reduced, or discontinued.

We are using an exception-based approach for the annual review. Under this approach, agencies must submit information to OPM only if they are requesting a special rate adjustment greater than or less than the January 2008 GS annual pay adjustment under 5 U.S.C. 5303 or similar provision of law. OPM will review such agency submissions and make determinations regarding the appropriate adjustment in the affected special rate schedules. All other special rate schedules will be adjusted by the same percentage as the January 2008 GS pay adjustment.

Attachment 1 provides detailed instructions for requesting an adjustment in a special rate supplement that is greater than or less than the January 2008 GS annual pay adjustment and other information about the exception-based approach. **Attachment 2** provides an index of the current special rate schedules by agency. Agencies must submit requests to OPM to adjust (increase or decrease) or discontinue a special rate supplement by **October 12, 2007**.

Terminated Special Rates

Under 5 U.S.C. 5305(h) and 5 CFR 530.303(d), an employee's entitlement to a special rate is eliminated if the employee is entitled to a higher rate of basic pay, such as a locality rate under 5 U.S.C. 5304. As a result of the January 2008 GS annual pay adjustment, some special rate schedules may be terminated because higher locality rates apply at all steps of each covered grade, or certain grades or steps of a special rate schedule may be discontinued because higher locality rates apply. Some special rates also may be terminated because the applicable locality rate is equal to the special rate. The termination of special rates will not result in a loss in pay for any covered employees because all affected employees will receive an equal or higher locality rate to which they are otherwise entitled. OPM will notify agencies of any terminated special rates when we announce the results of the 2007 annual review of special rates.

Discontinued or Decreased Special Rates

If a special rate schedule (or grade of a schedule) applicable to a position is discontinued or decreased by OPM, and the employee holding the position is placed in a non-special rate position or a lower-paid special rate position, the employee may be entitled to pay retention under 5 CFR 536.301(a)(8). Agencies must follow the rules in 5 CFR 536.304 to determine the employee's pay retention entitlement. (See also the *Grade and Pay Retention Examples* at http://www.opm.gov/oca/pay/HTML/Grade_PayRetention_EX.asp.)

We ask agency headquarters to bring any problems encountered in implementing the annual review process to our attention as they arise. You may contact the Center for Pay and Leave Administration by telephone at (202) 606-2858, by fax at (202) 606-0824, or by email at pay-performance-policy@opm.gov.

cc: Human Resources Directors

Attachments

2007 ANNUAL REVIEW INSTRUCTIONS

1. General

The U.S. Office of Personnel Management (OPM) is conducting the 2007 review of special rates authorized by 5 U.S.C. 5305 and 5 CFR part 530, subpart C. OPM authorizes special rates for specific occupations, grades, and locations to alleviate existing or likely recruitment or retention problems. The special rate schedules applicable to your agency are listed in the index in Attachment 2. Please note that the six schedules for information technology (IT) employees, tables 999A-999F, are listed in the third row of the index and are applicable to all agencies employing General Schedule (GS) employees even though they are not shown in the individual agency listings.

2. Deadline

Agencies must submit all annual review materials to OPM by **October 12, 2007**, unless an extension is approved by OPM. Please send your materials to the Center for Pay and Leave Administration by email at pay-performance-policy@opm.gov, by fax at (202) 606-0824, or by mail to the following address:

U.S. Office of Personnel Management
Division for Strategic Human Resources Policy
Center for Pay and Leave Administration
Attn: Special Rates Annual Review Team
1900 E Street, NW., Room 7H31
Washington, DC 20415-8200

3. Agency Reviews

In conducting the annual review of special rates, OPM relies on the reviews conducted by agencies employing special rate employees. In conducting their reviews, agencies must consider the circumstances and factors consistent with OPM's regulations at 5 CFR 530.304 and 530.306.

4. Adjustments Equal to the GS Adjustment

Agencies do not need to submit any documentation to request adjustments in special rate schedules equal to the GS annual pay adjustment in January 2008. As permitted by 5 CFR 530.307, special rate schedules will automatically be adjusted in January 2008 by the GS annual pay adjustment without any agency action, unless OPM specifically approves an alternative adjustment. This means that fixed-dollar special rate supplements will be adjusted by approximately the same percentage as the January 2008 GS annual pay adjustment, while fixed-percentage supplements will remain at the same percentage amount.

5. Adjustments Greater Than the GS Adjustment

Agencies requesting special rate adjustments that are **greater** than the January 2008 GS annual pay adjustment must submit additional data in accordance with OPM regulations and the instructions on OPM Form 1397. (See 5 CFR 530.304 and 530.306.) Staffing data should cover the period from May 28, 2006, through May 26, 2007, if possible. (A copy of OPM Form 1397 is available at <http://www.opm.gov/oca/compmemo/2000/ssrpage.asp>.)

All requests for special rate adjustments greater than the January 2008 GS annual pay adjustment must address the existing or likely significant recruitment or retention problem justifying the proposed increase. Requests for special rate increases to keep up with GS locality pay increases or to maintain an advantage over GS locality rates without evidence of an existing or likely significant recruitment or retention problem will not be considered.

When determining whether to request a special rate adjustment greater than the January 2008 GS annual pay adjustment, agencies also should consider the use of other human resources flexibilities to address targeted, short-term recruitment and retention problems. These flexibilities include recruitment, relocation and retention incentives; the superior qualifications and special needs pay-setting authority; and the student loan repayment program. For example, recruitment, relocation, and retention incentives are appropriate for short-term staffing problems and do not confer the same ongoing impact on agency salary outlays associated with a special rate increase. Information on these flexibilities is available at <http://www.opm.gov/oca/pay/HTML/factindx.asp>.

6. Adjustments Less Than the GS Adjustment

Agencies requesting special rate adjustments that are **less than** the January 2008 GS annual pay adjustment must submit a written justification and any applicable supporting data in accordance with OPM regulations and the instructions on OPM Form 1397. Such a request may be appropriate if you have determined that special rates are no longer necessary to prevent a serious staffing problem and you wish to phase out special rates by freezing or reducing the special rate supplement. (See also "Requests for Reduction or Termination of Special Rate Schedules.")

7. Requests for Reduction or Termination of Special Rate Schedules

Agencies may request to reduce or terminate special rate schedules or grades of a schedule as part of the annual review process. These types of requests trigger the pay retention provisions of 5 U.S.C. 5363 for eligible employees. Therefore, OPM advises agencies to consider phasing out special rates that are no longer necessary by freezing or reducing special rate supplements without reducing the corresponding special rate. (A special rate supplement may be reduced without triggering pay retention as long as the employee's underlying base rate is increased simultaneously by a sufficient amount to prevent the employee's special rate from being reduced. In other words, if the increase in the underlying base rate exceeds the reduction in the special rate supplement, the employee will still have a net increase in his or her special rate.)

Termination of a special rate schedule may be appropriate if there are no longer any employees covered by that schedule. In this case, the affected agency or agencies should provide OPM Form 1397 indicating the termination of the schedule and that there are no covered employees.

8. Certification

The head of each agency must document and certify his or her recommendation for any special rate adjustment not equal to the January 2008 GS annual pay adjustment or to terminate a special rate schedule and submit such certification to OPM on OPM Form 1397. A headquarters official designated to act on behalf of the head of the agency may sign the certification.

If there are substantial differences among agency recommendations for a particular special rate schedule, OPM will designate a lead agency (usually the agency with the largest number of covered employees). OPM generally will be the lead agency for worldwide/nationwide schedules. The lead agency will be responsible for obtaining a consensus from the major agencies involved and submitting a final recommendation for that schedule. We expect each agency covered by a schedule to cooperate with the designated lead agency in attempting to reach a consensus.

9. New Requests Not Part of the Annual Review

Agencies should indicate how requests to establish a new special rate schedule submitted between now and December 31, 2007, relate to the anticipated January 2008 GS annual pay adjustment.

10. Effective Date

Adjustments in special rate schedules resulting from this year's annual review will take effect on the same date as the 2008 general GS adjustment—i.e., the first day of the first applicable pay period beginning on or after January 1, 2008. If there is no general GS adjustment in 2008, the amount of the special rate adjustment will be zero, unless an adjustment greater than the GS adjustment is requested and approved. Any such adjustment will take effect on the first day of the first applicable pay period beginning on or after January 1, 2008. However, OPM may authorize new schedules and changes in existing special rate schedules at any time during the year if all the required criteria for establishing or adjusting special rates are met. (Note: Incomplete requests for special rate supplement increases that are greater than the January 2008 GS annual pay adjustment may delay OPM review and approval beyond the first day of the applicable first pay period beginning on or after January 1, 2008.)

11. For More Information

For more information on the 2007 annual review of special rates, contact the Center for Pay and Leave Administration by telephone at (202) 606-2858, by fax at (202) 606-0824, or by email at pay-performance-policy@opm.gov. Agencies contemplating a request for an adjustment greater than or less than the January 2008 GS annual pay adjustment or a

reduction or termination of a special rate schedule should contact OPM's Center for Pay and Leave Administration for additional information and instructions.

INDEX TO TITLE 5 SPECIAL RATE TABLES
BY AGENCY

Agency	Subelem	Title	SPECIAL RATE TABLES																			
AN	00	AFRICAN DEVELOPMENT FOUNDATION	0029																			
AM	00	AGENCY FOR INTERNATIONAL DEVELOPMENT	0029	0499	0524																	
A*	00	ALL FEDERAL GOVERNMENT AGENCIES	999A	999B	999C	999D	999E	999F														
AB	00	AMERICAN BATTLE MONUMENTS COMMISSION	0414																			
BT	00	ARCHITECT & TRANS BARRIER COMPLIANCE BD	0029																			
LA	00	ARCHITECT OF THE CAPITOL	0029	0180	0304	0414	0422															
RH	01	ARMED FORCES RETIREMENT HOME-GULFPORT	0290																			
RH	02	ARMED FORCES RETIREMENT HOME-WASHINGTON	0029	0039	0156	0290	0303	0304	0334	0405	0414	0428										
IB	00	BROADCASTING BOARD OF GOVERNORS	0012	0029	0070	0414	0422															
DJ	03	BUR OF PRISONS/FEDERAL PRISON SYSTEM	0013	0466																		
HS	8D	BUREAU OF CUSTOMS AND BORDER PROTECTION	0348	0570	0571	0572	0573															
HE	39	CENTERS FOR DISEASE CONTROL & PREVENTION	0417																			
HB	00	CMTE FOR PURCH FRM BLIND & OTH SEV HAND	0029																			
CF	00	COMMISSION OF FINE ARTS	0029																			
CC	00	COMMISSION ON CIVIL RIGHTS	0029	0070																		
SK	00	CONSUMER PRODUCT SAFETY COMMISSION	0012	0029	0032	0057	0414	0422														
EQ	00	COUNCIL ON ENVIRONMENTAL QUALITY	0029																			
DD	07	DEFENSE LOGISTICS AGENCY	0105	0556	0562	983P	983S															
BF	00	DEFENSE NUCLEAR FACILITIES SAFETY BOARD	0029																			
AG		DEPARTMENT OF AGRICULTURE	0012	0023	0029	0032	0057	0070	0112	0115	0137	0155	0159	0222								
			0223	0256	0304	0305	0382	0414	0417	0422	0484	0490	0499	0524								
			0564																			
CM		DEPARTMENT OF COMMERCE	0012	0023	0029	0032	0057	0070	0071	0072	0159	0223	0304	0305								
			0414	0422	0569	0589	980D	983C	983D													
DD		DEPARTMENT OF DEFENSE (EXCL MIL DEPTS)	0012	0023	0029	0032	0057	0065	0070	0071	0072	0137	0150	0151								
			0152	0156	0174	0198	0223	0282	0302	0304	0305	0402	0414	0422								
			0428	0484	0567	0589																
ED		DEPARTMENT OF EDUCATION	0012	0023	0029	0057	0070															
DN	00	DEPARTMENT OF ENERGY	0012	0023	0029	0032	0137	0173	0290	0304	0305	0329	0349	0414								
			0415	0422	0499	0504																
HE		DEPARTMENT OF HEALTH AND HUMAN SERVICES	0012	0023	0029	0032	0039	0057	0070	0071	0112	0138	0168	0187								
			0269	0270	0271	0275	0290	0304	0305	0323	0329	0414	0417	0422								
			0474	0499	0524	983D																
HS	00	DEPARTMENT OF HOMELAND SECURITY	0012	0023	0029	0057	0070	0071	0112	0140	0159	0187	0224	0290								
			0304	0305	0316	0329	0334	0348	0365	0366	0414	0422	0499	980A								
			980B	980C	980D	980E	980F	983A	983B	983C	983D	983E	983F									
DJ		DEPARTMENT OF JUSTICE	0012	0013	0023	0029	0032	0057	0070	0071	0112	0124	0152	0187								
			0190	0214	0224	0230	0282	0286	0287	0288	0289	0290	0292	0293								
			0294	0296	0299	0300	0301	0304	0316	0357	0365	0366	0379	0384								
			0385	0410	0414	0422	0438	0440	0453	0464	0492	0495	0496	0497								
			0498	0502	0506	0510	0511	0518	0519	0527	0532	0539	0540	0541								
			0574	983A	983D	983E																
DL		DEPARTMENT OF LABOR	0012	0023	0029	0032	0057	0070	0071	0112	0137	0159	0304	0305								
			0414	0417	0422	0499																
ST	00	DEPARTMENT OF STATE	0012	0023	0029	0057	0070	0223	0290	0302	0304	0414	0422									
AF		DEPARTMENT OF THE AIR FORCE	0007	0011	0012	0023	0029	0032	0057	0065	0070	0071	0072	0105								
			0133	0134	0137	0143	0153	0156	0173	0174	0198	0202	0214	0224								
			0230	0238	0252	0278	0282	0290	0302	0303	0304	0305	0314	0316								
			0318	0328	0329	0334	0336	0354	0376	0405	0409	0414	0415	0422								

