



OFFICE OF THE DIRECTOR

UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT  
WASHINGTON, DC 20415-1000

AUG 11 2005

MEMORANDUM FOR CHIEF HUMAN CAPITAL OFFICERS

FROM: LINDA M. SPRINGER   
Director

SUBJECT: 2005 Annual Review of Special Rates

This memorandum announces the 2005 annual review of special rates authorized under 5 U.S.C. 5305 and 5 CFR part 530, subpart C. The 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. In addition, an authorized agency official may request OPM conduct a review of one or more special rate schedules. As part of OPM's 2005 annual review, we invite you to request a strategic review of specific special rate schedules covering your employees.

**OPM Review and Adjustment of Special Rates**

On May 31, 2005, OPM issued interim regulations implementing section 301 of the Federal Workforce Flexibility Act of 2004 (Public Law 108-411, October 30, 2004), which amends provisions in 5 U.S.C. chapter 53 relating to the administration of special rates, locality rates, and retained rates. (See <http://www.opm.gov/oca/compmemo/2005/2005-10.asp>.) Under § 530.304(c), a special rate is computed by adding a special rate supplement (i.e., a fixed dollar amount or fixed percentage amount) to an employee's underlying base rate (i.e., a General Schedule (GS) rate or law enforcement officer (LEO) special base 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 base rate plus supplement) may be increased, reduced, or discontinued.

This year, we are using an exception-based approach for the annual review, which is permitted under the new special rate law and regulations. Under this approach, **agencies do not need to submit a certification form for each special rate schedule.** Instead, agencies must submit information to OPM only if they are requesting a special rate adjustment greater than or less than the January 2006 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 2006 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 2006 GS annual pay adjustment and other information about the new 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 15, 2005.**

### **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 2006 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. The termination of special rates will not result in a loss in pay for any covered employees, since all affected employees will receive the 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 2005 annual review of special rates.

### **Discontinued or Decreased Special Rates**

When a special rate 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 is 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](http://www.opm.gov/oca/pay/HTML/Grade_PayRetention_EX.asp).)

### **IT Special Rates**

During the 2004 annual review of special rates, the Chief Human Capital Officers (CHCO) Council requested OPM review information technology (IT) special rates in light of the changes in the IT labor market over the last couple of years. OPM convened a working group of agency human resources (HR) and IT officials, analyzed available market recruiting/retention data, and held discussions with the CHCO Council, the Chief Information Officers (CIO) Council, and others in the Federal HR and IT communities regarding pay adjustments for IT employees. We are continuing our review and have been collecting more

detailed information from agencies on the recruitment, retention, and pay of IT employees. We will share the results of our review with the CHCO Council later this year and consult with the CHCO Council and the CIO Council before making any determinations with respect to IT special rates and adjustments for CY 2006.

In January 2006, we will amend IT special rate tables 999A-999F to **delete** the former GS-334 Computer Specialist series designation. The IT special rate schedules will continue to cover the GS-854 Computer Engineer, GS-1550 Computer Scientist, and GS-2210 Information Technology Management occupational series. The job family position classification standard for administrative work in the Information Technology Group, GS- 2200, issued in May 2001, canceled the GS-334 Computer Specialist series. By January 2006, agencies should have completed their reclassification actions and classified affected IT positions in the appropriate series. Employees whose positions continue to be classified under the former GS-334 computer specialist series designation in January 2006 will not lose pay, but will be entitled to pay retention under 5 CFR 536.301(a)(8), except for those employees who may not receive a retained rate under 5 CFR 536.102(b), (c), or (e).

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 Pay and Leave Administration Group by telephone at (202) 606-2858, by fax at (202) 606-0824, or by email at [pay-performance-policy@opm.gov](mailto:pay-performance-policy@opm.gov).

cc: Human Resources Directors

Attachments

## 2005 REVIEW INSTRUCTIONS

### 1. General

The Office of Personnel Management (OPM) is conducting the 2005 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 even though they are not shown in the individual agency listings.

### 2. Deadline

Agencies must submit all annual review materials to OPM by **October 15, 2005**, unless an extension is approved by OPM. Please send your materials to the Pay and Leave Administration Group by fax at (202) 606-0824 or mail to the following address:

Office of Personnel Management  
Division for Strategic Human Resources Policy  
Center for Pay and Performance Policy  
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 General Schedule (GS) percentage adjustment in January 2006. In previous years, agencies asking for an adjustment in a special rate schedule that was equal to the GS percentage adjustment were required to submit OPM Short Form 1398, which certified the need for this type of adjustment. As permitted by the new regulations in 5 CFR 530.307, special rate schedules will automatically be adjusted in January 2006 by the GS percentage adjustment without any agency action, unless OPM specifically approves an alternative adjustment.

## **5. Adjustments Greater Than or Less Than the GS Adjustment**

Agencies requesting special rate adjustments that are **greater** than the January 2006 GS annual pay adjustment must submit additional data in accordance with OPM regulations and the instructions on OPM Form 1397. Staffing data should cover the period from May 30, 2004, through May 28, 2005, if possible. (A copy of OPM Form 1397 is available at <http://www.opm.gov/oca/compmemo/2000/ssrpage.asp>.)

Agencies requesting special rate adjustments that are **less than** the January 2006 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.")

## **6. 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.

Any agency contemplating a request for reduction or termination of a special rate schedule with covered employees should contact OPM's Pay and Leave Administration Group by telephone at (202) 606-2858 or by email at [pay-performance-policy@opm.gov](mailto:pay-performance-policy@opm.gov) for additional information and instructions.

## **7. Certification**

The head of each agency must document and certify his or her recommendation for any special rate adjustment not equal to the January 2006 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 or department 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 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.

#### **8. 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, 2005, relate to the anticipated January 2006 GS adjustment.

#### **9. Effective Date**

Adjustments in special rate schedules resulting from this year's annual review will take effect on the same date as the general GS adjustment—i.e., the first day of the first applicable pay period beginning on or after January 1, 2006. If there is no general GS adjustment in 2006, 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, 2006. 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.









TR	AF	U.S. CUSTOMS SERVICE	0348		
HD	00	U.S. HOLOCAUST MEMORIAL COUNCIL	0029	0164	0414
TC	00	U.S. INTERNATIONAL TRADE COMMISSION	0029	0164	
LT	00	U.S. TAX COURT	0029	0070	0458
AR	MC	US ARMY MEDICAL COMMAND			