

Strategic Compensation Conference 2000

# Pay Update

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# Timeline for January 2001 Pay Increases

<b>Sept 1999</b>	3.2 percent increase in the Employment Cost Index (produces 2.7 percent across-the-board adjustment in January 2001)
<b>Dec 1999</b>	Report of the President's Pay Agent (recommended average locality rate of 23.12 percent)
<b>Feb 2000</b>	FY 2001 budget (President proposed 3.7 percent total increase)
<b>Aug 31, 2000</b>	Last day for alternative plan for ECI-based increase
<b>Nov 30, 2000</b>	Last day for alternative plan for locality payments
<b>Dec 2000</b>	President's Executive order
<b>Jan 2001</b>	Increases become effective the first day of the first applicable pay period beginning on or after January 1

# Update on Locality Pay Areas

- Currently 32 locality pay areas (including “Rest of U.S.”)
- Proposed regulation in the *Federal Register* to add Rhode Island to the Boston area and Monterey County to the San Francisco area in 2001 as areas of application
- Sec. 639 of the Treasury-Postal appropriations bill would allow the President’s Pay Agent to use commercial salary surveys to set locality pay in limited circumstances

# Proposed Locality Pay Area Legislation

- Permits the President's Pay Agent to use commercial salary survey data for locality pay.
  - It must add Las Vegas, Nashville, Raleigh, Austin, and Louisville as separate locality pay areas in 2002 if data warrant.
  - It may consider other local areas with 2,500 or more GS employees and a large number of non-farm workers in 2001-2005 reports.
- The Pay Agent must submit a report to Congress summarizing the use of commercial data by March 1, 2001.
- The Pay Agent must submit a report to Congress on the progress toward improving the Bureau of Labor Statistics surveys by May 1, 2001.

# Increase In President's Salary

- Effective at noon on January 20, 2001 -- \$400,000.
- First increase since January 20, 1969.
- No formal link to Executive Schedule or other pay systems.

# Improving National Compensation Surveys

- Federal Salary Council and President's Pay Agent had concerns about BLS National Compensation Surveys
- OPM/OMB/BLS working group formed
- Five areas for improvement
  - (e.g., BLS to use a factor evaluation system with fewer than 9 factors to survey non-Federal jobs)
- OPM/OMB/BLS working group to brief FSC on progress

# Federal Wage System

## **CAP ON FEDERAL WAGE SYSTEM PAY ADJUSTMENTS**

### Fiscal Year 2000

- Prevailing rate adjustments limited to 4.93 percent at each grade
- Pay cap, not a guaranteed increase

### Fiscal Year 2001

- President's budget proposal would continue pay cap
- Pay cap would be about 3.7 percent

# Federal Wage System

## REVIEW OF FEDERAL WAGE SYSTEM WAGE AREAS

- Currently 131 appropriated fund wage areas and 125 nonappropriated fund wage areas
- Since 1990, Federal Prevailing Rate Advisory Committee reviewed about one-third of FWS wage areas
- Using 2000 census data, new reviews will start in about 3 years

## OPERATING MANUALS

- FWS Appropriated Fund Manual available on [www.opm.gov/oca/wage](http://www.opm.gov/oca/wage)
- FWS Nonappropriated Fund Manual will be available later this year

# **COST-OF-LIVING ALLOWANCE (COLA)**

## **Highlights of Terms of Settlement**

- End of litigation. Waiver of all past and future class-action claims.
- "Settlement Back Pay."
- Agreement on 26 "Safe Harbor" Principles.
  - changes in COLA methodology
  - nucleus of future OPM regulations.
- Interim COLA Rates in October 2000.
- 3-year rotating COLA survey cycle.

# "Settlement Back Pay"

- About 70,000 current and former Federal and Postal employees in Guam, Hawaii, Puerto Rico and the Virgin Islands will receive payments.
- Money comes from the judgment fund and USPS, not OPM or agencies.
- OPM will provide CPDF data for executive branch employees for back pay period (10/01/90 - 9/30/00).
- OPM anticipates working with agencies that do not report to CPDF to provide equivalent data.
- Plaintiffs' attorneys will use a private company to locate class members. Target date is June 30, 2001.
- Plaintiffs' attorneys will begin making payments to class members not later than October 1, 2001.

# Key Elements of Safe Harbor Principles

- Adjustment factors of 5 to 9 points, depending on the COLA area, for immeasurables and intangibles not captured by survey.
- A 3-year rotating survey cycle.
- Employee involvement in COLA survey process and program administration.
- Future COLA reductions limited to 1 percentage point per year. Minimum payable COLA rate threshold reduced from 5% to 2%.
- Technical COLA methodology improvements.

## Snapshot of COLA Rates

	Current Rate 1998 Survey	Interim Rate October 2000
Anchorage	25.00%	25.00%
Fairbanks	25.00%	25.00%
Juneau	25.00%	25.00%
Rest of AK	25.00%	25.00%
Honolulu	25.00%	25.00%
Hawaii	15.00%	16.50%
Kauai	22.50%	23.25%
Maui	22.50%	23.75%
Guam (Local)	25.00%	25.00%
Guam (PX)	20.00%	22.50%
Puerto Rico	10.00%	11.50%
Virgin Islands	20.00%	22.50%

# Adjustment Factors

Adjustment Factor  
(Amount added to index)

Anchorage	7
Fairbanks	9
Juneau	9
Rest of AK	9
Honolulu	5
Hawaii	7
Kauai	7
Maui	7
Guam (Local)	9
Guam (PX)	9
Puerto Rico	9
Virgin Islands	9

# Special Salary Rates

- Information technology (IT) employees--  
status of special rates study
- Special rates annual review
- Recently established special rate schedules
- Special rates lawsuit

# 3 Rs Payments

- Fact sheets posted -- Jan. 2000
- Qs & As posted -- June 2000
- State Department retention allowance program
- OPM oversight study
- Future changes ?

# Overtime Pay Issues

- Problems brought to OPM attention by Social Security managers, HHS (re Y2K), wildland firefighters, NTSB investigators, National Weather Service, and others
- Legislative proposals
- OPM's goal: a Governmentwide approach that is responsive to the needs of Federal agencies and that is consistent with non-Federal overtime pay practices

# Recent Regulations

Dec. 10, 1999	Misc. compensation changes (final)
Dec. 22, 1999	Group retention allowances (final)
Mar. 24, 2000	Locality pay caps (proposed)
May 25, 2000	Grade and pay retention (proposed)
July 7, 2000	Evacuation pay (final)
July 19, 2000	Pretax allotments (interim)
Aug. 7, 2000	Holidays, back pay, PCAs (final)
Aug. 16, 2000	Locality pay areas (proposed)

# Demonstration Projects

- IRS Restructuring & Reform Act
  - broadbanding criteria
  - 3 Rs variations
- DOD Reinvention Labs
- DOD Acquisition Workforce Demo

# Other Stuff

- Premium pay fact sheets
- Feedback on OPM Back Pay Interest Program
- Official duty stations for telecommuters
- Other policy issues?