

**FEDERAL SALARY COUNCIL  
MEETING NUMBER 14-1  
OCTOBER 17, 2014**

The [Federal Salary Council](#) met on October 17, 2014, at the Office of Personnel Management (OPM). All Council members were present and are listed in the table below.

Council Member	Title
Dr. Stephen E. Condrey	Federal Salary Council Chair and Immediate Past President of the American Society for Public Administration
Mr. Louis P. Cannon	National Trustee, Fraternal Order of Police
Mr. J. David Cox	National President, American Federation of Government Employees (AFGE)
Dr. Rex L. Facer II	Associate Professor of Public Finance and Management, Romney Institute of Public Management, Brigham Young University
Mr. William D. Fenaughty	National Secretary Treasurer, National Federation of Federal Employees
Ms. Colleen M. Kelley	National President, National Treasury Employees Union (NTEU)
Ms. Jacqueline Simon	Public Policy Director, AFGE

Mr. Mark Allen, Pay Systems Manager for Pay and Leave, OPM, was the Designated Federal Officer. About 20 members of the public also attended the meeting, including 2 representatives of the media and Congressional staff from the offices of Senator Heidi Heitkamp, Senator Patrick Leahy, Senator Bernard Sanders, and Representative Richard Neal.

**Agenda Item 1: Announcements and Minutes from Last Meeting**

**Designated Federal Officer's Opening Remarks**

At 10:00 a.m., Mr. Allen welcomed everyone to the meeting. He clarified that OPM does not hold membership on the Council, which is a Federal Advisory Committee Act committee that receives staff support from OPM under Executive Order 12764.

Mr. Allen summarized the Council's role in the locality pay program. He explained that the Council performs duties enumerated in title 5, including developing recommendations to cover the establishment or modification of pay localities, the coverage of salary surveys used to set locality pay, the process for making pay comparisons between Federal and non-Federal pay, and the level of comparability payments that should be made. He pointed out that a copy of the meeting agenda was included in the meeting folders, and said the Council will submit its recommendations for January 2016 locality pay, when finalized, to the [President's Pay Agent](#).<sup>1</sup>

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<sup>1</sup> The Pay Agent consists of the Secretary of Labor and the Directors of the Office of Management and Budget and OPM. Under section 5304 of title 5, the Pay Agent provides for Federal Salary Council meetings, considers the recommendations of the Federal Salary Council, defines locality pay areas, and submits an annual report to the President on the locality pay program.

## **Council's Introductions and Announcements**

After thanking Mr. Allen and Council staff for OPM's support of the Council, Dr. Condrey called everyone's attention to Council Document FSC 14-01-01, the Council's renewed charter, which is effective until January 17, 2016. He then announced that the minutes from the last meeting, Council Document FSC 14-01-02, were finalized, certified, and posted on the OPM website. He asked the Council members to introduce themselves.

After the introductions, Dr. Condrey said the Council would like to recognize two retired employees who contributed substantially over many years to the Council's efforts. The Council then made formal resolutions to honor Mr. Jerome Mikowicz, former Deputy Associate Director for Pay and Leave, and Mr. Allan Hearne, former Locality Pay Team Leader.

## **Resolutions for Former Council Staff**

Dr. Facer read the resolutions, the text of which follows.

WHEREAS *Allan Hearne* was an invaluable resource to the Federal Salary Council, both past and present;

WHEREAS in his role as the Locality Pay Team Leader at the Office of Personnel Management serving the Council, *Allan's* expertise and research provided substantial contributions to the implementation of locality pay in 1994;

WHEREAS throughout his years of service, members of the Federal Salary Council relied on *Allan's* detailed understanding of the issues and data related to Federal employees' compensation;

WHEREAS *Allan's* research was an integral part of their deliberations, ultimately resulting in informed decision-making;

WHEREAS *Allan's* sense of humor and understanding of history enlightened difficult discussions and deepened the sense of collegiality between the staff and Council; and

WHEREAS *Allan Hearne* completed more than 37 years of Federal service on December 31, 2013; now therefore be it

RESOLVED, that the members of the Federal Salary Council, both past and present, recognize *Allan Hearne* for his public service as Staff to the Federal Salary Council as his impressive body of work exemplifies true excellence in public service. We thank him for his countless contributions to the Council's efforts over the years, and wish him the best in his retirement.

WHEREAS *Jerome D. Mikowicz* was an invaluable resource to the Federal Salary Council, both past and present;

WHEREAS in his role as the Deputy Associate Director for Pay and Leave at the Office of Personnel Management where he served as the Designated Federal Officer for the Council, *Jerry's* knowledge and understanding of Federal workforce issues greatly informed the Council's deliberations and decision-making;

WHEREAS *Jerry's* prior service included serving as the Chief of OPM's Salary and Wage Systems Division, the organization within OPM providing staff support for the Council, and World at Work, provided great building blocks for his work with the Council;

WHEREAS His keen understanding of employment and economic statistics was balanced with his quick wit, ready smile, and jokes, making the review of technical material proceed more quickly; and

WHEREAS *Jerry Mikowicz* has completed 35 years of Federal service in representing the interests of Federal employees in the pay setting process; now therefore be it

RESOLVED that the members of the Federal Salary Council, both past and present, recognize *Jerome D. Mikowicz* for his public service to the Federal Salary Council, and the Federal workforce generally, and we wish him the best in his retirement.

After the resolutions were presented, Dr. Condrey turned to the next agenda item, a report by the Bureau of Labor Statistics.

### **Agenda Item 2: Report of the Bureau of Labor Statistics**

Ms. Frances Harris of the Bureau of Labor Statistics (BLS), Office of Compensation and Working Conditions, read a prepared statement, Council Document FSC 14-01-03.

When Ms. Harris concluded her presentation, Dr. Condrey invited comments or questions from the Council. Hearing none, he thanked Ms. Harris and said the Council appreciates BLS' contributions to the locality pay program, and then he turned to the next agenda item.

### **Agenda Item 3: Testimony about Locality Pay Areas**

Dr. Condrey noted that three individuals attending the meeting were signed up to speak regarding locality pay. He asked that each speaker's presentation be limited to 5 minutes. The Council then heard the testimony, which is summarized below.

#### **Vermont Federal Executive Association (Northwest Vermont)**

The first of two speakers representing the Vermont Federal Executive Association (VTFEA) was its president, Ms. Lisa Rees, who read the prepared statement in Council Document FSC 14-01-17. Her key points include the following:

- VTFEA is a volunteer organization composed of executives from 36 Federal agencies who oversee a combined workforce of over 5,000 employees.
- Ms. Rees attended this Council meeting, along with her colleague and VTFEA Vice President Sean McVey, to resubmit a proposal for higher locality pay for Northwest Vermont.
- During testimony last year, the VTFEA discussed the impact that the lack of higher locality pay has on Federal agencies.
- When average non-Federal pay rates from BLS' Occupational Employment Statistics data are juxtaposed with locality pay percentages, showing those data for Burlington compared to other areas throughout the Country, it is apparent that higher locality pay is warranted for the Burlington area.

- The testimonials in Appendix 4 of the VTFEA proposal also demonstrate how increasingly difficult it is to recruit and retain talented Federal employees, and the problem is worsening as the economy improves and competition with the private sector for a shrinking labor pool grows each year.
- Vermont does not benefit from higher locality pay applicable in other New England States, which is one of the most significant reasons why Federal agencies in Vermont struggle with recruitment and retention.
- Northwest Vermont has 3,291 Federal employees who provide a wide variety of services critical to National security.

When Ms. Rees concluded her presentation, Mr. McVey addressed the Council. He said he is a U.S. Customs and Border Protection (CBP) officer with 17 years of CBP experience, and that his duty stations over that period included California, Arizona, the District of Columbia, New York, and Vermont. He said that CBP officers in Vermont, where he now works, deal with the entire range of threats to National security handled by CBP officers along the Country's southern border.

Mr. McVey said he hears from agency heads on a regular basis that they are having difficulty hiring people in Vermont. "Basically, Federal employees can't afford to live in Vermont. Job applicants will reach out, but after crunching the numbers they decline a position in Vermont." He added that it is hard to retain employees, especially at the supervisory level. "After 3 years they say they need to move to Texas or Arizona for higher pay and lower costs of living." He said that Vermont border patrol stations are not as large as stations along the Country's southern border, and that a revolving door of employees is not conducive to a good strategy for securing the northern border. He closed by emphasizing that the lack of higher locality pay is not helping CBP's mission.

When Dr. Condrey asked if the Council had any questions for the speakers, Mr. Cannon asked if there are better benefits elsewhere and if these CBP officers are electing to move to other agencies or if they transfer within the same agency. Mr. McVey said his impression is that CBP officers prefer to stay in CBP but transfer out of Vermont, mainly due to low pay and high living costs. Mr. Cannon asked if Mr. McVey thought families were affected more than single people, and Mr. McVey responded that families are probably affected more, though all Federal employees in the area are affected.

Mr. Cannon asked if special retirement provisions for law enforcement officers help with recruitment and retention in Vermont. Mr. McVey responded that, while the special retirement provisions may help to some extent, CBP officers are still leaving the area in significant numbers. Mr. Cox asked if DHS' recent actions with the administratively uncontrollable overtime program have affected staffing. Mr. McVey said it is a bit too early to tell, but that retention would likely be affected.

Dr. Condrey thanked Ms. Rees and Mr. McVey, and then he welcomed the next speaker, Mr. Patrick DeFalco, Chair of the Federal Executive Association of Western Massachusetts.

## **Federal Executive Association of Western Massachusetts (Berkshire County, MA)**

Mr. DeFalco's presentation was accompanied by a Federal Executive Association of Western Massachusetts (FEAWM) proposal documented in Council Document FSC 14-01-05. In addition, he provided the Council members with a statement by Mr. Frederick Baron, Chief Engineer at a Department of the Navy Facility in Pittsfield, MA, which also proposes higher locality pay for Berkshire County (Council Document FSC 14-01-20). Mr. DeFalco also introduced Mr. Patrick O'Connor, Congressional staff for Representative Richard Neal of Massachusetts, who waved from the audience.

Mr. DeFalco made the following key points regarding locality pay and staffing in Berkshire County:

- Berkshire County, MA, is the only county in Massachusetts receiving "Rest of U.S." locality pay.
- Many positions in Berkshire County are reduced to career stepping stones by low locality pay; for example, the Social Security Administration went through 6 managers in 10 years.
- Federal employers in Berkshire County cannot recruit the best people.

Mr. DeFalco said he appreciated the Council Working Group developing a recommendation for evaluating single counties that are adjacent to multiple locality pay areas, and that he hoped the Council would consider the challenges he described for Berkshire County when voting on the Working Group's recommendation (which would include Berkshire County in the proposed Albany locality pay area).

The Council had no questions concerning Mr. DeFalco's presentation, so Dr. Condrey thanked him and proceeded with the meeting agenda.

### **Agenda Items 4 and 5: Working Group Report, Discussion, and Council Recommendations**

Dr. Condrey said that Dr. Facer would now read the report of the Federal Salary Council Working Group, Council Document FSC 14-01-04.

Dr. Facer read the Working Group report, pausing at each decision point for Dr. Condrey to ask Council Members to vote on the Working Group recommendation. Council Members unanimously agreed to all of the Working Group recommendations regarding the 11 decision points listed below.

**Decision Point 1: Should the Council recommend locality pay rates for 2016 in the 34 current and 12 planned locality pay areas using the NCS/OES model results as shown in Attachment 1 of the Working Group report?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend locality pay rates for 2016 in the 34 current and 12 planned locality pay areas using the NCS/OES model results as shown in Attachment 1 of the Working Group report.

**Decision Point 2: Should the Council recommend asking the Pay Agent to publish, as soon as possible, the regulations needed to propose adopting February 2013 CBSA definitions as core pay area definitions for the locality pay program (with no movement of locations to lower-paying locality pay areas based on changes in CBSA definitions)?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend asking the Pay Agent to publish, as soon as possible, the regulations needed to propose adopting February 2013 CBSA definitions as core pay area definitions for the locality pay program (with no movement of locations to lower-paying locality pay areas based on changes in CBSA definitions).

**Decision Point 3: Should the Council ask the Pay Agent to publish, as soon as possible, the regulations needed to propose the 12 new locality pay areas the Council recommended in 2012?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend asking the Pay Agent to publish, as soon as possible, the regulations needed to propose the 12 new locality pay areas the Council recommended in 2012.

Council Commentary: Mr. Cox said that the President's Pay Agent has promised repeatedly that as soon as we were out of the pay freeze the 12 new locality pay areas would be implemented. He said that it was unfair that regulations have not been written. He said people have a right to know when the regulations will be published. Mr. Fenaughty added that the Council has been trying since 2012 to get the regulations done, but nothing has happened. Ms. Kelley said that the President's Pay Agent owes the necessary regulations to affected Federal employees, and added that there is no reason to wait until higher locality pay is authorized, since the locality pay areas could be established for now using the "Rest of U.S." locality pay percentage, which would have no immediate cost. She said completing the regulations would ensure that, once increases to locality pay percentages are authorized, Federal employees will not have to wait longer than necessary to benefit from higher locality pay. Dr. Condrey said the members' comments on this decision point would be noted in the minutes.

**Decision Point 4: Based on updated results from the NCS/OES model, should the Council recommend that Kansas City be established as a separate locality pay area, and continue to monitor the pay gaps for other "Rest of U.S." areas for which BLS has provided salary estimates from the NCS/OES model?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend that Kansas City be established as a separate locality pay area, and will continue to monitor the pay gaps for other

“Rest of U.S.” areas for which BLS has provided salary estimates from the NCS/OES model.

**Decision Point 5: Should the Council recommend eliminating the GS employment criterion and adjusting commuting criteria as shown in the Working Group Report?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend eliminating the GS employment criterion and adjusting commuting criteria as shown in the Working Group Report.

Dr. Condrey thanked Dr. Facer for researching this topic for the Council.

**Decision Point 6: Should the Council recommend that multi-county micropolitan areas be treated the same as MSAs or CSAs, but that single-county micropolitan areas continue to be evaluated as individual counties?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend that multi-county micropolitan areas be treated the same as MSAs or CSAs, but that single-county micropolitan areas continue to be evaluated as individual counties.

**Decision Point 7: Should the Council recommend the suggested criteria listed on page 6 of the Working Group Report to evaluate single-county locations that are adjacent to multiple locality pay areas?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend the suggested criteria listed on page 6 of the Working Group Report to evaluate single-county locations that are adjacent to multiple locality pay areas.

Dr. Condrey thanked Mr. Stephen Keller, NTEU Senior Counsel for Compensation Negotiations for recommending, as a member of the Council Working Group, the proposed criteria.

**Decision Point 8: Should the Council continue to recommend that completely surrounded areas be added to an adjacent pay area and partially surrounded areas be evaluated by the Pay Agent on a case-by-case basis?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will continue to recommend that completely surrounded areas be added to an adjacent pay area and partially surrounded areas be evaluated by the Pay Agent on a case-by-case basis.

**Decision Point 9: Should the Council recommend any special action be taken for any of the areas listed on pages 7-8 of the Working Group Report?**

Recommendation of the Working Group: No.

Council Action: By unanimous agreement, the Council will recommend no special action be taken for any of the areas listed on pages 7-8 of the Working Group Report.

**Decision Point 10: Should the Council ask BLS to deliver, if feasible, salary estimates for the additional areas shown in Attachment 7 in summer 2015 deliveries?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend BLS deliver, if feasible, salary estimates for the additional areas shown in Attachment 7 in summer 2015 deliveries.

**Decision Point 11: Should the Council recommend not adopting the BLS proposal for dealing with pay inversions in the NCS/OES model?**

Recommendation of the Working Group: Yes.

Council Action: By unanimous agreement, the Council will recommend not adopting the BLS proposal for dealing with pay inversions in the NCS/OES model.

**Agenda Items 6 and 7: Public Comment and Adjournment**

Dr. Condrey invited public comment. Ms. Lisa Rees asked how she could get additional information regarding the Federal Salary Council's recommendations and what they may mean for Burlington, VT, should additional questions arise following the meeting. The Council asked that she contact OPM staff for any additional information.

Hearing no additional public comment, Dr. Condrey adjourned the meeting at 11:03 a.m.

**CERTIFIED**

SIGNED

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Stephen E. Condrey, Ph.D.  
Chair