Attachment 1

2004 ANNUAL REVIEW INSTRUCTIONS

1. General

The Office of Personnel Management (OPM) is conducting its annual review of special salary rates authorized by 5 U.S.C. 5305 and 5 CFR part 530, subpart C. OPM authorizes special salary rates for specific occupations, grades, and locations to alleviate existing or likely significant recruitment or retention problems. Prior to any across-the-board adjustment authorized for General Schedule (GS) basic rates of pay (but at least annually), OPM must review special salary rate schedules to determine whether the factors in the special salary rate regulations require those schedules to continue and, if so, how they should be adjusted. Each agency with special rate employees must submit certifications to OPM documenting its recommendations for the adjustment of special rates.

All special salary rate authorizations in effect as of September 30, 2004, are covered by the 2004 annual review. The special rate authorizations applicable to your agency are listed in Attachment 3. Please note that the six authorizations for Information Technology (IT) employees, tables 999A-F, are listed near the top 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, 2004**, unless an extension is approved by OPM. Please send your materials to the Pay and Leave Administration Group by fax on (202) 606-0824 or mail to the following address:

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

3. Agency Reviews

In conducting the special salary rate annual review, OPM relies on the reviews conducted by agencies employing special rate employees. In conducting their reviews, agencies must consider the following factors (consistent with OPM's regulations at 5 CFR 530.304):

- the applicable staffing and labor market factors (to determine whether adjustments in special rate pay schedules are warranted);

- the former non-special pay rates of the special rate employees (to ensure that any adjustment in the special rates of pay would not cause those rates to fall below the non-special rates of pay to which the special rate employees would otherwise have been entitled);

- the likelihood that the factors leading to a statutory adjustment in pay will affect special rate employees as well; and

- other special rate adjustments that occurred prior to the date of the anticipated statutory pay adjustment.

Agencies must determine whether to recommend a percentage adjustment equal to the across-the-board adjustment that will be applied to the General Schedule in January 2005. You may recommend a different adjustment if, based on your review, you determine that conditions have changed to the extent that a particular special rate table warrants an adjustment that is less than or greater than the anticipated GS adjustment.

4. Certification

The head of each agency must document and certify its recommendations regarding the adjustment of special rate schedules and submit such certifications to OPM. A headquarters official designated to act on behalf of the head of the department or agency may sign the certification for a special rate adjustment.

If there are substantial differences in agency recommendations for a particular special rate table, 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 authorizations. The lead agency will be responsible for obtaining a consensus from the major agencies involved and submitting a final recommendation for that authorization. We expect each agency covered by an authorization to cooperate with the designated lead agency in attempting to reach a consensus.

5. Adjustments Equal to the GS Adjustment--OPM Form 1398

Agencies requesting special rate increases **equal** to the across-the-board 2005 GS adjustment should use OPM Form 1398. (See Attachment 2.) This form requires only that you identify the special rate tables for which you are requesting an increase equal to the GS adjustment and provide the required written certification. A single OPM Form 1398 may be used to document the certification for all special rate tables for which the agency is requesting an increase equal to the GS adjustment.

6. Adjustments Greater Than or Less than GS Adjustments--OPM Form 1397

Agencies requesting adjustments **greater** than the across-the-board 2005 GS adjustment must submit additional data, in accordance with OPM regulations and the instructions on OPM Form 1397. Staffing data should cover the period from June 1, 2003, through May 29, 2004, if possible. (See OPM Form 1397 in Attachment 2 for additional instructions.) The agency must include a note on the certification if the special rate adjustment applies to 1,000 or more positions or increases total expenditures (comparing the cost of the current special rates before the adjustment with the cost of the projected special rates) by $4 million dollars or more.

Agencies requesting adjustments that are **less than** the across-the-board 2005 GS adjustment (including a zero 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 granting a zero adjustment. (See 5 CFR 530.304-305.) Also, if special rates have been surpassed by locality rates, you may wish to take this fact into account in considering the need for adjustments in those special rates.

7. Requests for Reduction or Termination of Special Rates

Agencies may request to reduce or terminate special rates as part of the annual review process. However, under current law, the reduction or termination of a special rate may result in an increase in an employee's total pay. This is because the reduction or termination of special rates triggers the pay retention provisions of 5 U.S.C. 5363 and may result in locality pay being paid on top of employees' current pay (if converted to a GS rate or a retained rate). Therefore, OPM advises agencies to consider phasing out special rates that are no longer necessary by providing for annual adjustments that are less than the across-the-board GS pay increase.

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 a letter signed by an authorized official that requests the schedule termination and explains 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 for additional information and instructions.

8. New Requests Not Part of the Annual Review

Agencies should indicate how requests to establish a new special rate schedule submitted between October 1 and December 31, 2004, relate to the anticipated 2005 GS adjustment.

9. Effective Date

Adjustments in special rates resulting from this year's annual review will take effect on the same date as the across-the-board General Schedule pay adjustment--i.e., the first day of the first applicable pay period beginning on or after January 1, 2005. If there is no across-the-board General Schedule adjustment in 2005, the amount of the special rate adjustment will be zero, unless an increase greater than the General Schedule increase is requested and approved. Any such increase will take effect on the first day of the first applicable pay period beginning
on or after January 1, 2005. However, OPM may authorize new authorizations and changes in existing special rates at any time during the year if all the normal criteria for establishing or adjusting special rates are met.

10. IT Special Rates

In January 2005, we plan to amend the information technology (IT) special rate tables 999A-999F to **delete** the former GS-334 Computer Specialist series designation. The IT special rate tables will continue to cover the GS-854 Computer Engineer, GS-550 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. We retained the GS-334 series designation on the IT special rate tables to give agencies more time to implement the new classification standard. By January 2005, agencies should have completed their reclassification actions and classified affected IT positions to the appropriate series. However, if you will be unable to complete reclassifying your GS-334 positions by January 2005, we ask that you let us know by **November 5, 2004**. Please contact us by email at pay-performance-policy@opm.gov.