

## ADMINISTRATION OF LOCALITY PAY

### INTRODUCTION

This document provides guidance on locality-based comparability payments which are authorized under 5 U.S.C. 5304 and apply to most General Schedule (GS) employees. The regulations are at 5 CFR part 531, subpart F. Locality-based comparability pay adjustments, which vary by geographic area nationwide, are designed to reduce the gap between federal and nonfederal pay in each locality to no more than 5 percent based on surveys conducted by the Bureau of Labor Statistics (BLS). The President's Pay Agent (the Directors of the Office of Management and Budget and the Office of Personnel Management and the Secretary of Labor) submits an annual report to the President recommending new and/or modified locality pay areas and the level of locality payments. Under the law, the President may decide to either provide locality pay adjustments based on the Pay Agent's recommendation or an alternative level of locality payments because of a national emergency or serious economic conditions.

### DEFINITIONS

**Locality Pay Area** - A locality rate is payable to employees whose official worksites are located in the locality pay areas listed in 5 CFR 531.603 (b). There are currently multiple [locality pay areas](#) which cover the lower 48 States and Washington, DC, plus Alaska, Hawaii, and the U.S. territories and possessions.

**Locality Rate** - An annual locality rate consists of a scheduled annual rate of pay plus an applicable locality payment.

#### **Scheduled Annual Rate of Pay**

- The annual GS rate (excluding any additional pay of any kind such as locality payments or special rate supplements) payable to an employee;
- A special base rate for GS law enforcement officers (LEOs) at grades GS-3 through GS-10 under section 403 of the Federal Employees Pay Comparability Act of 1990 (Public Law 101-509); or
- For an employee in a category of positions described in 5 U.S.C. 5304(h) (1) (A)-(D) for which the President (or designee) has authorized locality payments under 5 U.S.C. 5304(h)(2), the annual rate of pay fixed by law or administrative action, exclusive of any locality-based adjustments (including adjustments equivalent to local special rate supplements under 5 CFR 530, subpart C) or other additional pay of any kind.

### DETERMINING A LOCALITY RATE

An agency determines an employee's locality rate by:

- determining the employee's official worksite consistent with the rules found in 5 CFR 531.605;
- determining the locality pay area in which the employee's official worksite is located;
- identifying the locality pay percentage in effect in the applicable locality pay area;

- increasing the employee's scheduled annual rate of pay by the applicable locality pay percentage and rounding the result to the nearest whole dollar (counting 50 cents and over at the next highest dollar; and
- applying any applicable limitation (5 CFR 531.606).

## **DETERMINING AN EMPLOYEE'S OFFICIAL WORKSITE**

- The official worksite is the location of the employee's position of record where the employee regularly performs his or her duties.
- If the employee's work involves recurring travel or the employee's work location varies on a recurring basis, the official worksite is the location where the work activities of the employee's position of record are based, as determined by the employing agency, subject to the requirement that the official worksite must be in a locality pay area in which the employee regularly performs work.
- An agency must document the employee's official worksite on the employee's Notification of Personnel Action (Standard Form 50 or equivalent).

## **DETERMINING THE WORKSITE WHILE UNDER A TELEWORK AGREEMENT**

- If the employee is scheduled to work at least twice each biweekly pay period on a regular and recurring basis at the regular worksite for the employee's position of record, the regular worksite (where the employee's work activities are based) is the employee's official worksite. However, in the case of such an employee whose work location varies on a recurring basis, the employee need not work at least twice each biweekly pay period at the regular official worksite (where the employee's work activities are based) as long as the employee is regularly performing work within the locality pay area for that worksite. (5 CFR 531.605(d)(1))
- An authorized agency official may make an exception to the twice-in-a pay-period standard in appropriate situations of a temporary nature, such as the following: An employee is recovering from an injury or medical condition; An employee is affected by an emergency situation, which temporarily prevents the employee from commuting to his or her regular official worksite; An employee has an extended approved absence from work (e.g. paid leave); or An employee is in a temporary duty travel status away from the official worksite; or An employee is temporarily detailed to work at a location other than a location covered by a telework agreement. (5 CFR 531.605(d)(2))
- If an employee covered by a telework agreement does not meet the requirements of 5 CFR 531.605 (d)(1) or (d)(2), the employee's official worksite is the location of the employee's telework site.
- An agency must determine a telework employee's official worksite on a case-by-case basis. A determination made under this paragraph is within the sole and exclusive discretion of the authorized agency official, subject only to OPM review and oversight.

## **EMPLOYEE ELIGIBILITY**

Employees eligible to receive locality pay within the Department of Defense (DoD):

- GS, including General Manager (GM) employees, whose official worksites are located within the continental United States;
- Members of Boards of Contract Appeals (BCA) paid under 5 U.S.C. 5372a; and
- Employees whose rates of pay are administratively determined (AD) under 5 U.S.C. 5306. The pay of such employees is increased at the discretion of the head of the employing agency. However, OPM approval is required for the extension of locality pay to AD schedules. Such approval has been obtained for most AD schedules.

Employees ineligible to receive locality pay within DoD:

- Federal Wage System (FWS) employees;
- Employees receiving special rates established under 5 U.S.C. 5305 or other similar provision of law;
- GS employees at official worksites outside the continental United States;
- Senior level (SL) and scientific and professional (ST) employees and members of the Senior Executive Service (SES) (except certain SL/ST and SES employees with official worksites in nonforeign areas on the day before the first day of the first pay period beginning on or after January 1, 2010);
- Senior executives in temporary organizations;
- Employees receiving critical pay ;
- Categories of positions paid Executive Schedule (EX) rates of pay; or
- Any position having a rate of pay higher than the rate for EX-IV.

### **LOCALITY PAY TERMINATES ON THE DATE:**

- An employee's official duty station is no longer in an approved locality pay area (NOTE: locality pay changes when an employee moves to a position in another locality pay area);
- An employee moves to a position not covered by 5 CFR part 531, subpart F; or
- An employee separates from Federal service.

### **A LOCALITY RATE OF PAY IS TREATED AS AN EMPLOYEE'S RATE OF BASIC PAY FOR THE FOLLOWING PURPOSES:**

- CSRS and FERS retirement deductions, contributions, and benefits;
- Thrift Savings Plan contributions;
- Life insurance premiums and benefits;
- Premium pay including night pay differential, pay for holiday work, overtime pay, compensatory time off, administratively uncontrollable overtime, availability pay, Sunday pay, hazard pay, standby duty pay, and the limitations on premium pay;
- Severance pay;
- Back pay;
- Grade and pay retention;
- Lump sum payments for accrued and accumulated annual leave;
- Advances in pay

- Post differentials and danger pay allowances for an employee temporarily working in a foreign area when the employee's official worksite is located in a locality pay area;
- Post differentials for an employee temporarily working in a nonforeign area when the employee's official worksite is located in a locality pay area;
- GS pay administration provisions (e.g. promotions) to the extent provided in 5 CFR part 531, subpart B;
- Recruitment, relocation, and retention incentives, supervisory differentials, and extended assignment incentives;
- Performance-based cash awards when such awards are computed as a percentage of an employee's rate of basic pay; and
- Pay administration provisions for prevailing rate employees which consider rates of basic pay under the GS pay system in setting pay (except as otherwise provided in 5 CFR part 532), subject to the requirement that, if the employee's actual locality rate would not apply at the official worksite for the prevailing rate position, that locality rate must be converted to a corresponding rate on the locality rate schedule for that official worksite.

## **LOCALITY PAY ENTITLEMENTS UNDER GRADE RETENTION AND PAY RETENTION:**

- An employee on grade retention retaining a GS grade is entitled to locality pay.
- An employee on grade retention retaining an FWS grade is not entitled to locality pay.
- An employee on pay retention in an FWS position is not entitled to locality pay.

## **FREQUENTLY ASKED QUESTIONS AND ANSWERS**

### **1. What happens to an employee's locality pay if he or she is temporarily detailed to an overseas location or to another locality where the locality comparability payment is lower?**

If the employee's official worksite does not change, his or her locality pay remains the same. Entitlement to locality pay is based on the official worksite for the employee's permanent position of record. (5 CFR 531.605(a)(1))

### **2. When a locality pay adjustment exceeds a special rate, is the employee removed from the special rate table?**

Yes, an employee covered by a special rate schedule is not entitled to that special rate when an employee's locality rate exceeds a special rate. (5 CFR 531.608(b))

**3. If an employee receives limited relocation expenses as the result of a temporary change in station (TCS), will the employee's locality payments change?**

The employee would receive the locality pay at the TCS duty station - as this location would become his/her "official worksite". (5 CFR 531.605(b))

## REFERENCES

- 5 U.S.C. 5304 through 5306
- 5 CFR part 531, subpart F
- 5 CFR part 536
- OPM Fact Sheet: Administering Locality Rates
- OPM Fact Sheet: Official Worksite for Location-Based Pay Purposes
- OPM Fact Sheet: Rates of Pay to Use in Processing Pay Actions
- OPM Memorandum from The President's Pay Agent: Continuation of Locality Payments for Non-General Schedule Employees, November 17, 2016

## CONTACT

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