



MANUAL TRANSMITTAL

Department of the Treasury
Internal Revenue Service

6.530.1

DECEMBER 22, 2023

EFFECTIVE DATE

(12-22-2023)

PURPOSE

- (1) This transmits the revised IRM 6.530.1, Aggregate Limitation on Pay and Special Rate Schedules.

MATERIAL CHANGES

- (1) IRM 6.530.1.1.2 adds additional authorities.
- (2) IRM 6.530.1.1.6 adds clarifying definitions and acronyms.
- (3) IRM 6.530.1.1.7, Related Resources, is a new subsection as required by IRM 1.11.2, Internal Management Documents Systems, internal Revenue Manual (IRM).
- (4) IRM 6.530.1.3 adds staffing supplements and references for employees covered under the IRS Payband System.
- (5) IRM 6.530.1.3 (1) moved to IRM 6.530.1.3.1, Coverage, for clarity.
- (6) IRM 6.530.1.3.1 (2) adds a statement that provides information on Office of Personnel Management (OPM) approval for staffing supplements.
- (7) IRM 6.530.1.3.3 (2) clarifies the timeframe for development of a request for a special rate schedule to align with OPM guidelines.
- (8) IRM 6.530.1.3.3 (4) add information about staffing supplements.
- (9) IRM 6.530.1.3.5 adds information about staffing supplements.
- (10) Editorial changes were made throughout to update division and branch names, references, hyperlinks and terminology.

EFFECT ON OTHER DOCUMENTS

This IRM supersedes IRM 6.530.1, Aggregate Limitation on Pay and Special Rate Schedules, dated February 18, 2021.

AUDIENCE

All business units

Traci M. Dimartini
IRS Human Capital Officer

6.530.1

Aggregate Limitation on Pay and Special Rate Schedules

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6.530.1.1 (02-18-2021) Program Scope and Objectives

- (1) **Purpose:** This IRM covers administration of aggregate limitation on pay for Senior Executive Services (SES), IRS Payband System (IR) and General Schedule (GS) positions. It also covers special rate schedules for the GS and Law Enforcement Officers (LEO or GL pay plan) positions.
- (2) **Audience:** Unless otherwise indicated, the policies, authorities, procedures, and instructions contained in this IRM apply to all business units. Bargaining Unit (BU) employees should review negotiated agreement provisions relating to subjects in this IRM. Should any of these instructions conflict with a provision of a negotiated agreement, the agreement prevails for BU employees.
- (3) **Policy Owner:** The IRS Human Capital Officer.
- (4) **Program Owner:** The Human Capital Office (HCO).
- (5) **Primary Stakeholders:** All business units responsible for the administration of aggregate limitation on pay and special rate schedules for employees.

6.530.1.1.1 (02-18-2021) Background

- (1) Unless otherwise indicated, the policies, authorities and instructions throughout this IRM apply to all IRS business units. This guidance must be read and interpreted in accordance with pertinent law (United States Code (USC)), governmentwide regulations (Code of Federal Regulations (CFR)), Department of the Treasury (Treasury) Human Capital Issuance System (HCIS) Directives, and Comptroller General (CG) and OPM decisions, as applicable.
- (2) The material in this IRM is generally organized consistent with the order of the regulations contained in the CFR, beginning with Part 530, Pay Rates and Systems (General).

6.530.1.1.2 (12-22-2023) Authority

- (1) **Laws:** USC at: <https://uscode.house.gov/>
 - a. Taxpayer First Act of 2019, Section 2103, at: <https://www.congress.gov/bill/116th-congress/house-bill/3151?r=2>;
 - b. Title 3, The President; Section 104, Salary of the Vice President; and
 - c. Title 5, Government Organization and Employees, Part III, Employees;
 - Subpart D, Pay and Allowances, Chapter 53, Pay Rates and Systems;
 - Section 5305 - Special pay authority;
 - Section 5307 - Limitation on certain payments;
 - Subpart I, Miscellaneous, Chapter 95, Personnel Flexibilities Relating to the Internal Revenue Service;
 - Section 9502 (a) - Pay authority for critical positions;
 - Section 9503 (a) - Streamlined critical pay authority;
 - Section 9505 (e) - Performance awards for senior executives; and
 - Section 9509 - General workforce classification and pay.
- (2) **Regulations:** Title 5, CFR, Chapter 1, Office of Personnel Management, Subchapter B, Civil Service Regulations, at: <https://www.ecfr.gov/cgi-bin/ECFR?page=browse>:
 - a. Part 430 - Performance Management;
 - b. Part 530 - Pay Rates and Systems (General);
 - Subpart B - Aggregate Limitation on Pay; and

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- Subpart C - Special Rate Schedules for Recruitment and Retention.
- c. Part 531 - Pay Under the General Schedule;
- d. Part 536 - Grade and Pay Retention; and
- e. Part 551 - Pay Administration Under the Fair Labor Standards Act.

- (3) **Federal Register Notice:** OPM Criteria for IRS Broadbanding System, 65 FR 79433, issued December 19, 2000, at: <https://www.federalregister.gov/documents/2000/12/19/00-31710/opm-criteria-for-irs-broadbanding-system>.

6.530.1.1.3 (02-18-2021) Roles and Responsibilities

- (1) The IRS Human Capital Officer is the executive responsible for this IRM and overall IRS policy for aggregate limitation on pay and special rate schedules.
- (2) The HCO, Office of HR Strategy (OHRS), Policy & Audits (P&A) organization is responsible for developing, maintaining, and publishing content in this IRM.
- (3) The HCO, Office of HR Operations (OHRO), HR Shared Services (HRSS) organization is responsible for maintaining records to facilitate the administration of the aggregate limitation on pay. The IRS must provide records to the new employer when an employee covered by this limitation transfers to another bureau or agency.

6.530.1.1.4 (02-18-2021) Program Management and Review

- (1) This IRM provides policy guidance on aggregate limitation on pay and special rate schedules. During the review and publishing of this IRM, sections are revised, added or deleted based in part on statutory and/or regulatory changes and based on feedback from customer and program owners.

6.530.1.1.5 (02-18-2021) Program Controls

- (1) The P&A organization develops and deploys policies, materials and programs to increase Servicewide awareness and understanding of the aggregate limitation on pay and special rate schedules. Additionally, P&A collaborates with other HCO organizations and Servicewide stakeholders to support education and outreach activities as they relate to aggregate limitation on pay and special rate schedules.
- (2) The following activities help ensure program success:
 - a. Conducting annual policy reviews;
 - b. Publishing educational articles, such as Leaders' Alerts and IRS Headlines; and
 - c. Maintaining accurate and up-to-date program websites.

6.530.1.1.6 (12-22-2023) Terms

- (1) Find a complete list of definitions regarding aggregate limitation on pay and special rate schedules at 5 CFR 530.202 and 530.302.
 - a. **Aggregate compensation:** The total of:
 - Basic pay;
 - Premium pay;
 - Incentive awards and performance-based cash awards;
 - Recruitment, relocation, and retention incentives;
 - Extended assignment incentives;
 - Supervisory differentials;

- Post differentials;
- Danger pay allowances;
- Post differentials based on environmental conditions for employees stationed in non-foreign areas;
- Physicians' comparability allowances under 5 USC 5948;
- Continuation of pay;
- Lump-sum payments in excess of the aggregate limitation on pay, as required by 5 CFR 530.204, Payment of excess amounts; **and**
- Other similar payments authorized under 5 USC, **excluding**

Overtime pay under the Fair Labor Standards Act (FLSA) of 1938, as amended; severance pay; lump-sum payments for accumulated and accrued annual leave upon separation; back pay awarded to an employee because of an unjustified personnel action; student loan repayments under 5 USC 5379; and non-foreign area cost-of-living allowances.

- b. **Aggregate limitation:** The limitation on aggregate compensation received in any given calendar year (CY), as established by 5 USC 5307, Limitation on certain payments.
- c. **Basic pay:** The total amount of pay received at a rate fixed by law or administrative action for the position held by an employee, including any special rate under 5 CFR Part 530, subpart C, Special Rate Schedules for Recruitment and Retention, or any locality-based comparability payment under 5 CFR Part 531, subpart F, Locality-Based Comparability Payments, or other similar payment under other legal authority, before any deductions. Basic pay includes night and environmental differentials for prevailing rate employees under 5 USC 5343(f), Prevailing rate determinations; wage schedules; night differentials, and 5 CFR 532.511, Environmental differentials. Basic pay excludes additional pay of any other kind.
- d. **Discretionary payment:** A payment an agency has discretion to make to an employee.
- e. **Estimated aggregate compensation:** The agency's projection of the aggregate compensation an employee actually would receive during a CY, but for application of the aggregate limitation to future payments. This projection must be based on known factors. Estimated aggregate compensation includes:
 - 1. The total amount of basic pay the employee will receive during the CY;
 - 2. Any lump-sum payment of excess amounts from a previous CY, as described in 5 CFR 530.204, Payment of excess amounts;
 - 3. The total amount of non-discretionary payments the employee would be entitled to receive during the CY; and
 - 4. The total amount of discretionary payments the employee would be authorized to receive during the CY.
- f. **Federal Wage System:** The Federal Wage System (FWS) is a uniform pay-setting system that covers Federal appropriated fund and nonappropriated fund blue-collar employees who are paid by the hour.
- g. **General Schedule or GS:** The classification and pay system established under 5 USC chapter 51, Classification, and 5 USC Part III, subpart D, chapter 53, subchapter III, General Schedule Pay Rates.

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- h. **Highest applicable rate range:** The rate range applicable to a GS, GL or IR employee based on position and official worksite that provides the highest rates of basic pay, excluding any retained rates.
- i. **IRS Payband System (IR Payband or IR):** The performance-based classification and pay system established under 5 USC Chapter 95, Personnel Flexibilities Relating to the Internal Revenue Service, outlined in OPM criteria, that covers all IRS managers, referred to as band instead of grade.
- j. **Law Enforcement Officer (LEO) special base rate:** A special base rate established for GS law enforcement officers at grades 3 through 10 under section 403 of the Federal Employees Pay Comparability Act of 1990 (section 529 of Pub. L. 101-509, November 5, 1990, as amended), which is used in lieu of a GS rate. Identified by GL pay plan.
- k. **Prevailing rate:** A rate used in the FWS, that is established through wage surveys of private employers for jobs that are common to private and non-Federal public sectors and the Federal government. The Department of Defense is the lead agency responsible for conducting FWS wage surveys and issuing wage schedules.
- l. **Rate of basic pay:** The rate of pay fixed by law or administrative action for a position held by an employee before any deductions. Rates of basic pay within the IRS include the underlying GS rate, LEO special base rate, GS locality rate, special rate, IR underlying rate of basic pay, IR locality rate, and a retained rate, but exclusive of additional pay of any other kind.
- m. **Special rate:** A rate of pay within a special rate schedule established under 5 CFR 530, Subpart C, Special Rate Schedules for Recruitment and Retention.
- n. **Special rate schedule:** A pay schedule established under 5 CFR 530, Subpart C, Special Rate Schedules for Recruitment and Retention, to provide higher rates of pay for specified categories of GS positions or employees at one or more grades. An increased or decreased special rate schedule refers to an increase or decrease in one or more rate ranges within that schedule.
- o. **Special rate supplement:** The portion of a special rate paid above an employee's GS rate. However, for a LEO receiving a LEO special base rate, who is also entitled to a special rate, the special rate supplement equals the portion of the special rate paid above the officer's LEO special base rate. When a special rate schedule covers both LEO positions and other positions, the value of the special rate supplement will be less for LEOs receiving a LEO special base rate (since that rate is higher than the corresponding GS rate). The payable amount of a special rate supplement is subject to the Executive Schedule Level IV limitation on special rates, as provided in 5 CFR 530.304(a), Establishing or increasing special rates.
- p. **Staffing supplement:** The portion of basic pay above a manager's IR underlying rate for employees who meet certain terms and conditions, instead of the special rate authority in 5 USC 5305, Special pay authority.
- q. **Underlying GS rate, underlying rate, underlying rate of basic pay, IR underlying rate, or IR underlying rate of basic pay:** A rate of pay which excludes locality rates and special rates, also referred to as base pay.

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6.530.1.1.7
(12-22-2023)
Related Resources

- (1) Additional information is available on the IRS Source under the Employee Resources tab, under Pay, on Pay Systems, Salary Tables and Pay Administration page at <https://irs.gov.sharepoint.com/sites/EmployeeResources/SitePages/Pay-Systems-Salary-Tables-Pay-Administration.aspx>.
- (2) The OPM Fact Sheets:
 - a. Aggregate Limitation on Pay at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/aggregate-limitation-on-pay/>.
 - a. Special Rates Requests at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/special-rates-requests/>.

6.530.1.2
(01-26-2010)
Aggregate Limitation on Pay

- (1) This IRM establishes policy for limiting an employee's aggregate annual compensation. An employee's aggregate compensation received in any given CY may not exceed the rate of pay for Level I of the Executive Schedule or the rate payable to the Vice President at the end of the CY, whichever is applicable to the employee based on the certification status under 5 CFR Part 430, Subpart D, Performance Appraisal Certification for Pay Purposes, of the performance appraisal system covering the employee. These regulations must be applied in conjunction with 5 USC 5307, Limitation on certain payments. See <https://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/maximum-gs-pay-limitations/> for maximum GS pay limitations.
- (2) The aggregate limitation on pay in 5 USC 5307, Limitation on certain payments, and 5 CFR 530, Subpart B, Aggregate Limitation on Pay, apply to employees covered under the IRS Payband System.

6.530.1.2.1
(02-18-2021)
Administration of the Aggregate Limitation on Pay

- (1) The aggregate pay limitation is administered in accordance with the provisions at 5 CFR 530.203, Administration of aggregate limitation on pay, except as indicated in paragraphs (2), (3), and (4) of this section. An IRS employee may not receive any allowance, differential, bonus, incentive, award or other similar cash payment under 5 USC in any CY to the extent such pay, in combination with basic pay, would cause the aggregate compensation of the employee to exceed the rate for Level I of the Executive Schedule at the end of the CY.
- (2) Employees in SES positions covered under a performance appraisal system certified under 5 CFR 430, Performance Management, are subject to a limitation on aggregate compensation equal to the total annual compensation payable to the Vice President under 3 USC 104, Salary of the Vice President, at the end of the CY.
- (3) The 5 USC, Chapter 95, Personnel Flexibilities Relating to the Internal Revenue Service, sets forth certain personnel flexibilities relating to the IRS, and enabling the Secretary of the Treasury to take the following actions:
 - a. Under 9502(a), Pay authority for critical positions, request that OPM authorize critical pay for one or more IRS position(s) to be paid at any rate up to the salary of the Vice President (3 USC 104, Salary of the Vice President);
 - b. Under 9503(a), Streamlined critical pay authority, no later than September 30, 2025, as amended by the Taxpayer First Act of 2019, set the pay of an executive under the Streamlined Critical Pay Authority for

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positions critical to the functionality of the Information Technology (IT) operations of the IRS to be paid at any rate up to the salary of the Vice President (3 USC 104, Salary of the Vice President); and

- c. Under 9505(e), Performance awards for senior executives, no later than September 30, 2025, as amended by the Taxpayer First Act of 2019, pay a performance bonus award to a member of the SES, who has program management responsibilities over IT operations, to the extent that the executive's total annual compensation does not exceed the total annual compensation payable to the Vice President (3 USC 104, Salary of the Vice President).

- (4) The aggregate compensation of an employee receiving any payment under 5 USC 9502, Pay authority for critical positions, 5 USC 9503, Streamlined critical pay authority, and 5 USC 9505, Performance awards for senior executives, may not exceed the total annual compensation payable to the Vice President in accordance with 3 USC 104, Salary of the Vice President.

6.530.1.2.2 (01-26-2010) Payment of Excess Amounts

- (1) Amounts in excess of limitations described above must be paid to the employee in a lump-sum payment at the beginning of the following CY as provided at 5 CFR 530.204, Payment of excess amounts. This lump sum payment is considered a part of the employee's aggregate compensation for the new CY.
- (2) If, in a new CY, any lump-sum payment causes an employee's *estimated* aggregate compensation to exceed the applicable aggregate limitation for the current CY, the IRS must consider only the employee's rate of basic pay (includes locality-based payment under 5 CFR Part 531, Subpart F, Locality-Based Comparability Payments, as well as any special rate under 5 CFR Part 530, Pay Rates and Systems (General)), expected to be paid to determine the extent of the lump-sum payment that may be paid. An agency must defer all other payments in order to pay as much of the lump-sum amount as possible. Any deferred payments (including any portion of the lump-sum payment excess amount that was not payable) are payable at the beginning of the next CY.
- (3) Exceptions to the CY deferment:
 - a. Death of an employee; or
 - b. Separation from federal service following a 30-day break in service. If an individual is reemployed in the federal service within the same CY, the lump-sum payment is included in the aggregate compensation for the year.

6.530.1.3 (12-22-2023) Special Rate Schedules and Staffing Supplements

- (1) As provided in 5 CFR 530, Subpart C, Special Rate Schedules for Recruitment and Retention, and in OPM Criteria for IRS Broadbanding System, Appendix A, Staffing Supplements, this section contains rules for determining an employee's rate of pay when a special rate schedule is established, increased, decreased, or discontinued, or when conditions for coverage under a special rate schedule are changed.
- (2) Pay-setting rules:

- For GS employees, refer to IRM 6.531.1, Pay Under the General Schedule and IRS Payband System;
- For IR employees, refer to OPM Criteria for IRS Broadbanding System, 65 FR 79433, issued December 19, 2000, at: <https://www.federalregister.gov/documents/2000/12/19/00-31710/opm-criteria-for-irs-broadbanding-system> ; and
- For employees on grade and pay retention, refer to IRM 6.536.1, Grade/Band and Pay Retention. .

6.530.1.3.1 (12-22-2023) **Coverage**

- (1) In the IRS, special rates may apply to GS and GL positions.
- (2) Special rate schedules under 5 USC 5305, Special pay authority, do not apply to IR employees. Under certain terms and conditions, if IR employees are assigned to an occupational series and geographic area covered by a special rate schedule, OPM may approve staffing supplements instead of special rate schedules.
- (3) An employee's coverage under a special rate schedule (or staffing supplement) is subject to conditions established by OPM and may be based on occupation, grade, employing agency, geographic location, or other factors determined by OPM.
- (4) The IRS must pay the applicable special rate (or staffing supplement) to any employee who meets the coverage criteria established by OPM. The Commissioner of Internal Revenue can request an exception from the Department of the Treasury (Treasury) to exclude a category of employees within the IRS from coverage under a proposed or existing special rate schedule.
- (5) An employee covered by a special rate schedule (or staffing supplement) is not paid a special rate if they are entitled to a higher rate of basic pay under any other legal authority. For example, an employee is not entitled to a special rate (or staffing supplement) if they are entitled to a higher locality rate or a retained rate.

6.530.1.3.2 (01-26-2010) **Establishing or Increasing Special Rates**

- (1) OPM considers the circumstances and factors listed in 5 CFR 530.304, Establishing or increasing special rates, and 5 CFR 530.306, Evaluating agency requests for new or increased special rates, when evaluating the need for special rates.
- (2) OPM may increase the minimum rates of basic pay for a category of employees to address significant recruitment or retention difficulties.
- (3) A minimum special rate may not exceed 30% of the maximum underlying rate for the grade, and the maximum rate may not exceed Level IV of the Executive Schedule.

6.530.1.3.3 (12-22-2023) **Agency Requests for New or Increased Special Rates**

- (1) At any time, the IRS may request that a special rate schedule be established or adjusted by OPM, through Treasury as provided under 5 CFR 530.305, Agency requests for new or increased special rates. Business units should contact HCO, P&A regarding the initiation of such requests.
- (2) The development of a request for a special rate schedule requires extensive documentation of activity over an extended timeframe. The request must

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include the information required by OPM's Worksheet for Special Rate Requests, Form 1397, at <https://www.opm.gov/policy-data-oversight/pay-leave/pay-systems/special-rates-requests/opm1397.pdf>.

- (3) A completed Worksheet for Special Rate Requests, Form 1397, must be approved by the business unit head of office, or equivalent, to authorize the request and funding while certifying that the requested special rate schedules are considered necessary to ensure staffing adequate to the accomplishment of the IRS mission. The request is then forwarded to HCO, P&A for submission to the IRS Human Capital Officer for concurrence and submission to Treasury and subsequent forwarding to OPM.
- (4) A request for a new special rate schedule, as outlined in (3) above, may result in OPM review and approval of staffing supplements for IR employees in the same occupational series and geographic area covered by the request.

6.530.1.3.4
(01-26-2010)

Evaluating Agency Requests for New or Increased Special Rates

- (1) OPM evaluates agency requests for new or increased special rates based on 5 CFR 530.306, Evaluating agency requests for new or increased special rates.

6.530.1.3.5
(12-22-2023)

OPM Review and Adjustment of Special Rate Schedules (or Staffing Supplements)

- (1) OPM may review an established special rate schedule at any time. Typically, OPM requests information from agencies on an annual basis as they review special rate schedules. The OPM will request information for the review directly or designate a lead agency.
- (2) When annual GS pay adjustments are applied, OPM also determines whether they will apply the same annual adjustment to special rates and if the special rate should be increased, decreased, or discontinued.
- (3) At its discretion, OPM may discontinue special rate schedules at any time.
- (4) Any adjustment to a special rate schedule may result in an adjustment to the corresponding staffing supplement for affected IR employees.
- (5) The HCO, P&A organization is the point of contact for any OPM requests on special rates.

6.530.1.3.6
(01-26-2010)

Treatment of Special Rate as Rate of Basic Pay

- (1) Unless otherwise specified under another legal authority, a special rate is considered to be a "rate of basic pay" for the same purposes for which a locality rate is considered to be a "rate of basic pay" (i.e., retirement and life insurance deductions and benefits; premium pay; severance pay; recruitment, relocation, and retention incentives; cash awards; grade and pay retention; GS promotion provisions; and for other purposes stated in 5 CFR 531.610, Treatment of locality rate as basic pay, except as otherwise provided in (2) and (3) below).
- (2) Per 5 CFR 530.308, Treatment of special rate as basic pay, special rates are not considered part of basic pay in computing foreign area post differentials and danger pay allowances.
- (3) Refer to 5 CFR 530.308(c), Treatment of special rate as basic pay, when setting pay for an employee moving from a special rate position to a prevailing rate position.

- (4) Special rates may apply to an entire special rate schedule or to a portion of the schedule. When a locality rate exceeds a special rate schedule (or staffing supplement) or a portion of that schedule, the special rate is terminated. Positions may have a special rate and a locality rate as the highest applicable rate range. This is commonly referred to as a hybrid schedule or range (e.g., GS 5, step 1 to step 4 covered by special rate and GS 5, step 5 and above covered by locality rate).

6.530.1.3.7
(01-26-2010)
**Miscellaneous
Provisions**

- (1) A special rate may be paid only for those hours for which an employee is in a pay status.
- (2) A pay increase caused by an employee becoming entitled to a new or higher special rate supplement is not considered an equivalent increase in pay (5 CFR 531.407(c), Equivalent increase determinations).
- (3) A special rate is included in an employee's total remuneration, as defined in 5 CFR 551.511(b), Hourly regular rate of pay, and straight time rate of pay, as defined in 5 CFR 551.512(b), Overtime pay entitlement, for the purpose of overtime pay computations under the FLSA.
- (4) The reduction or termination of an employee's special rate supplement, in accordance with the requirements of 5 CFR Part 530, Subpart C, Special Rate Schedules for Recruitment and Retention (which includes a change in official worksite where a lower or no special rate exists), is not an adverse action under 5 CFR Part 752, Subpart D, Regulatory Requirements for Removal, Suspension for More Than 14 Days, Reduction in Grade or Pay, or Furlough for 30 Days or Less.

6.530.1.3.8
(01-26-2010)
**Setting Pay When a
Special Rate Schedule is
Newly Established,
Increased, or Decreased**

- (1) The following rules apply when an employee's current position is affected by a new special rate schedule. They do not cover changes in special rate entitlements based on a change in an employee's position or official worksite (see 5 CFR Part 531, Pay Under the General Schedule, and 5 CFR Part 536, Grade and Pay Retention).
- (2) These rules are considered general pay adjustments for the purpose of dealing with the order of precedence for processing simultaneous pay actions.
- (3) When special rate schedules are established or increased, the rate of basic pay is set at the step of the new or increased special rate schedule corresponding to the existing step of the grade of the employee's position of record.
- (4) The rate of pay for an employee on pay retention will be increased by 50% of the increase provided to the maximum step of the highest applicable rate range of the grade of the employee's position of record, in accordance with 5 CFR 536.305, Adjusting an employee's retained rate when a pay schedule is adjusted. This adjustment must be determined based on the employee's position of record and official worksite as in effect immediately before the effective date of the adjustment.
- (5) When a special rate schedule for a position is discontinued or decreased, pay is set as follows:

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- a. If the employee's rate of basic pay is equal to one of the steps in the highest applicable rate range (including locality or special rate supplement), pay is set at that step.
 - b. If the employee's rate of basic pay is between two steps in the highest applicable rate range, pay is set at the higher of the two steps.
 - c. If the employee's rate of basic pay exceeds the maximum rate of the highest applicable rate range, pay remains at its current rate, and the employee is entitled to pay retention in accordance with 5 CFR 536.301, Mandatory pay retention.
- (6) If an employee changes to an official worksite with no special rate or a lower special rate, pay retention will not apply. A reduction in an employee's payable rate of basic pay resulting from this geographic conversion is not a basis for entitlement to pay retention (5 CFR 536.303(a), Geographic conversion).