Calendar No. 179

111TH CONGRESS 1ST SESSION

S. 507

[Report No. 111-88]

To provide for retirement equity for Federal employees in nonforeign areas outside the 48 contiguous States and the District of Columbia, and for other purposes.

IN THE SENATE OF THE UNITED STATES

March 2, 2009

Mr. Akaka (for himself, Ms. Murkowski, Mr. Inouye, and Mr. Begich) introduced the following bill; which was read twice and referred to the Committee on Homeland Security and Governmental Affairs

OCTOBER 14, 2009

Reported by Mr. LIEBERMAN, with amendments
[Omit the part struck through and insert the part printed in italic]

A BILL

To provide for retirement equity for Federal employees in nonforeign areas outside the 48 contiguous States and the District of Columbia, and for other purposes.

- 1 Be it enacted by the Senate and House of Representa-
- 2 tives of the United States of America in Congress assembled,

1 SECTION 1. SHORT TITLE.

2	This Act may be cited as the "Non-Foreign Area Re-
3	tirement Equity Assurance Act of 2009" or the "Non-For-
4	eign AREA Act of 2009".
5	SEC. 2. EXTENSION OF LOCALITY PAY.
6	(a) Locality-based Comparability Payments.—
7	Section 5304 of title 5, United States Code, is amended—
8	(1) in subsection $(f)(1)$, by striking subpara-
9	graph (A) and inserting the following:
10	"(A) each General Schedule position in the
11	United States, as defined under section
12	5921(4), and its territories and possessions, in-
13	cluding the Commonwealth of Puerto Rico and
14	the Commonwealth of the Northern Mariana Is-
15	lands, shall be included within a pay locality;";
16	(2) in subsection (g)—
17	(A) in paragraph (2)—
18	(i) in subparagraph (A), by striking
19	"and" after the semicolon;
20	(ii) in subparagraph (B) by striking
21	the period and inserting "; and"; and
22	(iii) by adding after subparagraph (B)
23	the following:
24	"(C) positions under subsection (h)(1)(C)
25	not covered by appraisal systems certified under
26	section 5382: and": and

1	(B) by adding at the end the following:
2	"(3) The applicable maximum under this sub-
3	section shall be level II of the Executive Schedule for
4	positions under subsection (h)(1)(C) covered by ap-
5	praisal systems certified under section 5307(d).";
6	and
7	(3) in subsection (h)(1)—
8	(A) in subparagraph (B) by striking "and"
9	after the semicolon;
10	(B) by redesignating subparagraph (C) as
11	subparagraph (D);
12	(C) by inserting after subparagraph (B)
13	the following:
14	"(C) a Senior Executive Service position
15	under section 3132 or 3151 or a senior level po-
16	sition under section 5376 stationed within the
17	United States, but outside the 48 contiguous
18	States and the District of Columbia in which
19	the incumbent was an individual who on the
20	day before the date of enactment of the Non-
21	Foreign Area Retirement Equity Assurance Act
22	of 2009 was eligible to receive a cost-of-living
23	allowance under section 5941; and";
24	(D) in clause (iv) in the matter following
25	subparagraph (D), by inserting ", except for

1	members covered by subparagraph (C)" before
2	the semicolon; and
3	(E) in clause (v) in the matter following
4	subparagraph (D), by inserting ", except for
5	members covered by subparagraph (C)" before
6	the semicolon.
7	(b) Allowances Based on Living Costs and
8	CONDITIONS OF ENVIRONMENT.—Section 5941 of title 5,
9	United States Code, is amended—
10	(1) in subsection (a), by adding after the last
11	sentence "Notwithstanding any preceding provision
12	of this subsection, the cost-of-living allowance rate
13	based on paragraph (1) shall be the cost-of-living al-
14	lowance rate in effect on the date of enactment of
15	the Non-Foreign Area Retirement Equity Assurance
16	Act of 2009, except as adjusted under subsection
17	(e).";
18	(2) by redesignating subsection (b) as sub-
19	section (d); and
20	(3) by inserting after subsection (a) the fol-
21	lowing:
22	"(b) This section shall apply only to areas that are
23	designated as cost-of-living allowance areas as in effect on
24	December 31, 2009.

1	``(c)(1) The cost-of-living allowance rate payable
2	under this section shall be adjusted on the first day of
3	the first applicable pay period beginning on or after—
4	"(A) January 1, 2010; and
5	"(B) January 1 of each calendar year in which
6	a locality-based comparability adjustment takes ef-
7	fect under section 4 (2) and (3) of the Non-Foreign
8	Area Retirement Equity Assurance Act of 2009.
9	"(2)(A) In this paragraph, the term 'applicable local-
10	ity-based comparability pay percentage' means, with re-
11	spect to calendar year 2010 and each calendar year there-
12	after, the applicable percentage under section 4 (1), (2)
13	or (3) of Non-Foreign Area Retirement Equity Assurance
14	Act of 2009.
15	"(B) Each adjusted cost-of-living allowance rate
16	under paragraph (1) shall be computed by—
17	"(i) subtracting 65 percent of the applicable lo-
18	cality-based comparability pay percentage from the
19	cost-of-living allowance percentage rate in effect or
20	December 31, 2009; and
21	"(ii) dividing the resulting percentage deter-
22	mined under clause (i) by the sum of—
23	"(I) one; and

1	"(II) the applicable locality-based com-
2	parability payment percentage expressed as a
3	numeral.
4	"(3) No allowance rate computed under paragraph
5	(2) may be less than zero.
6	"(4) Each allowance rate computed under paragraph
7	(2) shall be paid as a percentage of basic pay (including
8	any applicable locality-based comparability payment under
9	section 5304 or similar provision of law and any applicable
10	special rate of pay under section 5305 or similar provision
11	of law).".
12	SEC. 3. ADJUSTMENT OF SPECIAL RATES.
13	(a) In General.—Each special rate of pay estab-
14	lished under section 5305 of title 5, United States Code,
15	and payable in an area designated as a cost-of-living allow-
16	ance area under section 5941(a) of that title, shall be ad-
17	justed, on the dates prescribed by section 4 of this Act,
18	in accordance with regulations prescribed by the Director
19	of the Office of Personnel Management under section 8
20	of this Act.
21	(b) AGENCIES WITH STATUTORY AUTHORITY.—
22	(1) In general.—Each special rate of pay es-
23	tablished under an authority described under para-
24	graph (2) and payable in a location designated as a
25	cost-of-living allowance area under section

- 5941(a)(1) of title 5, United States Code, shall be adjusted in accordance with regulations prescribed by the applicable head of the agency that are consistent with the regulations issued by the Director of the Office of Personnel Management under subsection (a).
 - (2) Statutory authority.—The authority referred to under paragraph (1), is any statutory authority that—
 - (A) is similar to the authority exercised under section 5305 of title 5, United States Code;
 - (B) is exercised by the head of an agency when the head of the agency determines it to be necessary in order to obtain or retain the services of persons specified by statute; and
 - (C) authorizes the head of the agency to increase the minimum, intermediate, or maximum rates of basic pay authorized under applicable statutes and regulations.
- 21 (c) Temporary Adjustment.—Regulations issued 22 under subsection (a) or (b) may provide that statutory 23 limitations on the amount of such special rates may be 24 temporarily raised to a higher level during the transition 25 period described in section 4 ending on the first day of

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1	the first pay period beginning on or after January 1
2	2012, at which time any special rate of pay in excess of
3	the applicable limitation shall be converted to a retained
4	rate under section 5363 of title 5, United States Code
5	SEC. 4. TRANSITION SCHEDULE FOR LOCALITY-BASED
6	COMPARABILITY PAYMENTS.
7	Notwithstanding any other provision of this Act or
8	section 5304 or 5304a of title 5, United States Code, in
9	implementing the amendments made by this Act, for each
10	non-foreign area determined under section 5941(b) of that
11	title, the applicable rate for the locality-based com-
12	parability adjustment that is used in the computation re-
13	quired under section 5941(c) of that title shall be adjusted
14	effective on the first day of the first pay period beginning
15	on or after January 1—
16	(1) in calendar year 2010, by using $\frac{1}{3}$ of the
17	locality pay percentage for the rest of United States
18	locality pay area;
19	(2) in calendar year 2011, by using ½ of the
20	otherwise applicable comparability payment approved
21	by the President for each non-foreign area; and
22	(3) in calendar year 2012 and each subsequent
23	year, by using the full amount of the applicable com-
24	parability payment approved by the President for
25	each non-foreign area.

SEC. 5. SAVINGS PROVISION.

2	(a) Sense of Congress.—It is the sense of Con-
3	gress that—
4	(1) the application of this Act to any employee
5	should not result in a decrease in the take home pay
6	of that employee;
7	(2) in calendar year 2012 and each subsequent
8	year, no employee shall receive less than the Rest of
9	the U.S. locality pay rate;
10	(3) concurrent with the surveys next conducted
11	under the provisions of section $5304(d)(1)(A)$ of title
12	5, United States Code, beginning after the date of
13	the enactment of this Act, the Bureau of Labor Sta-
14	tistics should conduct separate surveys to determine

tistics should conduct separate surveys to determine
the extent of any pay disparity (as defined by section 5302 of that title) that may exist with respect
to positions located in the State of Alaska, the State
of Hawaii, and the United States territories, including American Samoa, Guam, Commonwealth of the

Rico, and the United States Virgin Islands;

(4) if the surveys under paragraph (3) indicate that the pay disparity determined for the State of Alaska, the State of Hawaii, or any 1 of the United States territories including American Samoa, Guam, Commonwealth of the Northern Mariana Islands,

Northern Mariana Islands, Commonwealth of Puerto

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- Commonwealth of Puerto Rico, and the United States Virgin Islands exceeds the pay disparity determined for the locality which (for purposes of section 5304 of that title) is commonly known as the "Rest of the United States", the President's Pay Agent should take appropriate measures to provide that each such surveyed area be treated as a separate pay locality for purposes of that section; and
 - (5) the President's Pay Agent will establish 1 locality area for the entire State of Hawaii and 1 locality area for the entire State of Alaska.

(b) Savings Provisions.—

(1) In General.—During the period described under section 4 of this Act, an employee paid a special rate under 5305 of title 5, United States Code, who the day before the date of enactment of this Act was eligible to receive a cost-of-living allowance under section 5941 of title 5, United States Code, and who continues to be officially stationed in an allowance area, shall receive an increase in the employee's special rate consistent with increases in the applicable special rate schedule. For employees in allowance areas, the minimum step rate for any grade of a special rate schedule shall be increased at the time of an increase in the applicable locality rate

- percentage for the allowance area by not less than the dollar increase in the locality-based comparability payment for a non-special rate employee at the same minimum step provided under section 4 of this Act, and corresponding increases shall be provided for all step rates of the given pay range.
- (2) Continuation of cost of Living allowance ance rate of the date of enactment of this Act was eligible to receive a cost-of-living allowance under section 5941 of title 5, United States Code, would receive a rate of basic pay and applicable locality-based comparability payment which is in excess of the maximum rate limitation set under section 5304(g) of title 5, United States Code, for his position (but for that maximum rate limitation) due to the operation of this Act, the employee shall continue to receive the cost-of-living allowance rate in effect on December 31, 2009 without adjustment until—
 - (A) the employee leaves the allowance area or pay system; or
 - (B) the employee is entitled to receive basic pay (including any applicable localitybased comparability payment or similar supplement) at a higher rate,

- but, when any such position becomes vacant, the pay of any subsequent appointee thereto shall be fixed in the manner provided by applicable law and regulation.
- (3)LOCALITY-BASED COMPARABILITY 6 MENTS.—Any employee covered under paragraph (2) 7 shall receive any applicable locality-based com-8 parability payment extended under section 4 of this 9 Act which is not in excess of the maximum rate set 10 under section 5304(g) of title 5, United States Code, 11 for his position including any future increase to stat-12 utory pay limitations under 5318 of title 5, United 13 States Code. Notwithstanding paragraph (2), to the 14 extent that an employee covered under that para-15 graph receives any amount of locality-based com-16 parability payment, the cost-of-living allowance rate 17 under that paragraph shall be reduced accordingly, 18 as provided under section 5941(c)(2)(B) of title 5, 19 United States Code.

20 SEC. 6. APPLICATION TO OTHER ELIGIBLE EMPLOYEES.

- 21 (a) IN GENERAL.—
- 22 (1) Definition.—In this subsection, the term 23 "covered employee" means—
- 24 (A) any employee who—

1	(i) on the day before the date of en-
2	actment of this Act—
3	(I) was eligible to be paid a cost-
4	of-living allowance under 5941 of title
5	5, United States Code; and
6	(II) was not eligible to be paid lo-
7	cality-based comparability payments
8	under 5304 or 5304a of that title; or
9	(ii) on or after the date of enactment
10	of this Act becomes eligible to be paid a
11	cost-of-living allowance under 5941 of title
12	5, United States Code; or
13	(B) any employee who—
14	(i) on the day before the date of en-
15	actment of this Act—
16	(I) was eligible to be paid an al-
17	lowance under section 1603(b) of title
18	10, United States Code;
19	(II) was eligible to be paid an al-
20	lowance under section 1005(b) of title
21	39, United States Code;
22	(III) was employed by the Trans-
23	portation Security Administration of
24	the Department of Homeland Security
25	and was eligible to be paid an allow-

1	ance based on section 5941 of title 5,
2	United States Code; or
3	(IV) was eligible to be paid under
4	any other authority a cost-of-living al-
5	lowance that is equivalent to the cost-
6	of-living allowance under section 5941
7	of title 5, United States Code; or
8	(ii) on or after the date of enactment
9	of this Act—
10	(I) becomes eligible to be paid an
11	allowance under section 1603(b) of
12	title 10, United States Code;
13	(II) becomes eligible to be paid
14	an allowance under section 1005(b) of
15	title 39, United States Code;
16	(III) is employed by the Trans-
17	portation Security Administration of
18	the Department of Homeland Security
19	and becomes eligible to be paid an al-
20	lowance based on section 5941 of title
21	5, United States Code; or
22	(IV) is eligible to be paid under
23	any other authority a cost-of-living al-
24	lowance that is equivalent to the cost-

1	of-living allowance under section 5941
2	of title 5, United States Code.
3	(2) Application to covered employees.—
4	(A) In General.—Notwithstanding any
5	other provision of law, for purposes of this Act
6	(including the amendments made by this Act)
7	any covered employee shall be treated as an em-
8	ployee to whom section 5941 of title 5, United
9	States Code (as amended by section 2 of this
10	Act), and section 4 of this Act apply.
11	(B) Pay fixed by statute.—Pay to cov-
12	ered employees under section 5304 or 5304a of
13	title 5, United States Code, as a result of the
14	application of this Act shall be considered to be
15	fixed by statute.
16	(C) Performance appraisal system.—
17	With respect to a covered employee who is sub-
18	ject to a performance appraisal system no part
19	of pay attributable to locality-based com-
20	parability payments as a result of the applica-
21	tion of this Act including section 5941 of title
22	5, United States Code (as amended by section
23	2 of this Act), may be reduced on the basis of
24	the performance of that employee.
25	(b) Postal Employees in Non-foreign Areas.—

1	(1) In general.—Section 1005(b) of title 39,
2	United States Code, is amended—
3	(A) by inserting "(1)" after "(b)";
4	(B) by striking "Section 5941," and in-
5	serting "Except as provided under paragraph
6	(2), section 5941";
7	(C) by striking "For purposes of such sec-
8	tion," and inserting "Except as provided under
9	paragraph (2), for purposes of section 5941 of
10	that title,"; and
11	(D) by adding at the end the following:
12	"(2) On and after the date of enactment of the
13	Non-Foreign Area Retirement Equity Assurance Act
14	of 2009—
15	"(A) the provisions of that Act and section
16	5941 of title 5 shall apply to officers and em-
17	ployees covered by section 1003 (b) and (c)
18	whose duty station is in a nonforeign area; and
19	"(B) with respect to officers and employees
20	of the Postal Service (other than those officers
21	and employees described under subparagraph
22	(A)) section 6(b)(2) of that Act shall apply.".
23	(2) Continuation of cost of living allow-
24	ANCE.—

1	(A) In General.—Notwithstanding any
2	other provision of this Act, any employee of the
3	Postal Service (other than an employee covered
4	by section 1003 (b) and (c) of title 39, United
5	States Code, whose duty station is in a nonfor-
6	eign area) who is paid an allowance under sec-
7	tion 1005(b) of that title shall be treated for all
8	purposes as if the provisions of this Act (includ-
9	ing the amendments made by this Act) had not
10	been enacted, except that the cost-of-living al-
11	lowance rate paid to that employee—
12	(i) may result in the allowance exceed-
13	ing 25 percent of the rate of basic pay of
14	that employee; and
15	(ii) shall be the greater of—
16	(I) the cost-of-living allowance
17	rate in effect on December 31, 2009
18	for the applicable area; or
19	(II) the applicable locality-based
20	comparability pay percentage under
21	section 4.
22	(B) Rule of Construction.—Nothing in
23	this Act shall be construed to—
24	(i) provide for an employee described
25	under subparagraph (A) to be a covered

1	employee as defined under subsection (a);
2	or
3	(ii) authorize an employee described
4	under subparagraph (A) to file an election
5	under section 7 of this Act.
6	SEC. 7. ELECTION OF ADDITIONAL BASIC PAY FOR ANNU-
7	ITY COMPUTATION BY EMPLOYEES.
8	(a) Definition.—In this section the term "covered
9	employee" means any employee—
10	(1) to whom section 4 applies;
11	(2) who is separated from service by reason of
12	retirement under chapter 83 or 84 of title 5, United
13	States Code, during the period of January 1, 2010,
14	through December 31, 2012; and
15	(3) who files an election with the Office of Per-
16	sonnel Management under subsection (b).
17	(b) Election.—
18	(1) In General.—An employee described
19	under subsection (a) (1) and (2) may file an election
20	with the Office of Personnel Management to be cov-
21	ered under this section.
22	(2) Deadline.—An election under this sub-
23	section may be filed not later than December 31,
24	2012.
25	(c) Computation of Annuity.—

1	(1) In general.—Except as provided under
2	paragraph (2), for purposes of the computation of
3	an annuity of a covered employee any cost-of-living
4	allowance under section 5941 of title 5, United
5	States Code, paid to that employee during the first
6	applicable pay period beginning on or after January
7	1, 2010 through the first applicable pay period end-
8	ing on or after December 31, 2012, shall be consid-
9	ered basic pay as defined under section 8331(3) or
10	8401(4) of that title.
11	(2) Limitation.—The amount of the cost-of-
12	living allowance which may be considered basic pay
13	under paragraph (1) may not exceed the amount of
14	the locality-based comparability payments the em-
15	ployee would have received during that period for
16	the applicable pay area if the limitation under sec-
17	tion 4 of this Act did not apply.
18	(d) CIVIL SERVICE RETIREMENT AND DISABILITY
19	RETIREMENT FUND.—
20	(1) Employee contributions.—A covered
21	employee shall pay into the Civil Service Retirement
22	and Disability Retirement Fund—
23	(A) an amount equal to the difference be-
24	tween—

1	(i) employee contributions that would
2	have been deducted and withheld from pay
3	under section 8334 or 8422 of title 5,
4	United States Code, during the period de-
5	scribed under subsection (c) of this section
6	if the cost-of-living allowances described
7	under that subsection had been treated as
8	basic pay under section 8331(3) or
9	8401(4) of title 5, United States Code; and
10	(ii) employee contributions that were
11	actually deducted and withheld from pay
12	under section 8334 or 8422 of title 5,
13	United States Code, during that period;
14	and
15	(B) interest as prescribed under section
16	8334(e) of title 5, United States Code, based on
17	the amount determined under subparagraph
18	(A).
19	(2) Agency contributions.—
20	(A) IN GENERAL.—The employing agency
21	of a covered employee shall pay into the Civil
22	Service Retirement and Disability Retirement
23	Fund an amount for applicable agency con-
24	tributions based on payments made under para-
25	graph (1).

1	(B) Source.—Amounts paid under this
2	paragraph shall be contributed from the appro-
3	priation or fund used to pay the employee.
4	(3) REGULATIONS.—The Office of Personnel
5	Management may prescribe regulations to carry out
6	this section.
7	SEC. 8. REGULATIONS.
8	(a) In General.—The Director of the Office of Per-
9	sonnel Management shall prescribe regulations to carry
10	out this Act, including—
11	(1) rules for special rate employees described
12	under section 3;
13	(2) rules for adjusting rates of basic pay for
14	employees in pay systems administered by the Office
15	of Personnel Management when such employees are
16	not entitled to locality-based comparability payments
17	under section 5304 of title 5, United States Code,
18	without regard to otherwise applicable statutory pay
19	limitations during the transition period described in
20	section 4 ending on the first day of the first pay pe-
21	riod beginning on or after January 1, 2012; and
22	(3) rules governing establishment and adjust-
23	ment of saved or retained rates for any employee

whose rate of pay exceeds applicable pay limitations

- 1 on the first day of the first pay period beginning on
- 2 or after January 1, 2012.
- 3 (b) Other Pay Systems.—With the concurrence of
- 4 the Director of the Office of Personnel Management, the
- 5 administrator of a pay system not administered by the Of-
- 6 fice of Personnel Management shall prescribe regulations
- 7 to earry out this Act with respect to employees in such
- 8 pay system, consistent with the regulations issued by the
- 9 Office under subsection (a).
- 10 (b) Other Pay Systems.—With the concurrence of
- 11 the Director of the Office of Personnel Management, the ad-
- 12 ministrator of a pay system not administered by the Office
- 13 of Personnel Management shall prescribe regulations to
- 14 carry out this Act with respect to employees in such pay
- 15 system, consistent with the regulations prescribed by the Of-
- 16 fice under subsection (a). With respect to employees not en-
- 17 titled to locality-based comparability payments under sec-
- 18 tion 5304 of title 5, United States Code, regulations pre-
- 19 scribed under this subsection may provide for special pay-
- 20 ments or adjustments for employees who were eligible to re-
- 21 ceive a cost-of-living allowance under section 5941 of that
- 22 title on the date before the date of enactment of this Act.

1 SEC. 9. EFFECTIVE DATES.

- 2 (a) In General.—Except as provided by subsection
- 3 (b), this Act (including the amendments made by this Act)
- 4 shall take effect on the date of enactment of this Act.
- 5 (b) LOCALITY PAY AND SCHEDULE.—The amend-
- 6 ments made by section 2 and the provisions of section 4
- 7 shall take effect on the first day of the first applicable
- 8 pay period beginning on or after January 1, 2010.

Calendar No. 179

111TH CONGRESS **S. 507**1ST SESSION **Report No. 111-88**]

A BILL

To provide for retirement equity for Federal employees in nonforeign areas outside the 48 contiguous States and the District of Columbia, and for other purposes.

OCTOBER 15, 2009

Reported with amendments