

**American Postal Workers Union, AFL-CIO**

1300 L Street, NW, Washington, DC 20005

William Burrus
Executive Vice President
(202) 842-4246

December 22, 1995

Dear Tony:

I have been provided a copy of correspondence and instructions originating from the office of Compensation & Benefits regarding erroneous lump sum payments under the Promotion Pay Anomaly. This information has not been officially provided to the union and to date no discussions have transpired at this level regarding the alleged overpayments.

This is to request a meeting to discuss the issues involved and procedures applied to demand repayment. I further request that any efforts to recover the alleged overpayments be deferred until the parties have had an opportunity to discuss the issues.

The Promotion Pay Anomaly and payment procedures were discussed exclusively at the national level. Individual employees and local officials were not directly involved in the decisions reached for computing pay adjustments or the interpretation and application of the parties agreement to resolve pay anomalies. This most recent issue should be discussed and resolved at this level prior to the initiation of individual letters to employees under the collection procedures.

I request that instructions be issued immediately to defer any collections or acceptance of repayment from or by individual employees until the parties at the national level have had an opportunity to fully discuss the issues involved.

Thank you for your attention to this matter.

Sincerely,

William Burrus
William Burrus

Anthony J. Vegliante, Manager
Grievance & Arbitration Division
475 L'Enfant Plaza, Sw
Washington, DC 20260

National Executive Board

Moe Biller
President

William Burrus
Executive Vice President

Douglas C. Holbrook
Secretary-Treasurer

Thomas A. Neill
Industrial Relations Director

Art L. Tunstall
Director, Clerk Division

James W. Lingberg
Director, Maintenance Division

Donald A. Ross
Director, MVS Division

George N. McKeithen
Director, SDM Division

Regional Coordinators

James P. Williams
Central Region

Jim Burke
Eastern Region

Elizabeth "Liz" Powell
Northeast Region

Terry Stapleton
Southern Region

Raydell R. Moore
Western Region

MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
AMERICAN POSTAL WORKERS UNION, AFL-CIO

RE: Promotion Pay

The United States Postal Service (Postal Service) and the American Postal Workers Union, AFL-CIO (APWU) hereby agree to a full, final and binding resolution of all issues which remain in dispute and which arise from the interpretation and application of the June 13, 1990 Memorandum of Settlement reached in Case No. H7C-NA-C 39.

1. On June 13, 1990, the American Postal Workers Union, AFL-CIO, (APWU) the National Association of Letter Carriers, AFL-CIO, (NALC) and the Postal Service entered into a Memorandum of Settlement to resolve what became known as the Promotion Pay dispute.

2. The Memorandum of Settlement provided for the creation of a monetary fund (JBC Fund), to be used for the resolution of JBC promotion pay claims. Effective upon the signing of this Memorandum of Understanding (MOU), the APWU's pro rata share of the JBC Fund will be removed for the purpose of creating an independent "APWU Fund". The APWU's pro rata share of the JBC Fund has been determined to be seventy-eight and six tenths (78.6) per cent.

3. The Postal Service agrees that any money currently held in the JBC Fund which has been transferred to the "APWU Fund" to pay for the employer's portion of FICA tax payments is hereby released and considered available for distribution to APWU employees affected by the promotion pay anomaly. The parties further agree that the provisions of this paragraph resolve any and all claims by the APWU relative to the employer's portion of FICA tax payments in the JBC Fund.

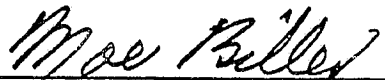
4. The Postal Service agrees to add Two Million, Three Hundred Thousand Dollars (\$2,300,000) to the "APWU Fund".


5. Effective twelve (12) full pay periods after the signing of this MOU, salary history corrections for affected employees will be processed for a basic pay adjustment. Each pay period within the reconstructed salary history will be compared with the corresponding pay period in the actual salary history. All periods in which the employee is overpaid will be offset by those periods, if any, that the employee was underpaid. The employee will receive any positive balance in the form of a lump sum payment in a subsequent pay period. Negative balances will be automatically waived.

6. If the application of the "new" change to lower level and repromotion rules (established June 13, 1992) results in the employee experiencing an immediate reduction in pay, the employee will be frozen in their current step until such time as the employee is scheduled to advance to the next higher step in accordance with the reconstructed step progression.

7. The parties will jointly develop a method to liquidate the newly created "APWU Fund" in an expeditious manner. The development of such liquidation procedures shall be governed by the principle of rapid payment at the lowest possible administrative cost.

8. The APWU hereby agrees to withdraw from the following cases which are pending national level arbitration: Grievance Nos. HOC-NA-C 2, HOC-NA-C 20, HOC-NA-C 34, and HOC-NA-C 40. This settlement is made without prejudice or precedent with regard to either party's position on the subject matters addressed herein.


Moe Biller
President
American Postal Workers
Union, AFL-CIO


Anthony J. Vegliante
Manager, Grievance & Arbitration
Labor Relations

Dated: July 21, 1994

Dated: 7/21/94

6/13/90

IN THE MATTER OF THE ARBITRATION)

Between)

AMERICAN POSTAL WORKERS UNION,
AFL-CIO,)

and)

NATIONAL ASSOCIATION OF LETTER
CARRIERS, AFL-CIO,)

and)

UNITED STATES POSTAL SERVICE.)

Case No. H7C-NA-C 39

MEMORANDUM OF SETTLEMENT

1. The United States Postal Service (USPS), American Postal Workers Union, AFL-CIO (APWU) and the National Association of Letter Carriers, AFL-CIO (NALC) hereby agree to a full, final and binding resolution of the above-referenced national level grievance. All those grievance matters currently pending which specifically challenge the step placement of an affected employee who has been promoted to a higher grade and subsequently reassigned to the employee's former grade will be reviewed and resolved in accordance with this Memorandum of Settlement, except that separate issues in those cases not within the scope of this Settlement Agreement are to be handled by the parties in accordance with the usual grievance arbitration procedure.

2. As a consequence of the current promotion practice, some employees promoted from steps A, B and C (referred to herein as affected employees), in some pay periods receive less compensation than if they had not been promoted and had remained

in the former grade. To address this promotion pay anomaly, USPS, APWU and NALC agree to the following principle:

No employee will, as a consequence of a promotion, at any time be compensated less than that employee would have earned if the employee had not been promoted but had, instead, merely advanced in step increments in that employee's grade as a result of fulfilling the waiting time requirements necessary for step increases. This includes affected employees who are or were promoted to a higher grade and subsequently reassigned to their former grade.

3. Affected employees will be paid in accordance with the following principle:

For each pay period following the promotion the employee's basic salary will be compared to the basic salary the employee would have received for that pay period if the employee had not been promoted. For those periods when the latter amount is higher the difference will be paid to the employee in a one-time lump sum payment.

Employees affected during the 1984-87 or 1987-90 National Agreements shall be paid a lump sum from a \$80 Million fund established for this special purpose. APWU and NALC will work directly with USPS to develop a method to determine on a mutual basis which affected promoted employees will share in the fund, the amount of the lump sum payment for each employee and the timing of its issuance. It is intended that these one-time lump sum payments will satisfy all employee entitlements which arise

out of the employment relationship, including the 1984 and 1987 National Agreements due to the effects of the anomaly and this Memorandum of Settlement, as well as any possible FLSA payments; however, this document should not be construed as constituting any waiver of possible individual rights under that statute.

4. The USPS, APWU and NALC agree that promoted employees will continue to be placed in the grade level and step assigned in accordance with USPS's current practice with waiting time rules applied in accordance with current practice.

5. Effective November 21, 1990, employees who have been promoted from Steps A, B or C and who have been reassigned to their former grade will be placed in the step they would have been in, with credit toward their next step increase, as if all service had been in the original grade. However, such employees who are subsequently repromoted will be placed in the steps they would have attained, with credit toward their next step increase, as if they had remained continuously in the higher grade since the original promotion.

6. Promoted employees, whether promoted before or after the expiration of the 1987 National Agreement, who experience pay anomalies after the term of the 1987 National Agreement will be entitled to a remedy (or remedies) in accordance with the principles stated above. However, the parties agree that this

paragraph does not create any liabilities after the term of the 1987-90 National Agreement if promoted employees do not experience pay anomalies.

Dated at Washington, D.C. this 13th day of June 1990.

<u>Moe Biller</u>	<u>Vincent R. Sombrotto</u>	<u>Joseph J. Mahon, Jr.</u>
Moe Biller	Vincent R. Sombrotto	Joseph J. Mahon, Jr.
President, APWU	President, NALC	Assistant Postmaster General

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BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
AMERICAN POSTAL WORKERS UNION, AFL-CIO

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4. The Postal Service agrees to add Two Million, Three Hundred Thousand Dollars (\$2,300,000) to the "APWU Fund".

5. Effective twelve (12) full pay periods after the signing of this MOU, salary history corrections for affected employees will be processed for a basic pay adjustment. Each pay period within the reconstructed salary history will be compared with the corresponding pay period in the actual salary history. All periods in which the employee is overpaid will be offset by those periods, if any, that the employee was underpaid. The employee will receive any positive balance in the form of a lump sum payment in a subsequent pay period. Negative balances will be automatically waived.

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7. The parties will jointly develop a method to liquidate the newly created "APWU Fund" in an expeditious manner. The development of such liquidation procedures shall be governed by the principle of rapid payment at the lowest possible administrative cost.

8. The APWU hereby agrees to withdraw from the following cases which are pending national level arbitration: Grievance Nos. HOC-NA-C 2, HOC-NA-C 20, HOC-NA-C 34, and HOC-NA-C 40. This settlement is made without prejudice or precedent with regard to either party's position on the subject matters addressed herein.

Moe Biller

Moe Biller
President
American Postal Workers
Union, AFL-CIO

Anthony J. Vegliante

Anthony J. Vegliante
Manager, Grievance & Arbitration
Labor Relations

Dated:

July 21, 1994

Dated:

7/21/94

LABOR RELATIONS



July 17, 1996

JUL 1996
17 10 10
WASH DC

William Burrus
Executive Vice President
American Postal Workers Union, AFL-CIO
1300 L Street, N.W.
Washington, D.C. 20005-4107

Subject: Settlement of Pay Anomaly Overpayments

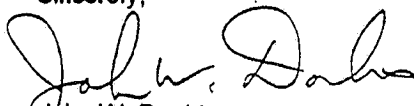
Dear Bill:


The parties recognize that approximately 468 employees were erroneously overpaid regarding payments for pay anomaly issues. In full and complete settlement of any and all issues in any forum arising out of such overpayments and subsequent collection efforts by the Postal Service the parties agree as follows:

1. Any monies collected by the Postal Service as of two weeks after the date of this settlement shall not be contested in any forum.
2. Any monies not already collected by the Postal Service as of two weeks after the date of this settlement will not be collected.
3. Any and all grievances arising out of pay anomaly over payment and application of ELM Section 460 are hereby withdrawn.

Please indicate your concurrence with the above terms by signing your name below.

Sincerely,


John W. Dockins
Labor Relations Specialist


William Burrus
Executive Vice President
American Postal Workers
Union, AFL-CIO

7-18-96
Date



UNITED STATES POSTAL SERVICE
ROOM 9011
475 L'ENFANT PLAZA SW
WASHINGTON DC 20260-4200
TEL (202) 268-3734
FAX (202) 255-3374

201
HOC NAC-2

COMPENSATION LETTER

EMPLOYEE RELATIONS

Date: March 26, 1993	Filing Number: 93-032
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SUBJECT: Promotion Pay Anomaly Agreements

*Promotion
out salary schedule*

The purpose of this letter is to provide field human resources personnel with general information and a status report on the various promotion pay anomaly agreements.

Background

THE ANOMALY: In 1985, and again in 1991, as a result of binding arbitration, new steps AA, A, B, and C were added to most bargaining unit salary schedules. These new steps, with their longer waiting periods and larger step increase amounts, created a situation where a promoted employee could, at times, be paid at a lower rate than a similarly tenured employee who had not been promoted. The resulting difference in earnings has come to be referred to as a "promotion pay anomaly."

An example of the promotion pay anomaly is provided on pages 6-8.

THE REMEDY: As a result of this pay anomaly, the USPS reached agreement with the unions to provide for lump sum payments based on salary differences for the periods in which they occur. Two separate agreements have been made with three unions on the issue --one with the Joint Bargaining Committee (JBC) consisting of the APWU and the NALC, and another with the Mail Handlers Union. Both agreements address two issues:

1. Lump sum payments for promotion pay anomalies experienced from January 19, 1985, forward.
2. Revision of the bargaining unit Change-to-Lower-Level rule, and an addition of a Repromotion rule for those who are promoted back to a formerly held higher grade. ELM revisions reflecting these changes were issued in Postal Bulletin, PB 21817, dated June 11, 1992.

In addition to APWU, NALC, and Mail Handler employees, the USPS decided to grant a one-time lump sum payment to nonbargaining unit employees who, prior to accepting their nonbargaining unit positions, were affected by a pay anomaly but were not covered under their former union's agreement.

Current Status of the APWU\NALC Agreement

The June 13, 1990, agreement with the APWU\NALC established a fund from which the employees experiencing promotion pay anomalies between 1/19/85 and 11/20/90 would be paid lump sum payments. In order to be eligible for these payments, an affected employee had to have been on the rolls within the PS schedule on June 13, 1990.

The amount of payment for each affected individual was determined by identifying the periods of impact by the pay anomaly and calculating the difference between the biweekly straight-time base rate in the higher grade and the higher biweekly straight-time base rate he or she would have received in the lower grade. Each calculated amount was increased by 10%.

The bulk of the retroactive payments for the 1985 to 1990 period--to approximately 40,000 employees--was made on December 7, 1990, and December 20, 1991. We are currently processing a few remaining payments to employees whose salary histories required local office corrections. As soon as all payments have been completed, any remaining balance of the fund will be disbursed on a pro rata basis to those who previously received payments. Notification of these payments will be made at a future date.

Current Status of the Mail-Handlers Agreement

The Mail Handler promotion pay anomaly agreement was signed on February 6, 1991. The calculation methodology differed from that of the APWU/NALC agreement in that payments were based on actual paid hours rather than an assumed 80 hours straight time per pay period. The result is that Mail Handlers received lump sum payments based on the paid hours, including overtime and premium pay, while the APWU/NALC method excluded these premiums. The eligibility requirement for the retroactive payment under this agreement was that an employee had to have been in the Mail Handlers pay schedule on February 8, 1991.

Payments for the retroactive period between January 19, 1985 and February 8, 1991 were made to affected Mail Handlers on June 7, 1991, and October 11, 1991. Approximately 780 Mail Handler represented employees received lump sum payments. All retroactive lump sum payments to affected Mail Handlers have been paid.

Current Status of Nonbargaining Payments

Payments for the retroactive period between January 19, 1985 and February 8, 1991 were made to affected nonbargaining unit employees on October 25, 1991 and December 20, 1991. Approximately 680 nonbargaining employees received lump sum payments.

Ongoing Payments

The APWU/NALC and Mail Handlers agreements also provided for additional lump sum payments for the period after 11/20/90 (APWU/NALC) or 2/8/91 (Mail Handlers). As a result, lump sum payments were issued on 12/31/92 to approximately 12,200 employees affected by the promotion pay anomaly under the 1990 National Agreements.

Notification of future promotion pay anomaly lump sum payments, along with bulletin board notices to employees, will be issued via the Postal Bulletin.

Change-to-Lower-Level/Repromotion Rule Changes

As noted in Postal Bulletin PB 21817 - June 11, 1992, both the APWU/NALC and the Mail Handler promotion pay anomaly agreements provided for the promulgation of new rules for employees who are changed to lower levels and for repromotions to grades formerly held. Employees being reassigned to a formerly held higher or lower grade, whether voluntarily or involuntarily, and irrespective of bargaining unit or job, will be placed in the step they would have been in, and assigned a next step date as if service had been continuous in the formerly held grade or the equivalent of the formerly held grade (see ELM Exhibit 418.1).

This differs from the former rules which, while basing the step placement on continuous service, determined the next step date on accumulated credit from the date of the last equivalent increase and imposed a "step penalty" if advancement to the next step would occur earlier than if service in that grade had been continuous. The new rules eliminate the complex "step penalty."

Procedures for change-to-lower-level actions to a grade not previously held are not substantially changed. However, because of the introduction of the new steps added to bargaining unit salary schedules effective July 13, 1991, employees hired prior to July 13, 1991, cannot as a result of a change to a new lower level be placed in the new steps. For these actions, the applicable step increment tables from the date of the career appointment/conversion will apply.

When an employee changes to a lower grade not formerly held, the ELM 422.252b (formerly 422.251b) continues to offer option (2) which allows a local management decision to assign "... any higher step in the lower grade which is less than one full step above the basic salary the employee held in the higher grade, ...". While there is no change in the ELM language regarding this option, its use should be limited to situations where management seeks to encourage employees to move into lower level positions.

For promotions to grades formerly held, or "repromotions," both the step placement and the next step date will be assigned as if the employee had remained continuously in the higher level, irrespective of bargaining unit or job. The repromotion rule was added to discourage employees from using the promotion and change-to-lower-level procedures to gain a pay advantage over their peers.

Credit for Quality Step Increases and penalties for step deferments, etc., that occurred in the former grade will be included in the determination of the step placement in the new grade regardless of whether the action is a promotion, repromotion or change-to-lower-level.

Local Personnel Office OPF Reviews

In the process of calculating lump sum payments for affected employees, we occasionally find salary history errors or inconsistencies. For as long as these anomalies continue to occur, your office may be receiving salary history printouts along with worksheets and instructions for reviewing the history, and for processing the necessary personnel actions. Your prompt attention to these reports will ensure that affected employees receive payments to which they are entitled.

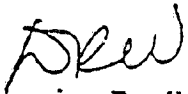
DISCUSSION

You should also be aware of certain aspects of the promotion anomaly agreements about which we receive many questions.

1. Except for the addition of the above cited repromotion rule, the existing bargaining unit promotion rules have not changed. A new step waiting period will begin on the effective date of any promotion to a grade not formerly held. During the periods that any pay anomaly occurs, the affected employees will be entitled to the lump sum payments in accordance with the settlements. This situation will continue until the end of ~~the current bargaining agreement.~~
2. The Maintenance Craft retroactive promotion procedures under Article 38 of the National Agreement also have not changed. In many cases, because of the retroactivity of the promotion action, coupled with the extended step waiting periods in steps AA, A, B and C, the salary in the step assigned in the higher grade may be lower than the salary the employee was receiving at the time of the promotion. The affected employees will be compensated via the promotion pay anomaly remedy as described in 1.

Employee Communications

Headquarters Compensation and Benefits will continue to coordinate communications on all promotion pay anomaly matters. Field management and affected employees will be informed of pending activities via the Postal Bulletin. Should field human resources management have any questions on the promotion pay anomalies, they should call Bob Kenestrick at (202) 268-4185. Any employee or local union questions on this matter should be handled by the local human resources personnel.


Dennis R. Weitzel
Manager
Compensation and Benefits

I N T E R**~~APWU~~****O F F I C E**

**MEMO
MEMO**

To: Moe Biller
From: Phillip Tabbita
Subject: Promotion Pay Overpayments
Date: December 21, 1995

The Service made an error in the computer program that calculates quarterly anomaly payments. The error has been fixed. However, the error resulted in overpayments to 450 employees totaling \$237,945. In most cases the affected employees never experienced an anomaly loss.

Robert Kenestrick told me about the error several months ago. I did not know what, if anything, the Service intended to do about the error. Yesterday I started receiving calls from affected employee. The Service sent a letter to each of the employees telling them about the error and stating "Recovery of the overpayments(s) will be handled in accordance with normal payroll collection procedures for erroneous payment of pay."

I called Robert Kenestrick about the letter. He was surprised that I was unaware of the employee letter and the Service's plan to collect. Robert Kenestrick said he had thought Labor Relations would have sent notice to the

unions several weeks ago. Robert Kenestrick faxed to me a copy of the employee letter as well as the Management Memo he sent to the field. (Attached)

These overpayments are not related to any of our previous agreements with USPS on how to handle promotion pay overpayments. However, it has been the practice to waive all overpayments related to promotion pay - even in circumstances not covered by a specific agreement. Any protest over the collection of these overpayments could be left to the affected individuals and their local unions. However, we have some alternatives that we might pursue:

First, we could pursue discussions with the Postal Service seeking a general waiver of the overpayments.

Second, we could suggest that these overpayments go through alternative dispute resolution procedures. However, if we can not reach a general understanding on how to handle these overpayments, it may not make any sense to divert them from the normal procedures.

Third, we could obtain the list of affected individuals and write to them and their local unions explaining the

problem and advising them of various methods to protest the collection (waiver of overpayment, grievance, debt collection appeal).

M A N A G E M E N T M E M O
95-36

Page 1 of 1

December 7, 1995

Compensation and Benefits Update 95-15

To: Manager, Human Resources (Area)
 Manager, Human Resources (District)
 Manager, Finance (Area)
 Manager, Finance (District)

From: Compensation and Benefits, Headquarters

Subject: Promotion Pay Anomaly - Erroneous Lump Sum Payments

As a result of an error in the promotion pay anomaly system used to calculate quarterly lump sum payments, a number of employees have received payments to which they were not entitled. This applies only to certain employees who were promoted from new steps AA to steps A in the higher grade (e.g., promotion from grade 1, step AA to grade 2, step A). In most cases, such promotions are not affected by the anomaly.

The problem stems from the methodology in which anomaly payments must be calculated. Specifically, for each pay period following a promotion from steps AA, A, B and C, the employee's salary is compared to the salary s/he would have received in the lower grade if s/he had not been promoted. This requires the construction of a hypothetical salary history in the former grade from which to make these comparisons. However, in promotions from step AA, the hypothetical salary progression was discovered to be off by one step, thereby, generating an erroneous payment. There are approximately 450 affected employees having overpayments totaling \$237,945.

Recovery of these overpayments will be handled in accordance with normal payroll collection procedures for erroneous payment of pay. On or about December 11, 1995, the Minneapolis Accounting Service Center will send letters (copy attached) directly to affected employees to explain the problem, and to indicate the amount of overpayment for each applicable quarterly payment since January 1993. Accounts Receivable Forms 1903-D will be sent out on or about December 15.

If there are questions, please call me at (202) 268-4185.

Bob Kenestrick
Compensation & Benefits
Human Resources

cc: Mr. Mahon
 Ms. Sonnenberg
 Mr. Porras
 Mr. Weitzel

Attachment

LETTER TO EMPLOYEES

December xx, 1995

Subject: Promotion Pay Anomaly - Erroneous Lump Sum Payments

(Employee Name & Home Address)

As a result of an error in the promotion pay anomaly system used to calculate quarterly lump sum payments, you have received payments to which you were not entitled. The problem stems from the methodology in which anomaly payments must be calculated. Specifically, the promotion pay anomaly settlements require that for each pay period following a promotion from steps AA, A, B and C, the employee's actual salary will be compared to the salary s/he would have received in the lower grade if s/he had not been promoted. To make this comparison, a hypothetical salary history must be constructed to determine the salary progression in former grade. However, in promotions from step AA, the hypothetical salary progression was discovered to be off by one step, thereby, generating an erroneous payment.

Recovery of the overpayment(s) will be handled in accordance with normal payroll collection procedures for erroneous payment of pay. Within a week, you will be receiving further information from your office regarding this claim.

According to payroll records, the erroneous payments you received are as follows:

RELEVANT YR/PP	AMOUNT OF ORIGINAL PAYMENT	RECALCULATED PAYMENT	OVERPAYMENT
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Human Resources

437 Waiver of Claims for Erroneous Payment of Pay

437.1 Purpose

This part establishes procedures for (a) requesting a waiver of a claim made by the USPS against a current or former employee for the recovery of pay which was erroneously paid and (b) applying for a refund of money paid by or deducted from a current or former employee as a result of such a claim.

437.2 Definitions

437.21 Pay. Pay means salary, wages, or compensation for services including all forms of premium pay, holiday pay, or shift differentials, payment for leave, whether accumulated, accrued, or advanced, and severance pay. Pay does not include rental allowances, life insurance premiums, health insurance premiums, or payment for travel, transportation, or relocation expenses.

437.22 Employee. Throughout part 437, employee means a *former* employee as well as a *current* employee.

437.23 Applicant. Applicant means an employee (current or former) or an individual acting on behalf of the employee who applies for a waiver of a claim for overpayment of pay.

437.24 Installation Head. Installation head means the postmaster, manager, or director of *field facilities* or the department head (or designee) of *Headquarters units* where the employee is employed or was last employed.

437.3 Submission of Request

437.31 Expiration Date. Waiver action may not be taken after the expiration of 3 years immediately following the date on which the erroneous payment of pay was discovered.

437.32 Form 3074. The applicant requests a waiver of a claim or a refund of money paid as a result of a claim by submitting Form 3074, *Request for Waiver of Claim for Erroneous Payment of Pay*, in triplicate to the installation head. The completed Form 3074 must contain:

- a. Information sufficient to identify the claim for which the waiver is sought including the amount of the claim, the period during which the erroneous payment occurred, and the nature of the erroneous payment.
- b. A copy of the invoice and/or demand letter sent by the USPS, if available, or a statement setting forth the date the erroneous payment was discovered.
- c. A statement of the circumstances which the applicant feels would justify a waiver of the claim by the USPS.
- d. The dates and amount of any payments made by the employee in response to the claim.

437.4 Review by Installation Head

The installation head investigates the claim and writes a report of the investigation on the reverse side of the Form 3074. The report should include the following data and/or attachments:

a. All relevant facts or circumstances which are not described, or incorrectly described, on the Form 3074 by the applicant.

b. An explanation of the cause of the overpayment.

c. If available, a listing for each pay period in which an overpayment was made (1) of the employee's pay rate, (2) the gross amount due the employee, and (3) the gross amount that was actually paid.

d. A statement as to whether there is any indication of fraud, misrepresentation, fault, or lack of good faith on the part of anyone having an interest.

e. A recommendation for approval or disapproval of the claim based upon review of the facts and circumstances.

f. A copy of the invoice or notice to the employee of the amount requested to be repaid to the USPS should accompany the Form 3074. If neither of these items is available, a statement establishing the discovery date of the USPS claim should be included.

g. Copies of pertinent Forms 50, *Notifications of Personnel Action*; Forms 1303, *Salary Change Notices*; and any correspondence having a bearing on the claims should be obtained from the employee's official personnel folder and included with the Form 3074.

h. Any other information which would assist in making a determination of whether collection action to collect the claim would be against equity or good conscience and not be in the best interest of the USPS.

437.5 Review by Compensation Unit

The installation head forwards the Form 3074 to the appropriate compensation unit (i.e., the Field Division Supervisor of Compensation and Staffing, for field units, or Headquarters Personnel, for Headquarters and related units) which:

- a. Reviews the file for accuracy and completeness.
- b. Completes part III of Form 3074.
- c. Adds any pertinent comments to the file.
- d. Forwards the entire file to the Director of the Minneapolis Postal Data Center (PDC).

437.6 Action by Postal Data Center (PDC)

The PDC will waive the claim if it can determine from a review of the file that all of the following conditions are met:

- a. The overpayment occurred through administrative error of the USPS. Excluded from consideration for waiver of collection are overpayments resulting from errors in timekeeping, keypunching, machine processing of time cards or time credit, coding, and any typographical errors that are adjusted routinely in the process of current operations.
- b. Everyone having an interest in obtaining a waiver acted reasonably under the circumstances, without any indication of fraud, misrepresentation, fault, or lack of good faith.
- c. Collection of the claim would be against equity and good conscience and would not be in the best interest of the USPS.

**MEMORANDUM OF UNDERSTANDING
BETWEEN THE
UNITED STATES POSTAL SERVICE
AND THE
AMERICAN POSTAL WORKERS UNION, AFL-CIO**

RE: Promotion Pay

The United States Postal Service (Postal Service) and the American Postal Workers Union, AFL-CIO (APWU) hereby agree to a full, final and binding resolution of all issues which remain in dispute and which arise from the interpretation and application of the June 13, 1990 Memorandum of Settlement reached in Case No. H7C-NA-C 39.

1. On June 13, 1990, the American Postal Workers Union, AFL-CIO, (APWU) the National Association of Letter Carriers, AFL-CIO, (NALC) and the Postal Service entered into a Memorandum of Settlement to resolve what became known as the Promotion Pay dispute.

2. The Memorandum of Settlement provided for the creation of a monetary fund (JBC Fund), to be used for the resolution of JBC promotion pay claims. Effective upon the signing of this Memorandum of Understanding (MOU), the APWU's pro rata share of the JBC Fund will be removed for the purpose of creating an independent "APWU Fund". The APWU's pro rata share of the JBC Fund has been determined to be seventy-eight and six tenths (78.6) per cent.

3. The Postal Service agrees that any money currently held in the JBC Fund which has been transferred to the "APWU Fund" to pay for the employer's portion of FICA tax payments is hereby released and considered available for distribution to APWU employees affected by the promotion pay anomaly. The parties further agree that the provisions of this paragraph resolve any and all claims by the APWU relative to the employer's portion of FICA tax payments in the JBC Fund.

4. The Postal Service agrees to add Two Million, Three Hundred Thousand Dollars (\$2,300,000) to the "APWU Fund".

5. Effective twelve (12) full pay periods after the signing of this MOU, salary history corrections for affected employees will be processed for a basic pay adjustment. Each pay period within the reconstructed salary history will be compared with the corresponding pay period in the actual salary history. All periods in which the employee is overpaid will be offset by those periods, if any, that the employee was underpaid. The employee will receive any positive balance in the form of a lump sum payment in a subsequent pay period. Negative balances will be automatically waived.

6. If the application of the "new" change to lower level and repromotion rules (established June 13, 1992) results in the employee experiencing an immediate reduction in pay, the employee will be frozen in their current step until such time as the employee is scheduled to advance to the next higher step in accordance with the reconstructed step progression.

7. The parties will jointly develop a method to liquidate the newly created "APWU Fund" in an expeditious manner. The development of such liquidation procedures shall be governed by the principle of rapid payment at the lowest possible administrative cost.

8. The APWU hereby agrees to withdraw from the following cases which are pending national level arbitration: Grievance Nos. HOC-NA-C 2, HOC-NA-C 20, HOC-NA-C 34, and HOC-NA-C 40. This settlement is made without prejudice or precedent with regard to either party's position on the subject matters addressed herein.

Moe Biller
President
American Postal Workers
Union, AFL-CIO

Anthony J. Vegliante
Manager, Grievance & Arbitration
Labor Relations

Dated: _____

Dated: _____

6/13/90

IN THE MATTER OF THE ARBITRATION)

Between)

AMERICAN POSTAL WORKERS UNION,
AFL-CIO,)

and)

NATIONAL ASSOCIATION OF LETTER
CARRIERS, AFL-CIO,)

and)

UNITED STATES POSTAL SERVICE.)

Case No. H7C-NA-C 39

MEMORANDUM OF SETTLEMENT

1. The United States Postal Service (USPS), American Postal Workers Union, AFL-CIO (APWU) and the National Association of Letter Carriers, AFL-CIO (NALC) hereby agree to a full, final and binding resolution of the above-referenced national level grievance. All those grievance matters currently pending which specifically challenge the step placement of an affected employee who has been promoted to a higher grade and subsequently reassigned to the employee's former grade will be reviewed and resolved in accordance with this Memorandum of Settlement, except that separate issues in those cases not within the scope of this Settlement Agreement are to be handled by the parties in accordance with the usual grievance arbitration procedure.

2. As a consequence of the current promotion practice, some employees promoted from steps A, B and C (referred to herein as affected employees), in some pay periods receive less compensation than if they had not been promoted and had remained

out of the employment relationship, including the 1984 and 1987 National Agreements due to the effects of the anomaly and this Memorandum of Settlement, as well as any possible FLSA payments; however, this document should not be construed as constituting any waiver of possible individual rights under that statute.

4. The USPS, APWU and NALC agree that promoted employees will continue to be placed in the grade level and step assigned in accordance with USPS's current practice with waiting time rules applied in accordance with current practice.

5. Effective November 21, 1990, employees who have been promoted from Steps A, B or C and who have been reassigned to their former grade will be placed in the step they would have been in, with credit toward their next step increase, as if all service had been in the original grade. However, such employees who are subsequently repromoted will be placed in the steps they would have attained, with credit toward their next step increase, as if they had remained continuously in the higher grade since the original promotion.

6. Promoted employees, whether promoted before or after the expiration of the 1987 National Agreement, who experience pay anomalies after the term of the 1987 National Agreement will be entitled to a remedy (or remedies) in accordance with the principles stated above. However, the parties agree that this



American Postal Workers Union, AFL-CIO

1300 L Street, NW, Washington, DC 20005

William Burrus
Executive Vice President
(202) 842-4246

December 22, 1995

Dear Tony:

I have been provided a copy of correspondence and instructions originating from the office of Compensation & Benefits regarding erroneous lump sum payments under the Promotion Pay Anomaly. This information has not been officially provided to the union and to date no discussions have transpired at this level regarding the alleged overpayments.

This is to request a meeting to discuss the issues involved and procedures applied to demand repayment. I further request that any efforts to recover the alleged overpayments be deferred until the parties have had an opportunity to discuss the issues.

The Promotion Pay Anomaly and payment procedures were discussed exclusively at the national level. Individual employees and local officials were not directly involved in the decisions reached for computing pay adjustments or the interpretation and application of the parties agreement to resolve pay anomalies. This most recent issue should be discussed and resolved at this level prior to the initiation of individual letters to employees under the collection procedures.

I request that instructions be issued immediately to defer any collections or acceptance of repayment from or by individual employees until the parties at the national level have had an opportunity to fully discuss the issues involved.

Thank you for your attention to this matter.

Sincerely,


William Burrus

Anthony J. Vegliante, Manager
Grievance & Arbitration Division
475 L'Enfant Plaza, Sw
Washington, DC 20260

National Executive Board

Moe Biller
President

William Burrus
Executive Vice President

Douglas C. Holbrook
Secretary-Treasurer

Thomas A. Neill
Labor Relations Director

L. Tunstall
Director, Clerk Division

James W. Lingberg
Director, Maintenance Division

Donald A. Ross
Director, MVS Division

George N. McKerthen
Director, SDM Division

Regional Coordinators

James P. Williams
Central Region

Jim Burke
Eastern Region

Elizabeth "Liz" Powell
Northeast Region

Terry Stapleton
Southern Region

Raydell R. Moore
Western Region

M A N A G E M E N T M E M O

95-36

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December 7, 1995

Compensation and Benefits Update 95-15

To: Manager, Human Resources (Area)
 Manager, Human Resources (District)
 Manager, Finance (Area)
 Manager, Finance (District)

From: Compensation and Benefits, Headquarters

Subject: Promotion Pay Anomaly - Erroneous Lump Sum Payments

As a result of an error in the promotion pay anomaly system used to calculate quarterly lump sum payments, a number of employees have received payments to which they were not entitled. This applies only to certain employees who were promoted from new steps AA to steps A in the higher grade (e.g., promotion from grade 1, step AA to grade 2, step A). In most cases, such promotions are not affected by the anomaly.

The problem stems from the methodology in which anomaly payments must be calculated. Specifically, for each pay period following a promotion from steps AA, A, B and C, the employee's salary is compared to the salary s/he would have received in the lower grade if s/he had not been promoted. This requires the construction of a hypothetical salary history in the former grade from which to make these comparisons. However, in promotions from step AA, the hypothetical salary progression was discovered to be off by one step, thereby, generating an erroneous payment. There are approximately 450 affected employees having overpayments totaling \$237,945.

Recovery of these overpayments will be handled in accordance with normal payroll collection procedures for erroneous payment of pay. On or about December 11, 1995, the Minneapolis Accounting Service Center will send letters (copy attached) directly to affected employees to explain the problem, and to indicate the amount of overpayment for each applicable quarterly payment since January 1993. Accounts Receivable Forms 1903-D will be sent out on or about December 15.

If there are questions, please call me at (202) 268-4185.

Bob Kenestrick
Compensation & Benefits
Human Resources

cc: Mr. Mahon
 Ms. Sonnenberg
 Mr. Porras
 Mr. Weitzel

Attachment

LETTER TO EMPLOYEES

December xx, 1995

Subject: Promotion Pay Anomaly - Erroneous Lump Sum Payments

(Employee Name & Home Address)

As a result of an error in the promotion pay anomaly system used to calculate quarterly lump sum payments, you have received payments to which you were not entitled. The problem stems from the methodology in which anomaly payments must be calculated. Specifically, the promotion pay anomaly settlements require that for each pay period following a promotion from steps AA, A, B and C, the employee's actual salary will be compared to the salary s/he would have received in the lower grade if s/he had not been promoted. To make this comparison, a hypothetical salary history must be constructed to determine the salary progression in former grade. However, in promotions from step AA, the hypothetical salary progression was discovered to be off by one step, thereby, generating an erroneous payment.

Recovery of the overpayment(s) will be handled in accordance with normal payroll collection procedures for erroneous payment of pay. Within a week, you will be receiving further information from your office regarding this claim.

According to payroll records, the erroneous payments you received are as follows:

RELEVANT YR/PP	AMOUNT OF ORIGINAL PAYMENT	RECALCULATED PAYMENT	OVERPAYMENT
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Human Resources