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**USPS-NAPS FACT FINDING
RECOMMENDATIONS OF THE PANEL**

BACKGROUND

The Postal Reorganization Act (PRA) provides Postal Service management associations, including the National Association of Postal Supervisors (NAPS), an opportunity to request fact finding upon receipt of a decision by the Postal Service to make changes in pay policies and schedules and fringe benefit programs for members of their organization. A supervisors' organization may request fact finding if it believes the Postal Service's decision is not in accordance with the provisions of Title 39 of the U.S. Code.

When this occurs, pursuant to the terms of the Postal Reorganization Act ("PRA"), Section 1004(f)(3) et seq. of Title 39 of the U.S. Code, the Federal Mediation and Conciliation Service ("FMCS") designates fact finders to make appropriate recommendations concerning the differences between the parties on pay policies and schedules and fringe benefit programs. These recommendations shall be consistent with the policies of Title 39 of the U.S. Code, including sections 1003(a) and 1004(a). After the fact finding Panel issues its recommendations, the Postal Service must make its final decision on the matter.

The Postal Service is an independent establishment of the Executive Branch of the Government, authorized to provide mail services to the public. The Postal Service was created by the PRA, and is the successor to the former Post Office Department. The Postal Service has an obligation to provide universal postal services on a fair and equitable basis.

NAPS is a management association that represents supervisors and other postal management employees. By law, NAPS has the right to enter into consultation with the Postal Service in the planning and development of pay policies and schedules, fringe benefit programs, and other programs relating to supervisory employees. Today, NAPS represents over 30,000 postal employees.

The parties most recently began consultation in July 2011. In November 2011, the Postal Service issued its decision on pay policies and fringe benefits. The parties reopened talks and continued to discuss pay policies, schedules, and fringe benefits until February 29, 2012. When the Postal Service notified NAPS of its intent to let its November 2011 pay decision stand, NAPS requested fact finding through the Federal Mediation and Conciliation Service pursuant to the terms of 39 USC 1004(f)(1). The fact finding Panel met with the parties and heard their respective presentations in hearings held on June 4-6, 2012.

Specifically, the parties agreed that the following subjects should be addressed by the Panel:

1. Executive and Administrative Schedule (EAS) Grade Level Review
2. Health Insurance Contribution Levels
3. Pay (including the Pay for Performance System and Locality Pay)
4. EAS Vacancies
5. Supervisory Staffing (including the Supervisor Workload Credit and the Ratio of Employees to Supervisors at Network Distribution Centers).

LEGAL STANDARD

The overarching matter at issue in this fact finding was whether the November 2011 decision of the Postal Service on pay policies and fringe benefits for NAPS-represented employees is consistent with the policies of Title 39 of the U.S. Code. Title 39 U.S.C. §1003(a) requires that the Postal Service maintain compensation and benefits for all officers and employees that are comparable to the compensation and benefits paid for similar levels of work in the private sector of the economy.

The PRA also requires the Postal Service provide its supervisory and managerial personnel with meaningful opportunities for promotion and career development. The PRA provides in pertinent part:

It shall be the policy of the Postal Service to provide compensation, working conditions and career opportunities that will assure the attraction and retention of qualified and capable supervisory and other managerial personnel; to provide adequate and reasonable differentials in rates of pay between employees in the clerk and carrier grades in the line work force and supervisory and other managerial personnel; to establish and maintain

continuously a program for all such personnel that reflects the essential importance of a well-trained and well-motivated force to improve the effectiveness of postal operations.

39 U.S.C. §1004(a).

The Panel's responsibility, in accordance with the terms of 39 U.S.C. §1004(f)(3), is as follows:

- (A) The panel shall recommend standards for pay policies and schedules and fringe benefit programs affecting the members of the supervisors' organization for the period covered by the collective bargaining agreement specified in subsection (e)(1) of this section. The standards shall be consistent with the policies of this title, including sections 1003(a) and 1004(a) of this title.
- (B) The panel shall, consistent with such standards, make appropriate recommendations concerning the differences between the parties on such policies, schedules and programs.

FINDINGS

Before turning to our analysis of and recommendations pertaining to the five subjects of interest we believe it is helpful to comment on the historical relationship of the parties, the current context in which these subjects arose, and the future challenges the parties will face together. Both NAPS and Postal Service leaders spoke with pride about the high levels of mutual respect, trust, and positive results that have characterized their relationship over many years. For example, working together in the early 1990s the parties developed one of the very few variable and incentive compensation plans covering supervisors and managers in government agencies. In 2004 they once again worked together to revise and improve that initial plan and put in place the Pay for Performance (PFP) plan that will be discussed below. Both parties noted the importance of maintaining and strengthening this culture of respect, joint consultation, and trust going forward, especially given the significant financial challenges facing the Postal Service and likelihood that the future will be characterized by on-going organizational restructuring and staffing adjustments to correspond to the business environment faced by the Postal Service.

Given this rich history and the parties' desire to sustain and strengthen it going forward, we conducted this fact finding process in an informal manner consistent with the problem-solving approaches of the past and the parties' aspirations for the future. Our recommendations suggest

ways to nurture and strengthen this approach in dealing with current and future issues facing the parties. Indeed, we believe this culture of mutual respect, consultation, and cooperation is a critical asset for the Postal Service to preserve and nurture. It is a model for how employees, managers, supervisors, and executives can work together in addressing the many challenges they face today and in the future.

We also wish to raise a word of caution. This is a pivotal event in the NAPS-Postal Service history. As noted above it is the first time that the fact finding process provided for in the statute has been invoked. There is considerable risk that the events that precipitated use of this process and the contested nature of the facts and interests involved could lead the parties' relationship down a more adversarial path. This would not serve the interests of the employees, executives, or the public served by the Postal Service. We therefore encourage the parties to act on the recommendations below in a fashion that ensures not only that this adversarial path is not taken but that this experience reenergizes their commitment to work together in a positive-problem-solving fashion.

The presentations made before the Panel by NAPS and the Postal Service during the fact finding process reinforced the parties' mutual desire to preserve and improve their working relationship, and their mutual respect for the legitimate interests of both the Postal Service and the NAPS constituency.

The financial difficulties the Postal Service has experienced due to diversion of First Class Mail to electronic media, obligations placed on the Postal Service by Congress, and general economic declines may jeopardize the Postal Service's ability to remain solvent. These influences have led the Postal Service to reduce its network operations to manage its growing infrastructure costs. Part of this process has included the imposition of pay freezes that affect both bargaining and non-bargaining employees.

In the past, Postal employees, including the employees represented by NAPS, have received increases in salaries that have been comparable to and, in some cases, greater than those received by private sector employees. In today's economy, businesses both large and small are re-evaluating salaries and benefits for their employees and making adjustments based on the financial health their

respective organizations. Under the circumstances, we believe the wage freezes implemented by the Postal Service, along with its proposed infrastructure changes, are a prudent and responsible way to reduce costs and address the Postal Service's deepening financial deficit.

However, even in a difficult financial environment, NAPS has a duty to represent its members' concerns about pay, benefits, and working conditions. Postal managers and supervisors represented by NAPS are a key employee group who must feel their contributions are valued in the daily operations of the Postal Service.

The following recommendations are a measured, fair, and responsible way to ensure that NAPS' concerns about the salaries and benefits of its members are incorporated into the Postal Service's business plan to resolve its financial difficulties.

RECOMMENDATIONS

The following constitutes the recommendations of the Panel regarding the differences between the Postal Service's November 2011 decision and NAPS' proposals for changes in pay policies and schedules and fringe benefits programs.

1. EAS Grade Level Review

NAPS identified eight EAS positions that it wishes the Postal Service to review. NAPS requested that the Postal Service apply existing criteria used for determining a position's grade level to determine whether the current grade levels of the assignments are correct. According to NAPS, if the Postal Service determines any discrepancies exist, the Postal Service should adjust the EAS grade levels of these positions to more accurately reflect the position at issue. The positions are:

- Supervisor, Maintenance Operations
- Supervisor Maintenance
- Supervisors of Transportation
- Managers of Transportation
- Mail Flow Coordinator
- Supervisor, Vehicle Maintenance

- Manager, Vehicle Maintenance
- Operations Support Specialist

Following the parties' respective presentations regarding this matter during fact finding, the parties discussed the matter and agreed that the Postal Service will conduct reviews of the EAS grade levels of the eight positions identified by NAPS. The Postal Service will utilize its current EAS grade level rating process in reviewing the positions. The Postal Service agreed that it will fully implement any grade level changes initiated by these reviews. The Panel concurs that this is a prudent way to address this subject.

2. Health Insurance

In its November 2011 pay decision, the Postal Service proposed a change in employer contribution levels toward the Federal Employee Health Benefits (FEHB) program for NAPS-represented employees. The decreases in employer contribution levels found in the pay decision would be phased in as follows:

Plan Year	Weighted Average Rate Limit	Individual Plan Limit
2011	81%	84.50%
2012	81%	84.50%
2013	76%	79.25%
2014	72%	75.00%
2015	72%	75.00%

This reduction in the employer contribution toward employee health benefits represents a decrease in 2013 of 5%, and would move the Postal Service's employer contribution into alignment with the contribution level paid by other federal government agencies by 2014.

NAPS proposed no change to the current percentages. In the alternative, NAPS requested that the employer contribution levels match the pattern set forth in the Postal Service's most recent agreement with the APWU.

The Panel, after careful consideration of the parties' respective presentations and positions regarding this matter, does not recommend adoption of either parties' proposal as advanced in the

fact finding process. The Panel has also considered other relevant factors within and outside of the Postal Service, and has concluded that a more gradual transition to a federal-level employer contribution to health care is more equitable and fair for NAPS-represented employees. The Panel recommends that the Postal Service adjust the employer contributions toward FEHB health insurance premiums as follows:

Plan Year	Weighted Average Rate Limit	Individual Plan Limit
2011	81%	84.50%
2012	81%	84.50%
2013	78%	81.25%
2014	75%	78.25%
2015	72%	75.00%

3. Pay

A. **Pay for Performance**

Pay for Performance is the mechanism by which wage increases are determined for Executive and Administrative Schedule (EAS) employees at the Postal Service. NAPS-represented employees fall within this schedule.

The Postal Service's November 2011 decision on a pay package for NAPS-represented employees included a two year suspension of the Pay for Performance Program for FY2011 and FY2012, and indicated that the Postal Service would evaluate economic conditions concerning pay for FY2013 through 2015 to determine whether PFP ratings would be applied to salary determinations for those years.

The Postal Service's November 2011 decision eliminated Performance Evaluation System (PES) (which is the Core/individual requirements portion of PFP), and includes a provision to engage NAPS in work group discussions about how to account for the PFP percentage formerly covered by PES.

Finally, the Postal Service proposed adjustments of salary ranges for EAS pay grades effective January 2013 through January 2016. The Postal Service proposed no adjustment to the

salary range for calendar year 2012, but an increase of 1.0% for FY 2012 which would be effective January 12, 2013, an increase of 1.5% for FY 2013 effective January 11, 2014, and increases of 2% for FY 2014 and 2015 effective January 10, 2015 and January 9, 2016 respectively. These proposed adjustments would not result in an automatic increase of employee salaries, but would provide higher salary potential for employees currently in or promoted to positions within the EAS pay schedule.

In response, NAPS raised significant concerns with aspects of the administration of the PFP in prior years and proposed forming a working group with the Postal Service to devise a new method for performance-based compensation. Alternatively, if the current system remains in place, NAPS requested that PFP ratings be applied to salary determinations for each year of the pay package (FY2011 through 2015).

As noted above, the Panel views the PFP as an innovative model pay-for-performance program that contributes to improved performance of the Postal Service and provides appropriate and equitable means for measuring performance and compensating NAPS members. Based on extensive testimony and documents presented in the fact finding process, the Panel also agrees that the design and administration of the PFP can and needs to be improved. NAPS' presentation suggests that the Core/individual component of the PFP has been the source of contention in prior years of the program. Likewise, the Postal Service noted there is a need to improve the objectivity and accuracy of the performance evaluations that generate the ratings for the Core/individual component of PFP. Both parties called for making the PFP process more transparent.

Based on these shared concerns, we recommend that a working group of NAPS and Postal Service representatives be convened as soon as possible to develop recommendations for modifying the PFP, giving particular attention to the changes needed in the Core/individual component of the program.

Given the Postal Service's dire financial straits and necessary restructuring, the Panel recommends that PFP salary adjustments be suspended for FY2011 and 2012. The Postal Service has expressed its commitment to revisiting whether the PFP ratings will be suspended or applied to salary determinations in FY2013 based on economic conditions at that time, and the Panel recommends that it do so. The Panel further recommends that the PFP ratings be applied to salary

determinations in FY2014 and FY2015. The Panel also recommends adoption of the Postal Service's PFP pay matrix that relates PFP ratings and salary increases. The matrix is as follows:

PFP Matrix

Non Contributor		Contributor		High Contributor		Exceptional Contributor			
(3)	0.0%	(6)	3.00%	(9)	5.00%	(12)	7.00%	(15)	9.00%
(2)	0.0%	(5)	2.50%	(8)	4.50%	(11)	6.50%	(14)	8.50%
(1)	0.0%	(4)	2.00%	(7)	4.00%	(10)	6.00%	(13)	8.00%

Note: All percentages are paid as salary increases if room within the salary range. If amount limited by the salary range, balance of amount will be converted to a lump sum payment.

The Panel further recommends adoption of the Postal Service's proposed changes to the EAS salary structure, effectively increasing the minimum and maximum salary range for each EAS grade level. These adjustments are reflected in the following table:

EAS Grades	FY 2011		FY 2012		FY 2013		FY 2014		FY 2015	
	Eff Jan 14, 2012		Eff Jan 12, 2013		Eff Jan 11, 2014		Eff Jan 10, 2015		Eff Jan 9, 2016	
	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
EAS 1-26	0.0%	0.0%	1.0%	1.0%	1.5%	1.5%	2.0%	2.0%	2.0%	2.0%

B. Locality Pay

NAPS proposed that the Postal Service adopt geographically-based locality pay for field EAS employees to adjust compensation based on differences in cost of living in various locations across the country. The Postal Service took the position that it could not support the implementation of NAPS' proposal.

The evidence presented to the Panel demonstrated that the Postal Service is not experiencing problems in attracting or retaining qualified employees in the EAS positions and that the current salaries across the country are meeting the standard of comparability for similar levels of work in the private sector. Moreover, developing an equitable, efficient, and transparent locality adjustment pay program would require considerable time and resources. For these reasons the Panel recommends that there be no change in EAS compensation to reflect locality pay.

4. EAS Vacancies

NAPS proposed that the Postal Service fill field EAS vacancies. As a result of planned changes to its infrastructure, the Postal Service initially expressed concerns about filling all field vacancies. However, due to recent adjustments to the Postal Service's restructuring plan, the Postal Service has stated that it is willing to revisit the EAS vacancy issue with NAPS.

The Panel recommends that the parties meet in the consultative process to address and consider proposals that NAPS will advance with regard to filling field EAS vacancies.

5. Supervisory Staffing

A. Supervisor Workload Credit (SWC)

NAPS proposed development of an alternative to the current supervisory workload credit (SWC) supervisory staffing methodology. Specifically, NAPS proposed that the parties engage in the consultative process to address and consider proposals that NAPS will advance concerning the SWC.

During discussions following the parties' respective presentations concerning this issue, the parties agreed that they will meet in the consultative process to discuss NAPS' proposals.

B. NDC Ratio of Employees to Supervisors

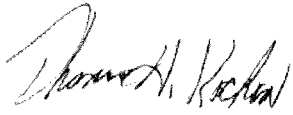
NAPS proposed development of an alternative to the current EAS staffing methodology applied to Network Distribution Centers (NDCs). Specifically, NAPS proposed development of an alternative to the employer-to-supervisor ratio used to determine the number of supervisors in an NDC.

During discussions following the parties' respective presentations in fact finding, the parties agreed that they will meet in the consultative process to discuss the proposal advanced by NAPS.

CONCLUSION

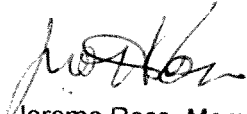
Pursuant to the terms of 39 U.S.C. § 1004 (f)(5), the Postal Service shall give full and fair consideration to the Panel's recommendation, and within 15 days after this recommendation, provide

NAPS its final decision on the matters covered by fact finding under this subsection. The Postal Service shall explain in writing any differences between its final decision and the Panel's recommendation.



Thomas A. Kochan, Chair

Date: June 13, 2012



Jerome Ross, Member

Date: June 13, 2012



Charles Tharp, Member

Date: June 13, 2012