

March 1, 1996

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

Dear Bill:

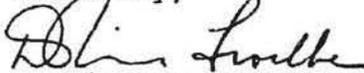
This will serve to respond to your letter to me dated January 30, 1996, and the December 18, 1996, Step 4 grievance over the Annuity Protection Program prompted by my earlier December 11, 1995, letter to you. Prior to Christmas, we discussed this issue over the telephone and discovered that we had a common understanding of this program and that no Step 4 American Postal Workers Union, AFL-CIO (APWU) grievance needed to be pursued. I will try to set forth below our mutual understanding.

The 1994 APWU-USPS National Agreement does not contain a memorandum on Annuity Protection which was executed for each labor contract since 1981. This is the case because we are sunsetting the Annuity Protection Program due to the fact that the COLA paid under the 1991 Agreement was rolled in at the beginning of the 1994 Agreement consistent with our pre-1981 practice and thus, there is no delay in rolling in the COLA as was the case since the 1981 Agreement.

The 1987 Agreement COLA (\$2517) was rolled in to basic pay in February 1995 pursuant to Article 9.6.C for those not eligible for earlier roll in. The question remains are these career employees covered by the February 1995 roll in (\$2517) protected by Annuity Protection if they experience optional or disability retirement or death prior to February 1998? The answer is in the affirmative. The Annuity Protection Program Memorandum on page 270 of the 1990 Agreement (Handbook EL-901) remains in effect and governs the calculation of either retirement or death benefits through February 1998 for this class of employee. In light of the foregoing, the APWU Step 4 grievance filed by you dated December 18, 1995, on this subject is rendered resolved and considered to be withdrawn by the Postal Service.

As to the second point in your January 30, 1996, letter, the Postal Service contracted with an outside tax attorney/CPA to advise us on whether to issue W-2s or 1099s. We were advised to use W-2s based on a review of Internal Revenue Service (IRS) Tax Code, Sections 3401-3405.

Sincerely,



D. Richard Froelke, Manager
Negotiations Planning and Support

I concur:



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

3-5-96
Date