



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Washington, D.C. 20224

April 4, 2003

Colleen Kelley
National President
National Treasury Employees Union
1750 H Street, NW
Washington, DC 20006

Re: Modifications to National Performance Awards Agreement for FY 2003

Dear Ms. Kelley:

As you know, in our negotiations the parties agreed to make certain modifications and improvements to the National Performance Awards Agreement (NPAA) for FY 2003 and to continue bargaining towards a new multiyear agreement.

The modifications we discussed are intended to promote our shared interests in making the awards process less complex and in promoting more consistency in terms of how similarly situated employees are recognized for their performance.

The FY 2003 performance awards program will be based upon the 2002 National Agreement and the National Performance Award Agreement (dated September 26, 2001) including the Clarifications Regarding the National Performance Awards Agreement (dated August 16, 2002).

The parties agree to the following modifications to the NPAA:

1. The participation rate for each and every awards pool will be fixed at 55% of eligible employees in a pool.
2. Consistent with the National Agreement, Article 18, Section 2, all otherwise eligible employees with tied average CJE scores at the 55% level will be granted awards.
3. All employees receiving an outstanding performance rating (defined by the National Agreement, Article 12, Section 5(B) as being rated "Outstanding" in more than half (1/2) of the critical job elements and "Exceeds Fully Successful" in the other critical elements, i.e. a CJE score of at least 4.6) will receive a performance award.

4. Award pools will be configured as described in the National Performance Awards Agreement (dated September 26, 2001), as modified by the Clarifications Regarding the National Performance Awards Agreement, dated August 16, 2002. The award pools for MITS have been modified consistent with the MITS reorganization. The new MITS awards pools are attached as Appendix 1.
5. The parties will issue a joint memorandum to all employees, signed by the NTEU National President and the Commissioner (or Acting Commissioner) of the IRS, explaining the 2003 revisions to the NPAA, which shall be distributed within 45 days after this Letter of Understanding becomes effective.
6. NTEU will receive data on the awards pools in Excel format: a) by the end of May, listing the awards pools, and indicating the Chapter(s) representing employees in each pool, which projects estimated award eligibility for FY 2003, based on FY 2002 performance appraisal scores, and b) at least 5 work days before issuance of the awards in September, providing the following individual information: a complete listing of all eligible bargaining unit members which includes NTEU chapter, award pool identification information, award status, award amount, time-off hours, QSI status, number of award shares earned, award share value, award qualifying average CJE score, employee's average CJE score, rating and effective date, time spent in a BU position, and incentive pay indicator.
7. Additionally, NTEU will receive, at the same time as the individual information, the following summary information (also indicating the Chapter(s) representing employees in the pool):
 - a. award pool ID code and name
 - b. qualifying average critical job element score (cut-off score) for an award in that pool
 - c. award share value for that award pool
 - d. the number of eligible employees in the award pool
 - e. the number of those employees who received awards
 - f. the number of employees who received awards in the award pool divided by the number of eligible employees in that award pool (this reflects the impact of ties for all employees having the qualifying average critical job element score)
8. IRS will establish and maintain an active web-based system for employees to obtain information on the award qualifying CJE score and share value in their award pool. Employees at campus sites without access to a computer will receive written notices that provide the same information that will be available on the web-based system.
9. This Letter of Understanding applies to the FY 2003 awards payout only. The parties agree to continue negotiations for a multiyear awards agreement to be

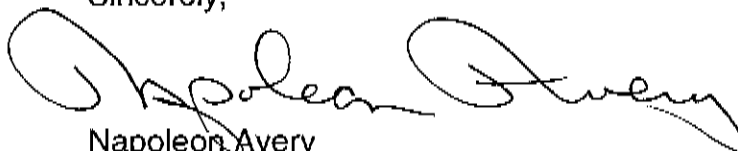
implemented in FY 2004, and to conclude such negotiations (including any necessary impasse resolution) no later than January 1, 2004.

This agreement becomes effective 31 days from the date of execution or upon agency head approval, whichever comes first. The agreement shall remain in effect until a successor National Performance Awards Agreement becomes effective, or the expiration of the National Agreement, whichever comes first.

We hope to build upon these initial steps in our continued negotiations towards a new NPAA. I think the discussions that have occurred thus far have identified a variety of shared interests that we have in making the NPAA less complex, in promoting a more consistent approach to recognizing and rewarding employee performance and in moving towards a system that rewards the top performers in the Service.

Please signify your concurrence to the modifications to the NPAA for FY 2003, as described in this Letter of Understanding, by signing below.

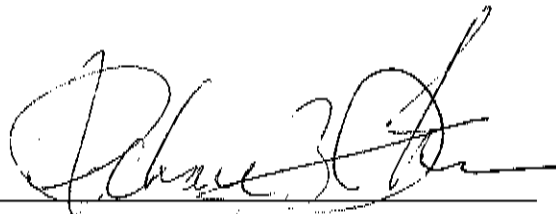
Sincerely,



Napoleon Avery
Acting Chief, Human Resource Officer

Attachment

Concur:



Date:

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