ATTACHMENT A

9/12/2002

AGENCY'S FINAL OFFER

COMPENSATION AGREEMENT
between
the U.S. Securities and Exhange Commission ("SEC" or "Employer")
and
the National Treasury Employees Union ("Union")

I. Introduction/Overview

Pursuant to Public Law 107-123, the Investor and Capital Markets Fee Relief Act, the SEC "may appoint and fix the compensation of such officers, attorneys, economists, examiners, and other employees as may be necessary for carrying out its functions under the securities laws…." The new pay structure described herein is designed to meet the SEC's needs, and comply with P.L. 107-123, as well as merit system principles.

With respect to P.L. 107-123, the SEC was charged with developing a new pay system that is comparable to the other financial regulators. The SEC took seriously its responsibility to look at best practices in the compensation area and to tailor a system to meet the needs of the SEC as a unique Agency.

The SEC's new pay scale (Appendix A) has 15 levels for bargaining unit employees (levels 1-14 and level 16) and up to 31 steps within each level. The top four steps of levels 11-14 and 16 are available only to those attorneys, accountants, and securities compliance examiners with securities industry experience.

This proposed scale would replace the existing General Schedule pay scale of 15 grades, each with 10 steps.

II. Coverage

This Agreement covers the compensation of bargaining unit employees. The term "employee," when used in this agreement refers only to bargaining unit employees, unless otherwise stated.

III. Conversion

A. *General Schedule and General Management (GS/GM) Employees*

GS/GM employees will be converted into the new structure using the following procedures:

1. Subtract any locality pay from the employee's current adjusted base pay to determine the employee's base pay.
2. Add 6% to the employee's base pay.
3. Convert the employee to the new structure at the level aligned with his/her current GS/GM grade. (For example, GS-1 through GS-14 employees will convert directly to the new Levels 1-14. GS-15 employees will convert to the new Level 16.) Within the appropriate level, the employee's salary will convert to the step that is closest to, but not less than, six percent above his/her GS/GM base pay.
4. Multiply the result of III. A. 3. above by the appropriate locality percentage.

For example:

A GS-7, Step 5 employee in the Northeast Regional Office's current total pay is $36,781.

1. Her base pay (without locality pay) is $31,920.
2. Her base pay plus 6% is $33,835.
3. On the new scale, she is a 7 step 10, with a new base pay of $34,038.
4. Including the new locality percentage for New York City (21.13%), her new total pay is $41,230, a 12% increase.

A GS-13, Step 1 employee in Washington, D.C.'s current total pay is $66,229.

1. Her base pay (without locality pay) is $59,409.
2. Her base pay plus 6% is $62,974.
3 On the new scale, she is a 13 step 1, with a new base pay of $62,974.
4. Including the new locality percentage for Washington, D.C. (13.17%), her new total pay is $71,268, an 8% increase.

B. *Securities Industry (SI) Special Rate Employees*

SI employees will be converted into the new structure using the following procedures:

1. Subtract "Rest of U.S." locality pay (8.64%) from the employee's adjusted base pay to determine the employee's base pay. (Since SI employees do not receive separate locality pay, this formula is used to determine the base for these employees.)
2. Add 6% to the employee's base pay.
3. Convert the employee to the new structure at the level aligned with his/her current grade. Within the appropriate level, the employee's salary will convert to the step that is closest to, but not less than six percent above his/her base pay.
4. Multiply the result of III. B. 3. above by the appropriate locality percentage.

For example:

A GS 14, Step 5 (SI) attorney in Chicago's current total pay is $100,625.

1. Her base pay (without "rest of U.S." locality pay) is $92,622.
2. Her base pay plus 6% is $98,179.
3. On the new scale, she is a 14 step 22, with a new base pay of $98,205.
4. Including the new locality percentage for Chicago, (18.66%), her new total pay is $116,530, a 16% increase.

A GS-13, Step 1 (SI) accountant in Washington, D.C.'s current total pay is $77,229.

1. His base pay (without "rest of U.S." locality pay) is $71,087.
2. His base pay plus 6% is $75,352.
3. On the new scale, he is a 13 step 14, with a new base pay of $76,112.
4. Including the new locality percentage for Washington, D.C. (13.17%), his new total pay is $86,136, a 12% increase.

Current employees, those on board prior to May 19, 2002, who are in a waiting period for Securities Industry pay will be converted to the Securities Industry pay rate prior to conversion regardless of where they are in the waiting period, then converted using the method described above.

C. *Other Employees*

Conversion for other categories of employees, including those for Economists, Computer Specialists, and other employees with special rates, will be calculated using the same procedures of subtracting out the appropriate locality factor, adding six percent, converting to the new scale, and calculating the new total salary using the appropriate locality rate.

IV. Pay for Performance

Pay-for-performance, or merit pay, is a critical component to any modern compensation system. The Agency is committed to a rigorous merit pay system, where superior performance is valued and rewarded through merit pay increases.

Pay for performance will involve supervisors, managers, and employees working together to improve organization effectiveness in the accomplishment of the Agency's mission and goals.

The Employer may provide an employee with an annual merit increase of up to three steps within the employee's level based on his/her performance. All merit increases are subject to budgetary considerations. There shall be no automatic "within-grade increases." There shall be at least a 52-week waiting period from the last time a merit pay increase was effectuated before a subsequent merit pay increase is effected.

A. *Nomination*

In order to be eligible for a merit increase, an employee must have an acceptable level of performance and must submit to the Employer a summary describing his/her accomplishments for the preceding 12 months. Similarly, the employee's supervisor shall prepare a summary of the employee's accomplishments. These summaries will be based on standardized factors developed and tailored for each office and division in the Agency.

B. *Compensation Committee Review*

The Employer will establish compensation committees within each Division/Office/Field Office to review merit increase nominations. Subject to budgetary considerations, the committees will make recommendations to Division/Office/Field Office heads regarding the suggested merit increases for employees. The committees will use an objective and consistent process for making merit pay decisions.

C. *Executive Review*

The Division/Office/Field Office heads or designee will consider the compensation committees' recommendations and will approve, deny, or modify the committee's recommendations for any merit increases.

V. Locality Pay

Locality pay percentages are attached as Appendix B.

VI. Other Adjustments

The SEC pay schedule will be adjusted annually by the same percentage as the percentage adjustment to the General Schedule (GS). This adjustment will be made in the same pay period that adjustments are made for the rest of the federal service. The SEC may conduct surveys on a periodic basis to determine whether any additional adjustment is warranted to remain comparable with Agencies covered by the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), or to otherwise support the retention of employees.

VII. Benefits

All benefits currently available to employees will remain in effect. The parties recognize that the negotiation of benefits is a time consuming and very costly process. Within 30 days of receipt of the final fiscal year 2003 budget, the parties will return to the bargaining table to negotiate benefits. The parties agree to establish a labor/management committee for the purpose of sharing information that is reasonably available and necessary for a full and proper discussion, understanding, and negotiations of benefits.

VIII. Grievance Procedure

Grievances concerning the terms of this Agreement may be grieved in accordance with the negotiated grievance procedure between the Agency and the Union that became effective on or about September 1, 2002.

IX. Effective Date of Changes and Duration

This Pay Agreement will be effective beginning the first full pay period beginning May 19, 2002 and shall remain in effect through September 30, 2004. If the Agency determines that either it does not have sufficient funds to comply with this Pay Agreement or that continued compliance with this Pay Agreement would negatively impact the accomplishment of the Agency's goals and mission, the Agency may terminate this Pay Agreement. Should the Agency terminate this agreement, it will only do so after providing the Union at least thirty (30) calendar days notice. The notice will contain the Agency's reasons for termination of this Pay Agreement. The Parties will thereafter enter into negotiations over pay as expeditiously as possible.

____________________	____________________
For the Agency	For the NTEU
Date:	Date:

APPENDIX A

Proposed Base Pay Rates

GRADE/STEP	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	$15,642	$15,872	$16,105	$16,341	$16,581	$16,824	$17,071	$17,322	$17,576	$17,834	$18,096	$18,362	$18,632	$18,906	$19,184
2	$17,588	$17,846	$18,108	$18,374	$18,644	$18,918	$19,196	$19,478	$19,764	$20,054	$20,348	$20,647	$20,950	$21,258	$21,570
3	$19,189	$19,471	$19,757	$20,047	$20,341	$20,640	$20,943	$21,250	$21,562	$21,879	$22,200	$22,526	$22,857	$23,193	$23,534
4	$21,541	$21,857	$22,178	$22,504	$22,834	$23,169	$23,509	$23,854	$24,204	$24,559	$24,920	$25,286	$25,657	$26,034	$26,416
5	$24,101	$24,455	$24,814	$25,178	$25,548	$25,923	$26,304	$26,690	$27,082	$27,480	$27,883	$28,292	$28,707	$29,128	$29,556
6	$26,865	$27,259	$27,659	$28,065	$28,477	$28,895	$29,319	$29,749	$30,186	$30,629	$31,079	$31,535	$31,998	$32,468	$32,945
7	$29,854	$30,292	$30,737	$31,188	$31,646	$32,111	$32,582	$33,060	$33,545	$34,038	$34,538	$35,045	$35,560	$36,082	$36,612
8	$33,062	$33,547	$34,040	$34,540	$35,047	$35,562	$36,084	$36,614	$37,152	$37,697	$38,250	$38,812	$39,382	$39,960	$40,547
9	$36,518	$37,054	$37,598	$38,150	$38,710	$39,278	$39,855	$40,440	$41,034	$41,636	$42,247	$42,867	$43,496	$44,135	$44,783
10	$40,215	$40,805	$41,404	$42,012	$42,629	$43,255	$43,890	$44,534	$45,188	$45,851	$46,524	$47,207	$47,900	$48,603	$49,317
11	$44,185	$44,834	$45,492	$46,160	$46,838	$47,526	$48,224	$48,932	$49,650	$50,379	$51,119	$51,870	$52,632	$53,405	$54,189
12	[illegible]	[illegible]	[illegible]	[illegible]	$56,137	$56,961	$57,797	$58,646	$59,507	$60,381	$61,268	$62,168	$63,081	$64,007	$64,947
13	$62,974	[illegible]	[illegible]	$65,789	$66,755	$67,735	$68,730	$69,739	$70,763	$71,802	$72,856	$73,926	$75,011	$76,112	$77,230
14	[illegible]	[illegible]	[illegible]	[illegible]	$76,652	$77,777	$78,919	$80,078	$81,254	$82,447	$83,658	$84,886	$86,132	$87,397	$88,680
15 (GS 14 Supervisory)	$76,650	[illegible]	[illegible]	$80,076	$81,252	$82,445	$83,656	$84,884	$86,130	$87,395	$88,678	$89,980	$91,301	$92,642	$94,002
16 (GS 15)	$82,580	[illegible]	[illegible]	$86,270	$87,537	$88,822	$90,126	$91,449	$92,792	$94,154	$95,536	$96,939	$98,362	$99,806	$101,271
17 (GS 15 Supervisory)	$87,535	$88,820	$90,124	$91,447	$92,790	$94,152	$95,534	$96,937	$98,360	$99,804	$101,269	$102,756	$104,265	$105,796	$107,349

Continued below

GRADE/STEP	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
1	$19,466	$19,752	$20,042	$20,336	$20,635	$20,938										
2	$21,887	$22,208	$22,534	$22,865	$23,201	$23,542										
3	$23,880	$24,231	$24,587	$24,948	$25,314	$25,686										
4	$26,804	$27,198	$27,597	$28,002	$28,413	$28,830										
5	$29,990	$30,430	$30,877	$31,330	$31,790	$32,257	$32,731	$33,212	$33,700							
6	$33,429	$33,920	$34,418	$34,923	$35,436	$35,956	$36,484	$37,020	$37,564							
7	$37,150	$37,695	$38,248	$38,810	$39,380	$39,958	$40,545	$41,140	$41,744	$42,357						
8	$41,142	$41,746	$42,359	$42,981	$43,612	$44,252	$44,902	$45,561	$46,230	$46,909						
9	$45,441	$46,108	$46,785	$47,472	$48,169	$48,876	$49,594	$50,322	$51,061	$51,811	$52,572					
10	$50,041	$50,776	$51,522	$52,278	$53,046	$53,825	$54,615	$55,417	$56,231	$57,057	$57,895					
11	$54,985	$55,792	$56,611	$57,442	$58,285	$59,141	$60,009	$60,890	$61,784	$62,691	$63,611	$64,545	$65,493	[illegible]	[illegible]	$68,421
12	$65,901	$66,869	$67,851	$68,847	$69,858	$70,884	$71,925	$72,981	$74,053	$75,140	$76,243	$77,362	$78,498	[illegible]	[illegible]	[illegible]
13	$78,364	$79,515	$80,682	$81,867	$83,069	$84,289	$85,527	$86,783	$88,057	$89,350	$90,662	$91,993	$93,344	[illegible]	[illegible]	[illegible]
14	$89,982	$91,303	$92,644	$94,004	$95,384	$96,784	$98,205	$99,647	$101,110	$102,595	$104,101	$105,629	$107,180	[illegible]	[illegible]	[illegible]
15 (GS 14 Supervisory)	$95,382	$96,782	$98,203	$99,645	$101,108	$102,593	$104,099	$105,627	$107,178	$108,752	$110,349	$111,969	[illegible]	[illegible]	[illegible]	$118,691
16 (GS 15)	$102,758	$104,267	$105,798	$107,351	$108,927	$110,526	$112,149	$113,796	$115,467	$117,162	$118,882	$120,628	$122,399	[illegible]	$126,020	$127,870
17 (GS 15 Supervisory)	$108,925	$110,524	$112,147	$113,794	$115,465	$117,160	$118,880	$120,625	$122,396	$124,193	$126,016	$127,866	$129,743	[illegible]	$133,581	$135,542

Proposed SEC Locality Pay Percentages

Atlanta	6.97%
Boston	21.13%
Chicago	18.66%
Fort Worth	8.71%
Denver	13.05%
Los Angeles	21.13%
Miami	11.04%
New York	21.13%
Philadelphia	14.63%
Salt Lake City	6.80%
San Francisco	21.13%
Washington D.C.	13.17%

ATTACHMENT B

NTEU' S FINAL OFFER ON PAY PARITY
September 12, 2002

SECTION 1 - PAY

A. The Union recognizes that the Employer intends to continue to use the pay scale it implemented on May 19, 2002. The following proposals are based on the Employer's implementation of this plan for Fiscal Year 2002. However, the Union's proposals recognizing the Employer's use of this plan on this interim basis in no way compromises any legal challenges the Union may pursue to the alleged unilateral implementation of this pay system by the Employer.

B. Retroactive Pay Increases

1. The Agency has set aside $5.86 million (of the $24.8 million total funds that the Agency has allocated to fund pay parity in Fiscal Year 2002) in order to fund possible pay parity costs through a period of a continuing resolution, projected to end on November 15, 2002. If all or any portion of that $5.8 million is not needed due to enactment of a Fiscal Year 2003 appropriation before November 15, 2002, OR the FY 2003 appropriation restores or otherwise replaces all or a portion of the $5.86 million, then a proportional share of the available funds (i.e., 67%) will be allocated to bargaining unit employees for pro rata salary increases as outlined below. In this regard, all or a portion of the $5.86 million will be considered restored or replaced to the extent that the FY03 appropriation exceeds the Agency's initial budget request by more than $45 million.

2. Pro rata salary increases will be provided to bargaining unit employees based on their proportional share of the funds identified as available under subsection 1. Such increases will be retroactive to May 19, 2002, and their calculation will take into account the additional benefit costs associated with providing this retroactive pay increases (e.g., additional retirement costs). These increases will be provided to all bargaining unit employees, except for those

employees who, as a result of the salary conversion process, already received a base pay increase (excluding locality pay) in excess of six percent (6%).

3. The pro rata salary increase will be calculated as follows:

   X = Amount of available funds x .67, divided by 1.24 (to reflect 24% benefit cost) = Amount devoted to b.u. salary increases

   Y = (Total annual b.u. salary cost minus annual cost of excluded b.u. employees) divided by the portion of the year for which the salary increase is to be provided

   Z = X divided by Y = % retroactive pay increase for each eligible bargaining unit employee

   For example, assuming that the amount of available funds is $5.86 million, that employees representing 10% of the b.u. salary costs are excluded, and that the retroactive pay increase is to be provided for 10 pay periods (the period between May 19 and October 5, 2002), then the pro rata increase would be:

   $5.86m x .67 = $3.926m
   $3.926 divided by 1.24 = $3.166m = X

   $200.5m - $20m = $180.5m
   $180.5m x (10/26) = $69.5m = Y

   3.166 divided by 69.5 = .0456 = 4.56%

C. The parties will conduct additional negotiations over possible changes to the Agency's pay system(s) in accordance with the provisions of Section 8 of this Agreement.

D. Each employee who receives a promotion after implementation of this new pay scale will be promoted to the step at the higher grade that reflects a base pay increase of at least 6%.

E. Unless specifically modified by the terms of this agreement, all federal pay rules will continue to apply. For example, the Employer will follow the rules and practices established under 5 CFR 531 in moving employees between steps, so an employee will receive a step increase unless the Employer determines that he or she is not performing at an acceptable level of competence.

SECTION 2 - CONVERSION

Retroactive to May 19, 2002, the Employer will modify the method by which it converted each employee to the pay system the Agency unilaterally implemented on that date as follows:

A. For employees previously covered by a special salary rate other than under a "Securities Industry" designation, the Employer shall recalculate the conversion of such employees and determine the employee's new rate of base pay by deducting the "Rest of U.S." locality pay rate (8.64%) from the employee's previous rate of pay under the special salary rate.

B. In order to provide employees with credit for time already accrued towards their next within-grade increase, the Employer shall increase the base salary of each employee based on a pro-rata percentage of his/her next scheduled step increase equal to the percentage of time completed in his/her applicable waiting period, if the employee's most recent performance rating was at least acceptable or fully successful. For example, if the employee has served 40% of the waiting period for his/her next scheduled step increase, his/her salary will be adjusted by an amount equal to 40% of the value of that step increase (under the 10-step system in place under the previous pay system). Employees will then be rounded to the next highest step under the new pay system.

SECTION 3 - LOCALITY PAY

Retroactive to May 19, 2002, the Employer will adjust its locality pay rates so that no employee's locality pay rate is reduced as a result of the conversion to the pay system unilaterally implemented by the Employer on May 19. As a result, the Employer will retroactively increase the locality pay rates for the following five cities to the following levels:

Atlanta:	9.74%
Dallas/Fort Worth:	10.9%
Denver:	13.34%
Miami:	12.45%
Salt Lake City:	8.64%

SECTION 4 - PAY-FOR-PERFORMANCE

A. The Agency has set aside $1.7 million of the FY02 pay parity funds as "additional funds for awards." To the extent that the Employer spends these funds on awards, a proportional share (i.e., not less than 67%) will be allocated to fund additional awards for bargaining unit employees.

B. The Employer will continue its current practices of using high quality step increases and cash awards based on superior annual performance as the core of its pay-for-performance program. In this regard:

1. All employees rated "Outstanding" on their annual appraisal will be eligible, considered for and granted a Quality Step Increase (QSI). A QSI will provide an employee with an additional two-step increase in pay under the Employer's pay system. Employees may receive a QSI every year.

2. If an employee rated "outstanding" is not given a QSI, if an employee wishes to decline the QSI, or if he or she is already at the top step of his or her grade and therefore unable to receive a step increase, he/she will receive a one-time cash award in an amount equivalent to a two-step increase.

3. An employee entitled to an award or QSI under 1 or 2, above, may be denied such an award or QSI only for just cause (e.g., an inability to pay or a superseding law or government-wide regulation). In each such case, the Employer will provide the employee a written statement outlining its basis and grounds for doing so.

4. For those employees in organizational components where the Employer does not utilize a five-level rating system, employees may nominate themselves or others for consideration for a QSI by submitting a written list of achievements over the last rating period. This may be submitted 30 days prior to or following their annual appraisal date. The employees will be considered for QSIs and awards based on a fair and systematic basis that avoids disparate treatment of this group in comparison to the group of employees who do receive five-level ratings.

C. If the Agency chooses not to use 67% of the $1.7 million it has set aside on pay-for-performance awards for bargaining unit employees, any amount unspent from this will be added to the funds distributed as salary increases under Section 1B, above.

SECTION 5 - ANNUAL ADJUSTMENT

In the event that no agreement is in place prior to January 1, 2003 (pursuant to the negotiations to occur under Section 8 of this Agreement), the SEC pay schedule, and employee salaries for each grade and step, will be adjusted for Pay Period 1 of 2003 by at least the same percentage as the percentage adjustment to the General Schedule (GS). This does not, however, preclude a higher adjustment pursuant to these negotiations based, for example, on the need for comparability with other federal financial regulatory agencies.

SECTION 6 - BENEFITS

Upon enactment of the Agency's appropriation for FY2003, the parties will commence negotiations to explore the addition of other benefits by the Employer, pursuant to the terms of Section 8, below.

SECTION 7 - DISPUTES

Grievances concerning the terms of this Agreement or any other matter relating to the pay of an employee will be resolved pursuant to the terms of the parties' master collective bargaining agreement. However, the parties agree to waive the first step in the negotiated grievance process established under that agreement for disputes arising under this agreement.

SECTION 8 - TERM

A. This Agreement, and practices established under its terms, will remain in effect until modified by subsequent agreement.

B. Upon enactment of the Agency appropriation for Fiscal Year 2003, the parties will resume negotiations on implementation of a compensation program (including base pay rates, locality pay and benefits) designed to meet the comparability objectives of Section 4802 of the Investor and Capital Markets Fee Relief Act of 2002, based on the funds appropriated. These negotiations will be conducted in conjunction with (and simultaneously with) the bargaining over benefit issues, as provided under Section 6 of this Agreement.

C. If the parties have not reached agreement sixty (60) days following enactment of the FY2003 appropriation, then either party may move the dispute to the next neutral on the panel selected pursuant to the parties' master collective bargaining agreement, or to any other neutral mutually agreed upon by the parties. The neutral will issue a fact-finding report with recommendations as soon as possible. To expedite resolution, the neutral will have all the powers needed to resolve arbitrability, procedural, scheduling, and substantive issues. These recommendations will not be final and binding under the law unless appropriate approval for such has been obtained from the FSIP. However, if only one party refuses to adopt the recommendations in their entirety to voluntarily settle the dispute, thereby forcing the dispute to the FSIP for resolution, that party will pay all the costs of the arbitration, which would otherwise be equally split between the parties.