

MEMORANDUM OF UNDERSTANDING

BETWEEN

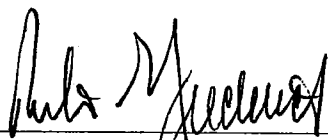
THE AMERICAN FOREIGN SERVICE ASSOCIATION

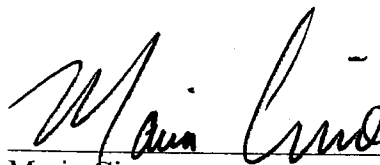
AND

THE U.S. AND FOREIGN COMMERCIAL SERVICE

In accordance with the Foreign Service Act and Article VIII, Section 3, of the Collective Bargaining Agreement (CBA), the American Foreign Service Association (AFSA) and the U.S. and Foreign Commercial Service (US&FCS) have completed and met all of their bargaining obligations over the Service's policy on Service Need Differential, copy attached hereto. The attached Service Need Differential policy is a recruitment and retention program specifically to recruit and retain career and career-candidate Foreign Commercial Service Officers in hard-to-fill positions overseas.

This Memorandum of Understanding is signed by the parties in accordance with Article VIII, Section 2(E) of the CBA. The 15% Service Need Differential over basic compensation for eligible career and career-candidate employees who accept at least a three-year assignment to designated Service Need Differential posts will be effective at the start of the 2003 Open Assignments Cycle.



Peter G. Frederick
American Foreign Service Association

Maria Cino
U.S. and Foreign Commercial Service

11/7/02
Date

11/6/02
Date

SERVICE NEED DIFFERENTIAL (SND) PROPOSAL

Effective the start of the 2003 Open Assignments Cycle, the Commercial Service shall implement a recruitment and retention program specifically to fill and retain career and career-candidate Foreign Commercial Service Officers in hard-to-fill positions overseas.

This program will provide a 15% "Service Need Differential" over basic compensation to eligible career and career-candidate employees who accept at least a three-year assignment to designated Service Need Differential posts.

Only posts with current standard differentials of 15% and above, that have proven and are currently deemed to be hard-to-fill as standard assignments, will be eligible to be designated under this program. Eligible officers at posts that are designated for Service Need Differential would receive the additional 15% above the current standard differential at the post, in a lump sum at the end of each year of service at post.

Determinations of those posts eligible to receive SND would be made before the start of each Open Assignments Cycle, based upon the anticipated ability of the Service to recruit and retain hard-to-fill positions with career and career-candidate employees.

For newly assigned officers and officers extending in their positions at SND posts in the 2003 Open Assignments Cycle, accrual will begin with the official start of each new tour of duty at post, or at the point of extension. SND payments will be issued once annually upon the completion of each year of continuous service at post from that point.

Officers currently serving at identified SND posts, who were previously assigned or extended to at least three-year tour of duty prior to July 1, 2002, will be eligible to receive a lump sum SND, effective July 1, 2003, if their current tour ends after July 1, 2003. Those who arrived after July 1, 2002 under a previous assignment cycle with at least a three-year tour of duty will be eligible to receive a lump sum SND on their annual anniversary date.

Limited appointees and first-tour officers on 2-year tours of duty are not eligible for Service Need Differential. However, where a first-tour officer is extended for a third year at an SND post, that officer will accrue SND at the start of the third year and receive a lump sum payment upon the completion of the third year at post.

Officers will be paid in lump sum payments at the end of each completed service year from their start-of-tour date. After three full years of continuing service at SND posts (or four, if extended), officers will receive a prorated payment for each additional month of continued service paid in a lump sum payment when the employee leaves the SND post. If a standard differential at a SND post goes below the 15% level, those officers at that post accruing SND will continue to do so, and continue to receive annual lump sum payments, until the end of their tour.

The payment of SND is subject to statutory and regulatory pay caps. The aggregate pay cap (6 USC 5307) and the post differential pay cap (Standardized Regulation 552) apply. Under the aggregate pay cap, an employee may not receive any portion of any payment that causes the aggregate compensation, received within the calendar year, to exceed the rate payable for Level I of the Executive Schedule. In addition, the combination of projected cumulative basic salary, post differential, and Service Need Differential is limited to the salary rate for Executive Level II. Unlike other differentials and allowances, any amount of SND that would cause an employee's pay to exceed Executive Level I or II cannot be paid or deferred to the next year. The combination of SND and Danger Pay (if applicable) may not exceed 25% of basic salary. The combination of post differential and Service Need Differential may not exceed 40% of basic salary. The combination of SND, Danger Pay, and post differential may not exceed 50% of basic salary.

Service Need Differential does not become a part of the base pay. It is not credible for the Thrift Savings Plan (TSP), retirement or life insurance (FEGLI) purposes. Federal tax, state tax and/or local tax, and FICA (OASDI and/or Medicare) will be withheld.

Payments will be made in accordance with Chapter 1000 of the Standardized Regulations, Difficult to Staff Incentive Differential.

*THIS DOCUMENTED POSTED ON
OURPLACE (ON INTRANET) RELATED TO SND POLICY BUT NOT PART OF
MOU NOR NEGOTIATED WITH AFSA AND FOR INFORMATION PURPOSES ONLY*

Service Need Differential Payment Procedures

The Service Need Differential (SND) is payable to eligible employees at the end of each completed year (12 months) of assignment at the designated SND post. The list of designated SND posts for the 2003 assignment cycle is provided below. Limited appointees and first-tour officers on 2-year tours of duty are not eligible for Service Need Differential. However, where a first-tour officer is extended for a third year at an SND post, that officer will accrue SND at the start of the third year and receive a lump sum payment upon completion of the third year at post.

The payment is processed annually through OFSHR. Please note that the SND is subject to the aggregate pay cap for Level I of the Executive Schedule. Per the aggregate pay cap limitation (5 USC 5307), an employee may not receive any portion of any payment that causes the aggregate pay received within the calendar year to exceed the rate payable for Level I of the Executive Schedule. Payments in excess of the current calendar year pay cap will be deferred until the beginning of the next calendar year and paid in a lump sum. These payments will then be considered part of the employee's aggregate compensation for the new calendar year. The combination of cumulative basic salary, charge d'affaires pay, and post differential is limited to the salary rate for Level II of the Executive Schedule.

Federal, state and/or local taxes, FICA, and Medicare will be withheld from payments.

Department of Commerce Foreign Service Officers must follow the procedure below.

Eligibility: Officers serving at identified SND posts, who were previously assigned or extended to at least a three-year tour of duty prior to July 1, 2002, are eligible to receive a lump sum SND, effective July 1, 2003, provided their current tour ends after July 1, 2003. Those who arrived at post after July 1, 2002 with at least a three-year tour of duty will be eligible to receive a lump sum SND on their annual anniversary date each year of their tour. Employees receiving the SND payment for the third year of their tour must be at post on the first day of the month that completes the third year.

Application for the Differential: To initiate payment of the SND, employees must apply for the payment by submitting a completed SF-1190, Foreign Allowances Application, Grant and Report, signed by the authorizing/certifying official at post. **The following statement must be included in the remarks section of the SF-1190:**

"In order to be eligible for a grant of the Service Need Differential, I certify that I agree to complete 36 months in (post name) from (ETA) to (ETD). If I fail to complete 36 months of service in (post name), I will be liable for repayment of the entire Service Need Differential received while assigned to (post name), unless a waiver of that liability is granted".

Signature _____

In addition to the SF-1190, the following information must be provided as an attachment to the SF-1190:

- a. post of assignment
- b. date of arrival at post
- c. dates of home leave (number of hours used)
- d. dates of temporary duty travel
- e. dates of ordered departures from post (evacuations)
- f. dates of absences for annual/sick leave/leave without pay, etc.
- g. date of reassignment travel if applicable

The form and attached information should be sent to the Office of Foreign Service Human Resources Payroll Division, Attention: Patricia Quattrone.

- **NOTE: Payment cannot be initiated until OFSHR Payroll receives the SF-1190.**

OFSHR Action: OFSHR Payroll will confirm receipt and review the SF-1190 and required additional information to insure that it has been completed properly and certified. The request for payment will be submitted to the National Finance within 48 hours from that date. Normally, processing by the National Finance Center will take two weeks. OFSHR will check the status of the processing and advise employee of unexpected delays, problems, etc.

References: For more information on the Service Need Differential, you may refer to the Service Need Differential information on the FS Human Resources website, 3 FAM 3260 (Differentials) and DSSR 1000 (Standardized Regulations).

SND POSTS

The following posts were selected to receive a 15 percent Service Need Differential for the 2003 assignment cycle:

Riyadh	Kuwait
Dhahran	Shenyang
Jeddah	Santo Domingo
Abidjan	Guangzhou
New Delhi	Kiev
Chennai	Accra
Mumbai	Bucharest
Hanoi	Chengdu
Almaty	Quito
Baku	Tashkent
Lagos	Vladivostok