



Brotherhood of Maintenance of Way Employees Division of the International Brotherhood of Teamsters

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March 8, 2007

To: All General Chairmen

From: Don Griffin

Re: Q&A's regarding tentative agreement

Attached in this e-mail are two "Q & A" format explanations of the backpay calculations in Attachment "B" of the tentative agreement and a definition of the term "straight time equivalent pay." These are drafts that may be subject to revision prior to the National Association meeting, but are in close to "final" form. I am distributing these two documents now because I understand that a number of you will be visiting local lodge meetings this weekend and in the days before March 20th. Hopefully, these documents will help you explain the outline terms of the tentative agreement.

Please call me if you have any questions or suggestions regarding these documents. Thanks.

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Q & A Re: Calculating Backpay

Question:

I can't make heads or tails out of the Attachment B side letter regarding BMWED members' backpay, explain how this formula works.

Answer:

The calculation of a BMWED member's backpay is complicated by the fact that in the 2001 National Agreement, BMWED members made their cost sharing contributions to health insurance in the form of wage deferrals, rather than outright cash contributions. In other words, BMWED members contributed to the cost of health insurance by giving back cents per hour in pay that otherwise was provided for in the computation of the general wage increases. Attachment "B" to the tentative agreement merely sets forth the computations used to figure the backpay, but does not explain the rationale behind those computations. The following is a step by step walk through the side letter.

An important point to remember as we proceed is that during the period from July 1, 2005 until the present, BMWED members have been receiving modest increases in pay through the so-called "Harris COLA". These COLA payments are, in effect, a down payment made by the Railroads against the actual retroactive pay increases provided in the tentative agreement. Therefore, the calculation of the backpay will involve, in very general terms, a calculation of the gross backpay provided in the agreement from which is subtracted the "down payment" in COLA increases already computed under the old National Agreement.

The example in Attachment B begins with the assumption that the member was paid \$20 per hour on January 1, 2005 and that he was paid the equivalent of 220 straight time hours for each month from July 1, 2005 until the present. (For the period 1998 – 2005, BMWED members were paid the equivalent of 218 straight time hours per month – the 220 figure keeps the figures in round numbers.) Finally, the Attachment assumes the new agreement will become effective June 1, 2007.

Calculating the Gross Backpay:

Using the assumptions for rates of pay and hours paid for contained in Attachment B, the gross backpay is calculated in the following manner:

The 2.5% pay raise on July 1, 2005 equals \$.50 per hour

During the period July 1, 2005 through June 30, 2006, the employee is paid 2640 straight time hours.

2640 hours times \$.50 equals \$1320.00

The 3.0% pay raise on July 1, 2006 equals \$.62 per hour

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During the period July 1, 2006 through May 31, 2007, the employee is paid 2420 straight time hours.

2420 times \$1.12 (\$0.50 + \$0.62) equals \$2710.40

The gross pay from the two retroactive wage adjustments equals \$4030.40

That calculation does not end the computation of gross retroactive pay however. The tentative agreement provides that all covered crafts will make the same employee contributions to health insurance on January 1, 2007, both in type and dollar amount. Therefore, a BMWED member's method of contribution switches from a wage deferral to payment of a fixed monthly amount. To make this switch, the \$.47 per hour in wages deferred under the old National Agreement is restored to the member's wages on January 1, 2007. (Otherwise the member would make a double contribution in that the \$.47 wage deferral would continue and the member would make a monthly fixed cash payment towards health insurance premiums.)

The gross backpay from that adjustment is computed as follows:

The \$.47 is multiplied times the 1100 hours worked between January 1, 2007 and May 31, 2007

\$.47 times 1100 equals \$517.00

The total gross backpay amount (\$1320.00 + \$2710.40 + \$517.00) is \$4547.40

Calculating the Offsets to the Gross Backpay:

Remember that at the beginning, the Harris COLA payments were considered as a "down payment" on backpay? This down payment is an offset or credit the Railroads can use against the gross backpay amount. At this point, to determine the actual "net" backpay for a member, we must compute the total payments received by the member under the Harris COLA formula. The COLA began to provide pay increases on July 1, 2005 and additional increases were rolled in on January 1, 2006, July 1, 2006 and January 1, 2007.

The Harris COLA works under a ridiculously complicated formula; however, its basic elements are easy to describe. The COLA provides a gross payment that is equal to half of the rate of inflation of the Consumer Price Index over a 6 month measuring period. For a COLA payment made in July, the measuring period is the previous September through March, for a payment made in January, the measuring period is the previous March through September. Simple enough so far, right? However, none of the crafts received a gross COLA payment because each had part of each COLA payment diverted to pay health insurance premium increases. (The Signalmen did not receive any COLA payments during this period.) In BMWED's case, up to one half of the gross COLA adjustment could be diverted to pay for up to one half of the year to year increase in the cost of health insurance premiums.

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What is important to keep in mind is that BMWED members' gross COLA payments were computed the same as the other crafts. What BMWED did differently was divert part of the cents per hour received under the COLA to pay for employee health insurance premiums. The other crafts had the one half of the gross COLA payment converted into a fixed amount that increased their monthly payments for health insurance. Not so simple now, is it?

Anyway, to figure out the amount of the Railroads' down payment on the backpay, you have to do the following calculations.

On July 1, 2005, the COLA provided a gross adjustment (before health care cost-sharing) of \$.15 per hour.

From July 1, 2005 to December 31, 2005 the member worked 1320 hours

1320 times \$.15 equals \$198.00

On January 1, 2006, the COLA added an additional \$.31 per hour to the \$.15 per hour already being received making the total gross COLA \$.46 per hour

From January 1, 2006 to June 30, 2006, the member worked 1320 hours

1320 times \$.46 equals \$607.20

On July 1, 2006, the COLA added an additional \$.01 per hour to the existing \$.46 per hour payment making the total gross COLA \$.47 per hour

From July 1, 2006 to December 31, 2006 the member worked 1320 hours

1320 times \$.47 equals \$620.40

On January 1, 2007, the COLA added an additional \$.15 per hour to the existing \$.47 per hour payment making the total gross COLA \$.62 per hour

From January 1, 2007 to May 31, 2007, the member worked 1100 hours

1100 times \$.62 equals \$682.00

Therefore, gross COLA “down payment” the Railroads can use against the gross backpay is \$2107.60 (\$198.00 + \$607.20 + \$620.40 + \$682.00)

We're still not done however. Remember that under the tentative agreement, all crafts will make the same fixed monthly contribution to health insurance beginning on January 1, 2007. That contribution, which is 15% of the monthly premium, is \$166.25 per month. Again, for the other crafts that already contributed a fixed monthly amount, a retroactive adjustment to their contribution rates must be computed and factored in as an offset to the gross backpay calculation. BMWED's situation is different because we contributed to health insurance premiums by giving up cents per hour. The task then, is to convert the cents per hour given up

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under the COLA during the period January 1, 2007 to May 31, 2007 into a monthly dollar figure. To do so, multiply the 23 cents per hour diverted to healthcare from the cumulative gross COLA payment times 216.92 (the average composite straight time equivalent hours worked in each month by all railroad workers) to get the figure of \$49.89. \$49.89 each month is credited as being paid by BMWED members during this period against the \$166.25 actually owed. Therefore, subtracting \$49.89 from \$166.25 provides a figure of \$116.36 as the monthly retroactive cost sharing payment owed by the member from January 1, 2007 until May 31, 2007 (\$116.25 times 5 equals \$581.80) and used as an offset against the gross backpay.

Calculating the Adjusted Net Backpay:

At this point, the unadjusted net backpay amount is determined by taking the gross retro pay (**\$4547.40**) and subtracting from it the gross Harris COLA (**\$2107.60**) and the retroactive health insurance costshare offset (**\$581.80**), which provides **\$1858.00**.

But wait, we're not done. As mentioned earlier, BMWED members contributed towards health insurance costs in a different manner than anyone else. Because BMWED members contributed to health insurance premiums by giving cents per hour back to the railroad from general wage increases, those who worked more hours "contributed" more than others. In consideration of this different method of contribution, the net backpay figure is multiplied by an adjustment factor of 29.6%. Therefore, the adjusted net backpay figure is obtained by multiplying \$1858.00 by 1.296 to give an adjusted net backpay amount of **\$2407.97**.

Now, wasn't that easy? The key here is the number of hours the member worked during each measuring period. Without that figure, any calculation of net backpay is a very rough estimate. Tom Roth, the RLBC's economist, is preparing a matrix that will help a member better estimate his or her backpay amount without performing all of the computations contained in this explanation.

BMWED NATIONAL FREIGHT AGREEMENT
Estimated Retroactivity to June 1, 2007

Average Monthly Pay Hours July 1, 2005 - June 1, 2007	Average Hourly Rate of Pay on July 1, 2005			
	\$19.71 All BMW	\$20.05 Mach. Op.	\$21.02 Track Fore.	\$18.18 Sect. Lab.
	Gross Retroactivity			
130.0	\$1,057	\$1,114	\$1,286	\$809
140.0	\$1,196	\$1,258	\$1,443	\$930
150.0	\$1,336	\$1,402	\$1,600	\$1,050
160.0	\$1,475	\$1,546	\$1,757	\$1,170
170.0	\$1,614	\$1,689	\$1,914	\$1,291
173.3	\$1,660	\$1,737	\$1,966	\$1,330
180.0	\$1,754	\$1,833	\$2,071	\$1,411
190.0	\$1,893	\$1,977	\$2,228	\$1,531
200.0	\$2,032	\$2,121	\$2,385	\$1,651
220.0	\$2,311	\$2,408	\$2,699	\$1,892
230.0	\$2,450	\$2,552	\$2,856	\$2,012
240.0	\$2,590	\$2,695	\$3,013	\$2,132
250.0	\$2,729	\$2,839	\$3,170	\$2,253

Q & A Re: “Straight Time Equivalent Pay”

Question:

Attachment “B” says the employee works 220 hours at straight time during a month. That doesn’t make sense, because everyone is paid overtime for work after their regular shift and on rest days and holidays. What’s going on?

Answer:

The 220 hours specified in Attachment “B” is the straight time equivalent pay value of the hours actually worked. What the 220 hour figure means in the real world is the employee worked in each week 40 hours of straight time and about 10 hours of overtime. Those “work” hours are converted into 55 straight time “pay” hours (40 straight time hours + (10 x 1.5) overtime hours).

When the term “straight time equivalent” hours is used, it means all compensation received at straight time: regular assignment pay; vacation pay; holiday pay and person leave pay and all overtime pay converted to straight time. That is one hour at time and half becomes one and a half (1½) hours straight time equivalent pay, and one hour at double time becomes two (2) hours straight time equivalent pay.