

PART III - LIST OF DOCUMENTS, EXHIBITS AND OTHER ATTACHMENTS

SECTION J - LIST OF ATTACHMENTS

APPENDIX A

PERSONNEL COSTS AND RELATED EXPENSES

Attached to this Appendix A is the parties advanced understanding for the Contractor's human resource management policies and related expenses which have cost implications under the contract.

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I. INTRODUCTION

- (a) This Advance Understanding is intended to document the principles and measures for evaluation of the Contractor's Human Resources Management (CHRM) programs and to address items of allowable personnel costs and related expenses not specifically addressed elsewhere under this contract. The previous Advance Understanding on this subject addressed ORNL-specific policies, practices, and plans that are cost drivers. These are now contained in the Human Resources Operating Plan (HROP). Consistent with previous agreements and practices, changes to the HROP are subject to Contracting Officer approval.
- (b) The Contractor shall select, manage, and direct its work force and apply its human resource policies in general conformity with its private operations and/or industrial practices insofar as they are consistent with this Contract. Some contractor decisions are subject to advance approval by the Contracting Officer or, in some cases, other DOE officials. For example, compensation program design changes and benefit plan terminations require prior approval. These and other examples are called out elsewhere in the contract. Any programs or policies initiated for corporate application, permanently or for a finite period, that will impact staffing levels or compensation costs (i.e., furloughs or salary cuts) will not be applicable to Laboratory employees or employees otherwise funded through this contract, without prior approval of the Contracting Officer.
- (c) The Laboratory's programs will comply with the contract for all Human Resources programs. The Contractor shall use effective management review procedures and internal controls to assure compliance with the contract as well as to ensure that the cost limitation set forth herein are not exceeded, and that areas which require prior approval of the DOE Contracting Officer or designated representative are reviewed and approved prior to incurrence of costs.
- (d) This Appendix A may be modified from time to time by agreement of the Parties. Either Party may, at any time, request that this Appendix A be revised, and the Parties hereto agree to negotiate in good faith concerning any requested revision. Revisions to this Appendix A shall be accomplished by executing modification to the prime contract.
- (e) The Laboratory Director may make exceptions to the provisions of Appendix A when such exceptions are in the best interest of contract operations or will facilitate or enhance contract performance and are approved in advance by the Contracting Officer.
- (f) The Contractor, or designated representative, shall promptly furnish all reports and information required or otherwise indicated in this Advance Understanding to the Contracting Officer. The Contractor recognizes that the Contracting Officer or designated representative may make other data requests from time to time and the Contractor agrees to cooperate in meeting requests.

- (g) This Appendix A is adopted for the exclusive benefit and convenience of the parties hereto, and nothing herein contained will be construed as conferring any right or benefit upon past, present, or future employees of the Contractor, or upon any other third party. Accordingly, neither this Appendix A nor any part thereof, as amended or modified, will be deemed to constitute a contract between a party hereto and any employee of the contractor or to be consideration for, or an inducement or condition of, the employment of any person, or to afford the basis for any claim or right of action whatsoever against a party hereto by any employee of the contractor or other third party.
- (h) It is understood that no provision of this Appendix can affect any right guaranteed to a bargaining unit employee by the terms of a Collective Bargaining Agreement.

II. HUMAN RESOURCES STRATEGY, BUSINESS PLANNING AND PERFORMANCE MANAGEMENT

The Laboratory Plan highlights areas important to DOE and aligns with critical contract vision components. The HR Strategic Plan, which is subordinate to the Institutional Plan, will be reviewed with DOE representatives at least annually. Contract performance metrics and measures will be developed in partnership with DOE and are detailed in Appendix G. Any changes to the HROP require prior notice to the DOE Contracting Officer and other DOE officials customarily interested and involved in these matters.

CHRM performance objectives and targets will align with, and facilitate the achievement of the Laboratory mission; be limited in number; focus on strategic results, systems-based measures, and assessment against industry best practices; be developed annually and mutually agreed upon by the Contractor and DOE in accordance with Appendix G; be reviewed periodically to target key strategic objectives and results; and include outcomes that result in cost effective management of laboratory human resources to support accomplishment of DOE and ORNL mission, strategy and objectives.

III. COMPENSATION

(a) Salary increases

- (1) Any combination of salary increases for any employee in a single Compensation Increase Plan (CIP) year (January 1st to December 31st), including merit increases and those resulting from reclassification and promotion, which result in a salary that is 15% greater than at the start of the CIP year shall be provided to DOE upon request.
- (2) When significant changes in duties and responsibilities of a position occur on a temporary basis the employee may temporarily receive up to 10% of his/her current pay for a period not to exceed one year. The change in wages shall not exceed the maximum of the salary range of the new position.
- (3) Notwithstanding any other term or condition set forth in this Contract, the Contracting Officer's approval of compensation actions pursuant to the Employee Compensation clause of the contract will consider:
 - A. Relative alignment of proposed salaries with subordinate levels;
 - B. Available market data, comparing total-cash compensation;
 - C. Total compensation relative to 41 U.S.C. 4304(a)(16).

(b) Compensation Increase Plan (CIP)

- (1) The Contractor shall submit the CIP proposal as called for annually by DOE.
- (2) In order to pay "on-market-average," in the calculation of market position, Laboratory salary data shall be matched to survey data as of the midpoint of the salary cycle (i.e., July 1 for a 1/1-12/31 salary cycle).
- (3) The CIP shall be expressed as a percentage of the projected base payroll for the end of the preceding salary cycle (i.e., base payroll for 12/31 for a 1/1 – 12/31 salary cycle).
- (4) The Contractor is authorized a Promotion/Adjustment fund of up to 1% of base reimbursed payroll. Additional funding for promotions/adjustments shall be included in the Compensation Increase Plan (CIP) request as a discrete line item.

(c) Payment of Joint Appointees

Joint appointees shall be paid at the salary and fringe benefit rates established by the home institution, for the percentage of time worked at the host institution.

IV. ANCILLARY PAY COMPONENTS

(a) Premium Pay

The Contractor is authorized to provide shift differentials and other premium pay, reporting allowances, meals allowances, licensing payments, holiday pay as approved by the Contracting Officer and pursuant to the HROP.

(b) Medical evacuation services/insurance

Employees required to perform official travel to foreign countries where local care is substandard (according to U.S. standards) may have coverage that pays for evacuation services to an acceptable medical facility in a proximal location on an urgent or emergency basis. The policy shall cover evacuation, expatriation of remains, and ancillary costs associated with the incident. Costs for such coverage for eligible employees are allowable.

(c) Other approved supplements as detailed in the HROP.

V. PAYMENTS ON SEPARATION

Vacation

The contractor is authorized to pay for accumulated vacation upon termination at the rate in effect as of the date of termination, including any shift differential.

VI. LABOR RELATIONS

(a) Collective Bargaining

Costs of fringe benefits and wages paid to employees under collective bargaining agreements are allowable. All other reasonable costs and expenses, such as expenses relating to the grievance process, arbitration and arbitration awards, and other costs and expenses incurred pursuant to applicable collective bargaining agreements and revisions thereto, are also allowable.

(b) Collective Bargaining Agreements

The Contractor shall provide copies of collective bargaining agreements to the Contracting Officer as they are supplemented, ratified, or modified.

(c) Bargaining Unit Activity

Pay for absences from work by employees acting in the capacity of union officers, union stewards and committee members for time spent in handling grievances, negotiating with the Laboratory, and serving on labor management committees are allowable.

VII. SETTLEMENT COSTS

Separately Addressed in Contract Clause 970.5228-1.

VIII. PROGRAMS INVOLVING EMPLOYEE ABSENCE FROM THE WORKPLACE

(a) Paid Leave

The Laboratory will provide a reasonable and cost effective paid leave program. Paid leave governance, as approved by DOE, is discussed in the HROP.

(b) Sabbaticals/Temporary Assignments of Laboratory Employees to other Institutions for Teaching and Research

The Contractor shall be reimbursed for expenditures consistent with Laboratory policy as laid out in the HROP.

(c) Military Leave

Military leave and associated pay are authorized as allowable costs in accordance with Uniformed Services Employment and Reemployment Rights Act, Contractor's HROP and/or relevant State or Federal law.

(d) Security Leave

If the access authorization of an employee is suspended by direction of the Manager, ORNL Site Office, the Contractor shall transfer the employee to perform work not requiring access if such work is available. As detailed in the HROP, subject to DOE's concurrence, the Contractor may place the employee on leave with pay if such work is not available.

(e) Temporary Domestic Assignment Allowances

Temporary domestic assignment allowances shall be consistent with AL 2013-01 dated October 18, 2012 entitled "Contractor Domestic Extended Personnel Assignments," which may be revised from time to time, and Contractor policy consistent with the aforementioned Acquisition Letter.

IX. EMPLOYEE TRAINING, EDUCATION AND DEVELOPMENT

- (a) The Laboratory Director or designee shall send an annual report to the Contracting Officer providing the number of employees participating in training, education and development programs and the dollars spent.
- (b) The Laboratory shall establish training, education and development programs that are consistent with DOE requirements and guidance, industry standards, and other Federal, State and local regulations. These programs shall ensure that employees are well-qualified and competent to manage facilities and meet mission requirements through administrative, professional and technical excellence.
 - (1) Training

The Contractor may conduct or permit employees to attend training programs and courses that are based on training needs assessments. These training courses should contribute to the performance of work under the contract and be provided at reasonable costs to the government.
 - (2) Education
 - (A) The Laboratory may approve and support educational courses taken by employees which serve to improve efficiency and productivity of Laboratory operations, increase needed skills, or prepare employees for increased responsibilities.
 - (B) An employee may be paid for tuition, required textbooks and fees for courses approved in advance by the Laboratory.
 - (3) Development

The Contractor shall be reimbursed for the cost of development programs, including but not limited to, apprenticeship training, supervisory training, management development, career updating and redirection, and work-study and other programs supporting the development of staff in fields of interest to the Laboratory.
 - (4) Licenses and Fees

The costs of required licenses, fees, and similar costs to certify and maintain employee qualifications which are necessary to perform work under the contract are allowable. The Contractor will closely manage and control the number of licenses/fees to limit reimbursed costs to provide a sufficient number of qualified employees to reasonably perform the affected work under the contract.

X. EMPLOYEE PROGRAMS

- (a) The costs of employee recognition programs and organizational and individuals memberships are allowable based on a budget formula not to exceed $\frac{1}{4}$ of 1% of base payroll on September 30 of the prior fiscal year. Program costs include the following:
- (1) Company service awards for achieving service milestones consistent with the corporate service awards program.
 - (2) Safety awards and recognition to promote health and safety.
 - (3) Awards, recognition, and celebrations for participating in management initiatives, special achievements, retirement, and similar activities to the extent that they are reasonable and consistent with industry practice.
 - (4) The costs of organization and employee memberships in trade, business, and technical organizations necessary for effective performance of work under the contract provided they are reasonable and do not constitute payments for, or in support of, partisan or political (lobbying) activity.

(b) Participation in Association Activities

Cost incurred as a result of participation in the activities of technical, professional, and business methods associations will be allowed, as long as reasonable and necessary for the performance of effective work under the contract.

(c) Patent Awards

The cost of cash awards to inventors of patented technologies, authors of copyrighted works, and creators of mask works or copyrighted computer software that benefit the objectives of the Contractor and DOE are allowable. Details are set forth in the HROP.

(d) Cost of Health Services

The Contractor shall be reimbursed for the costs of operating a Health Unit for Laboratory employees, including but not limited to the following: Pre-employment physicals and other medical examinations required to meet Laboratory employment requirements, and medical care for occupational injuries.

(e) Other

- (1) The Contractor will be reimbursed for the costs incidental to the promotion of morale and welfare, and health and safety of employees such as: employee publications; net costs of in-plant food services (operated on a break-even

basis); employees time to promote employee participation in Blood Drives, U.S. Savings Bonds and United Fund campaigns; and other similar incidental costs which may be sanctioned by the contractor.

(2) Wellness program

Costs of a Wellness Program to promote employee health and fitness are allowable. This program includes health and first aid clinics, on-site fitness centers and the use of buildings and facilities when such use does not interfere with the official work of the Laboratory. Any significant enhancements to the approved ORNL Wellness Program Plan require prior DOE approval.

(3) Employee Assistance Program

The Contractor shall (1) maintain a program of preventive services, education, short-term counseling, coordination with and referrals to outside agencies, and follow-up upon return to work that conforms to the requirements of 10 CFR 707.6, Employee Assistance, Education, and Training; (2) Submit for approval by the Contracting Officer any changes to the employee assistance program implementation plan; (3) Prepare and submit information to DOE concerning Employee Assistance Program services as requested by the Contracting Officer. Such reports shall not include individual identifiers.

XI. COSTS OF RECRUITING PERSONNEL

The Laboratory will conduct workforce planning to identify critical skills necessary to meet mission and contract requirements, analyze gaps, and develop the strategy for the recruitment and retention, as well as for any necessary restructuring. The Human Resources Section of the annual Laboratory Plan, which is for use internal to the Laboratory and DOE only, requests information needed to elucidate the Laboratory's perspective on the gap between its current human capital and an optimal one, the obstacles the Laboratory is encountering with respect to developing a mission-ready workforce, and the actions it is taking to address these obstacles.

(a) The Contractor may incur costs for the recruitment of personnel, as set forth in the HROP.

(b) Recruitment/Retention Tools

(1) The Contractor may pay a sign-on bonus in accordance with the HROP to recruit employees with critical skills.

(2) Parties acknowledge that the Office of Science Human Resource Recruiting and Retention Toolbox as described and outlined in the HROP will be recognized as an authorized mechanism to retain and recruit employees with critical skills.

(3) The Parties acknowledge that an SNS Working Group Report ("Plan to Assist in Recruitment of DOE Laboratory Employees for the Spallation Neutron Source Project") was approved by the DOE Director of Office and Science as a pilot program and was implemented on September 1, 1999. This SNS Pilot Program has expired; however, all employees who were hired under this pilot program will retain their eligibility for those eligible SNS Pilot Program benefits.

(c) Leased Employees

Employees on joint appointments are not considered leased employees. A cumulative report showing all employees leased (loaned and borrowed), along with the total days loaned and services provided, will be submitted to the DOE annually.

(1) Personnel Borrowed - The cost associated with Battelle company or University of Tennessee employees not working for UT-Battelle borrowed for incidental work under this contract is reimbursable. Reimbursement for the time such employees work under this contract will be allowable in accordance with the home operating unit's disclosed costing practices. Time worked under this contract will include the time spent by employees en route to and returning from the site of work. Travel cost of such borrowed personnel will be allowed on the same basis as for employees working on the contract.

- (2) Personnel Loaned - The Contractor may loan, at no cost to the government, individuals working under this contract to other operations as long as it does not interfere with the performance of contract work. Each loan arrangement will be reviewed to assure no conflict of interest and will be approved by the cognizant UT-Battelle Director.

XII. REDUCTIONS IN CONTRACTOR EMPLOYMENT

Reductions in employment will be conducted in accordance with the contractor's personnel management policies and practices and in accordance with applicable Departmental policies and guidance on workforce restructuring, as revised from time to time.

(a) Workforce Restructuring Actions

(1) Consistent with current workforce restructuring policy, costs associated with workforce restructuring are allowable provided the following stipulations are met:

RESTRUCTURING ACTION	NUMBER OF EMPLOYEES POTENTIALLY IMPACTED	ACTION REQUIRED
Voluntary	50-99	CO Notification
Voluntary	100+	CO Approval
Involuntary	50+	CO Approval

(A) Notifications will include a business case outlining the drivers necessitating restructuring activity, an implementation strategy and communication plan.

(B) Actions requiring approval will additionally require a workforce restructuring plan prepared in accordance with DOE policy.

(C) Notifications and Approval actions shall be submitted a minimum of 10 business days prior to announcement to employees.

(D) Waivers or self-select forms that vary from those provided in DOE policy documents are subject to approval by DOE.

(2) Any employee who volunteers for layoff or retirement during a time period in which the Contractor has a DOE approved active reduction in force plan will be eligible for severance pay provided the termination is accepted by Laboratory management and results in the retention of an employee who otherwise would have been laid off.

a. If DOE approval is not required, severance may be paid to an employee who volunteers for layoff or retirement if contractor management has approved the restructuring action and the termination results in the retention of an employee who otherwise would be laid off.

b. Severance is payable to an employee who volunteers for layoff or retirement if the termination is associated with a restructuring action approved and initiated by contractor management or DOE. Severance not associated with workforce restructuring is unallowable.

(3) Severance pay benefit. Severance pay will be calculated on the basis of the employee’s basic rate in effect at the time of layoff (including extended hours’ pay, if any, but excluding all overtime premium or shift differential) and may be paid in accordance with the following schedules:

(a) Hourly Employees as set forth in the applicable collective bargaining agreements.

(b) Salaried Employees

Company Service Credit	Severance Pay
Under 3 months	No pay
3 months and under 1 year	Same proportion of 1/4 month’s pay as completed months of service are of 12 months
1 year through 25 years of completed service	1 week of pay for every completed year of service. Payment will be capped at 25 years of service.

(4) Pay in lieu of notice. Any employee who is involuntarily separated due to a workforce restructuring action may be given up to two weeks’ pay in lieu of the required minimum written notice of termination. Accumulated vacation credit is also paid.

(5) The Contractor, to the extent practicable, shall make available outplacement services in the forms of skills assessment and resume preparation to those employees who are involuntarily separated due to a layoff.

(b) Displaced Worker Medical Benefit

Contractor employees who separate from employment voluntarily or involuntarily (other than for cause) and who were eligible for medical insurance coverage under the contractor’s plan at the time of separation from employment are eligible for medical coverage under the DOE Displaced Workers’ Medical Benefits Program, provided they are not eligible for coverage under another plan (e.g., another employer’s group health plan, the contractor’s Retiree Medical Plan, a spouse’s medical plan, or Medicare), and the Contractor will be reimbursed based on the following schedule:

- (1) First Year: The Contractor's contribution for an active employee
- (2) Second Year: One half of the Contractor's COBRA premium
- (3) Third and subsequent years: Reasonable administrative costs that exceed the two percent administrative fee paid by the displaced worker.

Eligibility is determined in accordance with Departmental guidance on workforce restructuring.

XIII. Employee Benefits

Energy Employees' Occupational Illness Compensation Program Act (EEOICPA)

The Laboratory agrees to comply with requests for information, records, and other program requirements to ensure the orderly administration and adjudication of claims under the EEOICPA.

XIV. Miscellaneous Policies

Subject to the limitations of contract clause 970.5232-2 (j), which incorporates the principles of FAR subpart 31.2 and the DEAR subpart 48 CFR 970.31, the following types of costs are allowable as they relate to Human Resources:

Business Expenses

The following expenses to the extent reasonable and which contribute to the effectiveness of the Contractor's work under the contract will be allowable:

- (1) Booklets and pamphlets describing the capabilities of the Contractor, e.g., operational, financial, personnel, etc.
- (2) Cost of meetings, including cost associated with activities such as labor negotiations, recruiting, etc.