DOE Form AD-36
(6-78)

U.S. Department of Energy
REIMBURSEMENT AUTHORIZATION

NO. RA No. 03

BACK

Project: Operations and Research	Location: Oak Ridge, Tennessee
Contractor: Lockheed Martin Energy Research Corporation	
Contract No DE-AC05-96OR22464	Date of Contract: January 1, 1996

The following modification to the Advance Understanding on Personnel Costs (Appendix A) is approved as an allowable cost, effective October 1, 1997.

This RA incorporates changes agreed upon in discussion between the contractor and the government for incorporation into the contract, effective October 1, 1997. Pages are provided which replace pages in the Appendix A, effective October 1, 1997. The contractor has a period of 60 days to transition completely the changes resulting from the revised RA.

Pages 4-9 should be removed and replaced with the attached. The following highlights the changes incorporated by this RA:

Page	**Paragraph**	**Description**
4-9	4.11.3.a	Updates the Incentive Compensation provisions to increase
4-9	4.11.3.b	The recipients from 9 to 12 and the threshold to $65,000.

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Approved for the U.S. Department of Energy by:

E. G. Cumesty, Assistant Manager for Laboratories

Date: 2/27/98

I. Contractor: LMER

Subject: Reimbursed pensionable earnings for a limited number of executives as a result of non-reimbursed Executive Incentive Compensation.

II. Analysis of Contractor's Request and Recommendation of Industrial Personnel Group:

As background, ORO had agreed to reimburse the impact on pensions (pensionable earnings) of non-reimbursed Executive Incentive Compensation for a total not-to-exceed 35 positions and a cost of $200,000 per annum in the LMES contract that existed prior to existence of the separate LMER/ORNL contract. Effective with the split of the contracts on January 1, 1996, this was prorated according to the distribution of the existing incumbents and the split became 9/$40k at LMER and 26/$160k at LMES. This RA is requesting the addition of three more (and an annual cost of $65k) at the ORNL due to the subsequent transfer of the lead for the Public Affairs function (and executive position) from LMES to LMER. The addition of one of the other positions (Chief Financial Officer) is the result of the Lab being a separate corporation, and the other is the result of the addition of the position of Vice President and Associate Director of Spallation Neutron Source.

It is important to note that LMES has reduced from a total of 26 to 20 due to the Public Affairs transfer, and organizational restructuring as a result of the transfer of the EMEF program to the new Management and Integration (M&I) contractor. The M&I is transferring only two incumbent executives receiving this benefit (the new contractor does not have a defined benefit pension plan for its employess other than former Lockheed-Martin transferees covered under the Multiple Employer Pension Plan thus no pensionable earnings from incentive compensation); and those two, added to the 12 at LMER and the 20 at LMES, total 34 for a net reduction of one from the origanal 35.

Since the overall number ORO reimburses is declining, it is recommended that this request be approved.

III. Recommend Approval/Date: J. Christopher Hill 2/2/98
(Industrial Relations Specialist)

Concur/Date: William A. Truex 2-19-98
(Team Leader, Industrial Personnel Group)

Approve/Date: 2/27/98
(Assistant Manager for Laboratories)

4.11 Pension & Savings Plans (Cont.)

Plan	Contractor Cost
Pension Plan	100% contractor paid
Savings Plan	50% match up to 6% of pay (3% of pay)

4.11.1 Reports

The Contractor will submit copies of actuarial valuation reports (prepared by the Contractor's actuarial consultants), a copy of IRS Form 5500 with schedules as submitted to IRS, and other financial or accounting reports developed or required in connection with the DOE reimbursed Pension and Retirement Plans.

4.11.2 Non-Qualified Pension Plans

Non-qualified Pension Plans implemented solely to replace the reductions in the Pension Plan benefit due to limitations imposed by Sections 415 and 401(a) 17 of the Internal Revenue Code are reimbursable under this contract. These plans will provide employees with benefits provided under the formulae expressed in the contractor's Pension plan and does not provide any additional benefit absent the Internal Revenue Code limitations. These benefits will be funded on pay-as-you-go basis.

4.11.3 Incentive Compensation

The inclusion of Incentive Compensation (IC) in pensionable earnings is an allowable cost with the following restrictions:

a. The normal cost to the pension plan will not exceed $65,000, per year in 1996 dollars.

b. No more than 12 active employees will be covered by IC at any one time.

c. Energy Research will not exceed either the dollar amount or number of employees covered without prior written approval of the Contracting Officer or his designee.

4.11.4 Contract Termination/Expiration

The contractor shall not terminate any benefit plan without DOE approval. All costs for claims arising from defined benefit plans and post-retirement life, medical, and other benefit liabilities for active and retired employees are obligations of the government. It is the intention of DOE not to entertain any enhancements in these programs after the contractor announces the intention not to renew the contract. At the termination or expiration of this contract, the contractor's obligations to employees and retirees for these plans shall be relieved and indemnified by the government as described below:

4.11.4 Contract Termination/Expiration (Cont.)

a. Defined Benefit Plans