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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1. Introduction

This Personnel Appendix sets forth allowable cost by advanced understanding for the Contractor's human resource management policies and related expenses that have cost implications under the contract. This Appendix identifies those major cost areas deemed reasonable and allowable for reimbursement when incurred in the performance of the Contract work. This cost understanding is subject to all applicable provisions of the main contract.

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 practice insofar as they are consistent with this Contract. The Contractor shall use effective management review procedures and internal controls to assure that the cost limitations 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.

Either party may request that this Personnel Appendix be revised, and the parties hereto agree to give consideration in good faith to any such request. Revisions to this Personnel Appendix shall be accomplished by executing Reimbursement Authorizations (DOE Form AD-36) as approved by the DOE Contracting Officer or designated representative. When revisions to this Personnel Appendix are agreed upon, revised pages will be issued reflecting such changes and will bear the effective date of such changes and the Reimbursement Authorization number in the upper right-hand corner of each page. The changes will be highlighted using "redline" feature or a similar word processing software feature.

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.

The parties have agreed to increase the Contractor's latitude for managing overall personnel costs by eliminating many DOE approval requirements and holding the Contractor accountable for controlling and reducing total personnel costs. Nothing in this agreement precludes the government from making a future determination of unallowable costs based upon the test of reasonableness.

2. Definitions

Adjustment. A change in salary required to establish either internal or external equity.

Adjusted Rate, Adjusted Pay, or Adjusted Base Pay. The rate of pay per hour, per week, or per month, including any premium pay.

Average Rate. The rate which is determined by dividing the weekly straight-time pay by the number of hours worked during the payroll week when an employee works at more than one basic rate or more than one shift differential rate during a payroll week.

Basic Earnings. The amount obtained by multiplying the number of hours worked by the basic rate.

Basic Rate, Job Rate, or Basic Salary. Rate of pay per hour, per week, or per month, exclusive of any premium, but including any cost of living allowances (COLAs) established in any bargaining unit agreements established for each job classification in accordance with the approved wage and salary schedules.

Basic Workweek. A 40-hour workweek.

Casual Employee. Exempt or nonexempt non-salaried employees hired to work on a project type or intermittent basis and their work hours are determined on a case-by-case basis by their management. These employees are paid weekly and are not expected to work a fixed full-time schedule in excess of 6 months.

Change of Classification. The placement of an employee in a new classification due to reassignment without change in salary range.

Contractor. UT-Battelle, LLC.

DOE. The contracting officer or authorized representative of the contracting officer.

Demotion. The permanent placement of an employee in a lower-rated job classification.

Employee. A person hired by and working for the Contractor.

Exempt Employees. Executive, administrative, and professional employees who are exempt from certain provisions of the Wage and Hour laws. They are on the monthly or semi-monthly payroll.

Full-time Temporary Employees. Exempt or nonexempt full-time ~~or part-time~~ employees who are temporarily employed by Contractor for a specific period of limited duration, generally greater than 6 months, but not to exceed 3 years. Temporary employees may

participate in the same benefit plans as regular Full-time employees except for long-term disability, severance pay, service awards, and educational assistance.

Merit Increase. An increase in the salary of an employee within the established rate range of the job classification, which is granted consistent with the salary plan.

Overtime Pay. Payment (in addition to straight time) for any hours worked in excess of 8 hours in a 24 hour period or 40 hours within a payroll week for hourly and nonexempt salaried employees (or as otherwise agreed in advance and based on a 40 hour payroll week); and when applicable, payment for required hours worked in excess of 45 hours within a payroll week for eligible exempt salaried employees.

Nonexempt Employees. Employees who are covered under and are subject to the provisions of the Wage and Hour laws. They are on the weekly salaried or hourly payroll.

Payroll Day. The 24-hour period extending from midnight to midnight. Exception: Payroll day may vary from midnight to the established starting or ending time of the shift.

Payroll Week. Seven consecutive days (168 hours) extending from midnight Sunday to midnight Sunday. Exception: Payroll week may vary from midnight and/or Sunday to the established day and starting or ending time of the shift.

Premium Pay. A payment in addition to straight time pay made for any reason other than overtime; for example, shift differential, weekend premium, etc.

Promotion. The placement of an employee in a higher rated job classification due to an increase in the character or scope of his/her job assignment.

Reevaluation. A change of job level, up or down, through formal evaluation of an existing job.

Regular employee. Any full-time or part-time salaried employee on the contractor's payroll, not in a temporary or casual status.

Regular Rate. The straight-time rate at which the hours are worked, or the average rate for the week, whichever is greater.

Regularly Scheduled Shift. The normal hours of working time in each payroll day established for each employee by the Director, Human Resources.

Straight-time Pay or Straight-time Earnings. Amount obtained by multiplying the number of units of time worked by the straight-time rate per unit of time.

Straight-time Rate. The rate of pay per hour, per week, or per month obtained by adding the applicable shift differential rate to the basic rate for the job classification assigned at the time the work is performed.

Termination. Quit, discharge, layoff, retirement, death, and/or removal from the payroll because of disability (as distinguished from disability absence where the employee is not removed from the payroll).

3. Pay Policies

3.1 Bargaining Unit Employee Compensation

a. The terms and conditions set forth in collective bargaining agreements (CBAs) and modifications thereto and established practices thereunder between the Contractor and recognized bargaining agents for its employees assigned to work under this contract (which involve expenditure of funds) constitute the allowable costs for bargaining unit members' compensation and benefits for reimbursement by DOE. The collective bargaining agreements, incorporated by reference, include those with the following bargaining agents:

ORNL	Atomic Trades and Labor Council AFL-CIO

Prior to the negotiation of a new and/or revised CBA, the Contractor will review its negotiation plan with DOE and obtain DOE approval of its cost parameters and/or subsequent changes thereto. Reasonable costs that arise from administration of or pursuant to CBAs shall constitute allowable costs. The specific approval of DOE shall be obtained in the case of unusual items. The contractor will provide to DOE copies of its CBAs as they are entered into or modified and will keep DOE informed as far in advance as practicable of significant labor developments which are potentially precedent setting, may involve high cost, or potential work stoppages. The contractor will provide DOE with a settlement summary within 30 to 60 days after formal ratification of the agreement, using the "Report of Settlement" form.

3.2 Nonrepresented Employee Compensation

3.2.1. Policy/Objectives

The Contractor will implement a compensation program to attract, motivate, retain, and reward a work force commensurate with effectively accomplishing the performance of work under the Contract at a reasonable cost to the government. Professional compensation methodologies and best business practices will be used in the management of the compensation program. Compensation costs will be managed consistent with the Contractor's prevailing operating budget and budget forecast.

3.2.2 Salary Administration

The Contractor shall:

a. Implement a compensation system with the following components:

(1) Market policy for exempt salary structures and base salaries that seek to match average salaries in the competitive market at the beginning of the plan year.

(2) Market policy for nonexempt salary structures and base salaries that seek to match average salaries in the competitive market at the beginning of the plan year.

(3) A job evaluation system for establishing appropriate job worth hierarchy.

(4) A performance management system that supports a pay-for-performance compensation philosophy.

(5) System for developing a compensation plan.

(6) System for planning and controlling compensation expenditures and evaluating the effectiveness of the program.

(7) System for documenting job content.

(8) System for communicating the compensation program to employees and managers.

b. Obtain DOE approval prior to changing compensation system component numbers 1-8 above.

c. Obtain DOE approval on the salary surveys and survey participants used for market comparisons.

d. Develop a Salary Increase Plan (SIP) annually, if appropriate, for the expenditure of funds that is consistent with the company's market policy, ability to pay, and relevant economic data, and obtain advanced DOE approval of this SIP.

The SIP will include the following:

(1) Analysis of salary survey data and contractor's market position for salary structures and base pay levels. Comparison of average pay and salary range midpoints to the relevant market for benchmark positions.

(2) Identification of needed funds by payroll groups expressed as a percentage of the appropriate base payroll for the end of the previous plan year. All components will be identified therein, e.g. merit, promotion, adjustment, variable pay, etc.

Unexpended portions of the SIP for one salary year are not carried into the succeeding salary year. All pay actions granted under the SIP are fully charged when they occur regardless of time of year in which the action transpires and whether the employee terminates before the year end (commonly called recovery).

(3) The Contractor will evaluate major changes occurring in a given year, such as significant reduction in Contractor employment levels and adjust the SIP if appropriate.

(4) Assessment of contractor's financial condition to determine affordability of increasing compensation costs.

(5) Communication materials and tools for supervisors to help them plan salary actions to manage base salary relationships and pay for performance.

(6) Submit an annual expenditure report, DOE F3220.8, to include breakouts for merit, promotion, adjustments, variable pay, and structure movement for each payroll showing actuals against planned amounts.

e. Any proposed establishment of an incentive compensation plan will be evaluated using the following criteria:

- The plan is budget neutral.
- The documented design of the incentive compensation plan, the funding methodology, and the linkage to contract performance measures supports contractor human resource strategic goals.
- There is a requirement for Contracting Officer approval of incentive compensation plan(s) before implementation.
- There is a requirement for a contractor policy that provides for a specific pass-over rate (i.e., percent of participants who will not receive an incentive).

- There is a requirement for an annual summary report on distributions made under an incentive compensation plan.

- There is a requirement for pay at risk.

3.2.3 Reserved

3.2.4 Other Pay Provisions

a. Overtime

(1) Annually the Contractor will discuss with DOE, and when necessary or requested, develop and submit to DOE an overtime plan forecasting the overtime necessary to meet known work requirements. Overtime will be managed to provide for the safe and cost-effective utilization of human resources and efficient conduct of business. Performance will be reported to the DOE on an annual basis.

(2) Nonexempt salaried employees may be paid for overtime hours worked on the same basis as employees within the bargaining units defined in Section 3.1.

(3) Exempt salaried employees are eligible for either straight time pay or compensatory time off when required to work at the direction of their management in excess of 45 hours per week, as follows:

a. Employees in ladder/band AP 1-3, TP 1, and RP 1 are eligible for straight time pay.

b. All exempt employees, except those eligible for incentive compensation, are eligible to earn compensatory time off at the rate of one hour earned for two hours worked. Individual compensatory time may not exceed 80 hours annually. Employees will not be allowed to receive payment in lieu of compensatory time off.

c. Casual overtime will not be paid.

(4) Employees in a capacity of supervisor may receive additional compensation when required to work extensive additional hours that result in serious inequities with other employees in the same work group.

b. Other Supplements

(1) Pay practices may apply to nonexempt salaried employees to the maximum allowable consistent with collective bargaining agreements for the following benefits:

Call-in Allowance	Report for Work
Change in Working Schedule	Saturday and Sunday Work
Holiday Pay	Shift Differential
Lunch Periods	EMT Premium
Meal Allowances	Licensing Payments
Overtime and/or Premium Pay	Human Reliability Program

(2) Saturday and Sunday Work—An exempt salaried employee who works on Saturday as part of the regular schedule may receive an additional fifty cents per hour for such work, unless such work is part of an extended work week.

An exempt salaried employee who works on Sunday as part of the regular schedule may receive an additional one dollar per hour for such work, unless such work is part of an extended workweek. These payments may not be included in earnings when calculating the employee's participation in the various benefit plans.

(3) Meal Allowances—An exempt salaried employee may be paid a meal allowance to the maximum allowable consistent with bargaining unit agreements set forth in Section 3.1.

(4) EMT Premium—An exempt salaried employee who is required by the company to carry the EMT Medical Technician Certification may be paid a premium consistent with that paid under bargaining unit agreements listed in Section 3.1.

(5) Licensing Payments—Where required to perform specific jobs in nuclear reactor operations related positions, a licensing payment for nuclear reactor controllers and related licensed positions is an allowable cost as long as the total compensation remains reasonable as supported by market data. Licensing payments discontinue upon failure to receive the required periodic re-licensing.

c. Part Time Employment

Part-time employees may be hired regardless of the salary ranges that are to be used. Compensation, determined by time actually worked, will be

calculated on the same basis as for full time, salaried employees at a rate comparable to that paid to regular employees in similar assignments.

Regular Part-time employees may participate in the following plans and activities:

Company Service Credit	Pension Plan
Group Insurance	Safety Programs and Awards
Holiday Pay (pro-rated)	Savings Plan
Jury Duty (scheduled workday)	Shift Differential
Layoff Allowance	Travel
Occupational Disability	Vacation Plan
Overtime Premium	Voting
Educational Assistance	Short and Long Term
Personal Leave (pro-rated)	Disability (prorated)

Casual part-time employees may participate in the following plans and activities:

Company Service Credit	Pension Plan
Group Insurance (after 4 months)	Safety Programs and Awards
Savings Plan	Jury Duty (scheduled workday)
Shift Differential	Occupational Disability
Travel	Overtime Premium
Vacation Plan	
Voting	

The cost of group health insurance premiums for regular part-time employees working 50 percent or greater is the same as regular full-time employee premiums. Casual employees will pay the regular employee premium plus 50 percent of the company's premium for health insurance. The cost of group life insurance will be the same as regular employee premiums for all part-time employees regardless of the hours worked. Vacation eligibility is prorated on the basis of total hours scheduled to work for regular part-time employees and on actual hours worked on a weekly basis for casual employees. Employees are eligible to convert to full-time or regular part-time status when management deems the change to be in the best interest of work performance under the Contract.

d. Shift Differentials—Exempt Employees

Exempt salaried employees assigned to shift work will receive shift differential as follows:

(1) Employees assigned to the standard rotating shift schedule may receive up to $130 a month.

(2) Employees assigned to the 4 p.m. to 12-midnight shift or any variation of this shift may be paid up to $120 per month.

(3) Employees assigned to the 12 midnight to 8 a.m. shift or any variation of this shift, may be paid up to $220 a month.

(4) Employees assigned to a rotating shift other than the standard rotating shift will be paid a combination of the appropriate differentials based on the percent of time worked on each shift.

(5) Employees assigned to an irregular shift may be paid the differential for the shift on which more than 50 percent of the hours were worked. If time is equal, the highest rate may be used.

e. Holiday Pay

Hourly employees will be paid in accordance with collective bargaining agreements listed under paragraph 3.1 of this Appendix. Salaried employees working on scheduled holidays may be given holiday pay when schedules and contract requirements necessitating work to be scheduled on company observed holidays (which are listed under paragraph 4.2 of this Appendix). Holiday pay is paid at the rate of 2 1/2 the employee's adjusted rate for nonexempt employees and 2 times the employee's adjusted rate for exempt employees in ladder/band AP 1-3, TP 1, and RP 1 and below. Exempt salaried employees above ladder/band AP 1-3, TP 1, and RP 1 are not eligible for a holiday pay premium.

3.3 Severance Pay

3.3.1 Severance Pay Benefit

a. General

Severance pay is payable to an employee who has three months or more of Company Service Credit and who is laid off on account of lack of work—unless the layoff is caused by a temporary suspension of work or the employee was hired for intermittent or casual work or as a temporary worker for a limited time or for a specific project.

If the Contractor reemploys an employee after having been paid a severance payment, Company Service Credit for any subsequent

severance payment consideration shall start from the date of such reemployment. If any individuals are reemployed by the Contractor prior to the end of the period covered by the severance pay (e.g., received 20 weeks severance pay, but reemployed after 15 weeks), the difference must be refunded.

No severance pay is paid to employees who terminate their employment voluntarily, who are discharged, or who resign by Contractor request, except for:

(1) Medical reasons (i.e., those terminated due to contractor determination of mental or physical inability to perform available work).

(2) Voluntary Reduction in Force (VRIF) Programs: Situations wherein a reduction in force is necessary in an employee unit and an employee volunteers with Contractor consent to be laid off in the reduction in force in place of another person. All VRIF programs require prior DOE approval.

b. Amount of Severance Pay

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:

(1) Hourly Employees

Refer to the terms and conditions set forth in the applicable collective bargaining agreements listed in section 3.1.a of this Appendix for allowable costs.

(2) 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 competed year of service. Payment will be capped at 25 years of service.

c. Special Severance Programs

Severance pay may be paid to employees accepted by management for participation in a self-select Voluntary Separation Program (VSP) offered by contractor and who execute a general release and waiver of claims. Contractor may, with prior written approval by the Department, offer a VSP when, in its discretion, it determines that there are excess personnel in particular employee classifications due to reduced funding or scope of work, that cost reductions are necessary, or for other business reasons, and that a voluntary separation program is preferable to an involuntary reduction. Severance payable under a VSP will be no less than that payable under subpart b. above, but may exceed that amount. The terms and conditions, including the amount of severance to be paid, of any proposed VSP requires written approval of the contracting officer.

3.3.2 Replacement Employer

Severance pay benefits are not payable when an employee is employed by or receives an offer of employment with a replacement contractor where continuity of employment with credit for prior length of service is preserved under substantially equal conditions of employment.

4. Benefit Programs and Policies

The employee benefit plans, and related cost, described in this section are approved by DOE for application to employees working on this Contract and are reimbursable. In addition, retirees of this Contractor or the predecessor Contractor have limited coverage of these benefits.

The benefit programs will be designed and administered to attract, retain, and motivate competent and productive staff. The programs will be competitive with labor markets from which employees are recruited, cost effective and in compliance with applicable laws and regulations.

Refer to the terms and conditions set forth in applicable collective bargaining agreements listed in this Appendix A, Section 3.1.a for allowable costs for hourly employees.

Contractor benefit programs will be designed and administered to attract, retain, and motivate competent and productive staff to support the DOE missions in accordance with clause H-27 Contractor Compensation, Benefits and Pension, subparagraph (d).

4.1 Company Service Credit

Company and Credited Service can be restored to employees in accordance with the Contractor's Company and Credited Service policies. Policies will be administered consistently in accordance with applicable laws, and corporate rules.

a. In order to facilitate the retention of certain critically skilled employees within the DOE management and operating, performance-based management, and environmental restoration and management contractor workforce systems, the Contractor may recognize (for the purpose of establishing appropriate vacation benefits) prior service credit earned while employed in the DOE system provided all the required criteria contained in Acquisition Letter 94-19 is met. The Director, Human Resources must approve any grant of vacation credit.

b. When an individual is transferred to the service of the contractor from the DOE or from one of its contractors because of a DOE approved transfer of a function to the Contractor, such employees may be granted Company Service Credit for all of such previous DOE contract-related service provided that:

(1) the individual's service with the previous employer is essentially continuous with the time of transfer to the Contractor;

(2) the Company Service Credit thus allowed does not entitle the employee to buy back interest in employee benefits such as the Retirement Plan, but is limited to possible increased future benefits such as, but not limited to,

vacations, non-occupational disability allowances, and layoff allowances; and,

(3) in all other respects the Company Service Credit will be allowed in accordance with the Contractor's Company Service Credit Rules.

c. When an individual is hired on or after April 1, 2000, who has previous Company Service with employers participating in the UT-Battelle and BWXT Y-12 Multiple Employer Pension Plan (MEPP), Company and Credited Service may be restored to that employee in accordance with the Contractor's Company and Credited Service policies. The Company Service Date will be used for all benefits in which eligibility is based upon company service.

For active employees who are moving between MEPP employers as a result of an involuntary event (i.e., voluntary reduction in force, scope of work transfer, recall), all vacation accrued to date will transfer with the employee.

For active employees who are moving between MEPP employers as a result of a voluntary event (i.e., voluntary quit to accept new position), all vacation accrued to date will be paid out by the losing employer. If the vacation was earned under the Vested Vacation Plan (pre-1996), the employee will not be eligible for additional vacation until January 1 of the following calendar year. If the vacation was earned under the Vacation Accrual Plan, then accrual rules will apply.

d. UT-Battelle employees transferring directly from Battelle companies or the University of Tennessee will retain their Battelle or University of Tennessee hire-in or seniority date for the purposes of vacation eligibility, savings plan and pension plan vesting. This is not applicable to post retirement benefits (PRB) such as retiree life, medical, vision, and dental insurance benefits.

4.2 Holidays

The Contractor observes the following holidays during the calendar year.

New Year's Day
Martin Luther King, Jr. Day
Good Friday
Last Monday in May
Independence Day
Independence Day Associated
(or other day determined by the contractor)
Labor Day
Thanksgiving Day
Friday after Thanksgiving
Christmas
Associated Christmas

4.3 Short Term Disability Pay for Salaried Employees

Under the contractor's absence control program, a system to assure appropriate administrative actions are taken in a timely manner based upon medical evidence is implemented to assure reasonable sick leave usage and management of the Disability Allowance Program for both non-occupational and occupational disabilities.

For absences of four or more days, the benefit amount will be 100 percent of pay for the first 6 weeks of disability, then 80 percent of pay for the next 6 weeks, and 60 percent of pay for the remaining 14 weeks, limited to the duration of benefits based on Company Service Time as follows:

Company Service Time	Duration of Salary Continuation
One month but less than two months	One month
Two months but less than three months	Two months
Three months but less than four months	Three months
Four months but less than five months	Four months
Five months but less than six months	Five months
Six or more months	Six months

Benefit payment for short-term disabilities will be on a per disability basis. Ordinarily, benefit payments during short-term disabilities will be made at the employee's adjusted rate. Any "loss-of-earnings" payments received, such as Workmen's Compensation Benefits in cases of occupational disability, will offset the continued payments of salary.

4.4 Vacations

a. The cost of salaried employee vacations taken in accordance with the established vacation plan is allowable.

b. Eligible employees are strongly encouraged to use at least 80 hours of vacation each year.

Hire Date	Vesting/Accrual Schedule	Company Service Credit	Vacation Hours	Banking Maximum
Prior to 1-1-96	Upon attainment of actual service during the 1st year. On December 31st thereafter.	6 months	40	None
		1–4 years	80	None
		5–9 years	120	240 hours
		10–19 years	160	240 hours
		20 years and over	200	240 hours
		*30 years and over	*240	240 hours
On or After 1-1-96	Accrual weekly	Date of hire-9 years	120	200 hours
		10–19 years	160	200 hours
		20 years and over	200	200 hours

* Only employees with 15 years or more Company Service Credit years prior to January 1, 1996 receive 240 hours.

4.4.1 Vacation Payments

a. An hourly employee who is deprived of a vacation at the end of the year due to a short-term disability, through management action, or because of unusual working conditions may receive payment for such vacation in addition to regular pay. A salaried employee similarly deprived of a vacation will receive equivalent time off in the following year unless the contractor authorizes payment for the vacation.

b. An individual may be paid for unused vacation at the time of termination.

4.4.2 Vacation Exceptions

The Director, Human Resources as authority to change vacation entitlement in two ways:

(1) by rolling entitlement from one year to the next where work schedules did not permit the employee to use the vacation and banking is not available; or

(2) by granting up to one week accrued vacation eligibility on an exception basis to select new employees when, in the opinion of the Contractor, such an extraordinary entitlement is necessary to successfully hire the senior, critical, or key employee. In such exceptional cases, the individual would be eligible for up to a maximum four weeks of vacation each year as authorized by the Director, Human Resources until their company service would deem them eligible for more vacation.

4.5 Leaves of Absence

4.5.1 Personal Leave

Salaried employees may be granted time off with pay for personal commitments which cannot be handled except during working hours and for tardiness due to severe weather conditions and similar occurrences which temporarily prevent the employee from reporting to work. The amount of time is limited to a maximum of 40 hours per calendar year. The Director Human Resources and Diversity Programs may authorize up to an additional 40 hours for extenuating circumstances.

a. Personal leave is any excused absence which results in fewer hours worked than normally scheduled, and which is not granted as compensation for unpaid overtime worked or is not made up with overtime. Salaried employees may be excused from work for extenuating personal circumstances, such as serious illness in the immediate family, appearance in court as a witness other than for the contractor or DOE, or any similar circumstance which in the opinion of the Contractor warrants an excused absence and will not interfere with the Contractor's operations. Granting personal leave shall be prudently controlled, and vacation will be used for most personal circumstances, such as marriages, graduations, and similar occasions. The contractor shall maintain a system for approval and tracking of Personal Leave usage.

b. Personal leave with pay is at the employee's adjusted salary rate.

c. Hours paid for under the provisions of this policy do not count as hours worked toward Overtime and/or Premium pay.

4.5.2 Leave of Absence Without Pay

An employee may be granted a leave of absence without pay, of any duration, by the contractor provided the absence will not interfere with the Contractor's operations or create any conflict of interest. Continuation of benefits during leave of absence without pay will be administered according to the Contractor's leave of absence policy.

a. Granting of company service for the full period of the leave (not to exceed 3 years) and restoration of vacation eligibility immediately upon return to work may be provided for employees who return to work from:

   (1) Leaves granted when it is in the company's interest to make an employee's expertise or services available to DOE, another DOE contractor, another government agency, or to work-related agencies such as the International Atomic Energy Agency (Vienna), or the Center for Study of Communicable Diseases (Atlanta).

   (2) Entrepreneurial leaves granted to accelerate technology start up based on DOE developed technologies.

b. Continuation of company service credit and/or immediate restoration of vacation upon return to work for any leave without pay other than those listed above require prior DOE approval if the leave exceeds 180 days.

4.5.3 Paid Educational/Sabbatical Leave

a. Salary continuation and benefit costs will be allowable for the granting of paid educational/sabbatical leaves for the following purposes:

(1) To obtain advanced degrees in fields of study, which, in the opinion of the contractor, will further the DOE mission.

Such leaves may be approved for a cumulative duration not to exceed 24 months per individual.

(2) To teach or perform research at an accredited college, university or research institute.

Such leaves may be approved for a cumulative duration not to exceed 12 months per individual.

Salary continuation shall be offset by compensation received from the college, university, or research institute.

b. No more than 4 individuals may be on paid educational/sabbatical leave at any given time.

c. The leaves require approval by the Director, Human Resources.

d. If the employee does not return to active work after the approved leave period, the employee will be required to pay back the salary continuation and benefits costs received during the leave.

e. If the employee voluntarily leaves the Contractor's payroll prior to working three years after returning to active work, the employee will be required to pay back the salary continuation and benefit costs on a prorated schedule based on the amount of time they have been back on the contractor's payroll.

f. No educational assistance, travel or relocation expenses will be paid to employees on these leaves of absence with pay.

4.6 Jury Duty

An employee who is called for jury duty will be protected against loss of pay for the period of time needed to fulfill the obligation.

Employees will be paid their adjusted rate of pay for the regular day. Hours paid for under this policy will count as hours worked by salaried and hourly employees in the calculation of Overtime and/or Premium Pay.

4.7 Death Benefits—Salaried Employee Payments

In case of death of a salaried employee, salary payments may be continued until the end of the month following the month in which death occurs.

4.8 Military Service, Training, and Emergency Duty

Military service, training, and emergency duty policies are administrated in accordance with applicable laws contractor policies and procedures.

An employee will be granted a leave and protection against loss of pay for required military training and emergency duty. Such payments are limited to a maximum of two weeks per year (or four weeks every two years) for training and one month per year for emergency duty at the employee's adjusted rate.

An employee also may be paid for absences from work when required to register or take a physical examination required for entry into the armed forces.

4.9 Community Service

4.9.1 Civic Leave

Employees holding elected federal, state, or local government office may be permitted to utilize a reasonable period of working time with pay to carry out responsibilities which are required by the office and cannot be handled outside working hours.

4.9.2 Civil Defense/Emergency Preparedness Exercises

Employees who have volunteered and have been accepted by a local Civil Defense Organization to participate in community or national defense alert operations or in Civil Defense/Emergency Preparedness training may be excused from work for such participation without loss of pay for scheduled hours of work.

4.9.3 Election Officials

An employee who has been officially appointed to serve as an election officer, judge, or clerk may be excused from work without loss of pay for the period of time necessary to serve in such capacity.

4.9.4 Voting Time

Employees may be excused from work without loss of pay for the minimum time needed to vote in a national, state, county, or municipal election when the times available to vote are not sufficient to allow employees reasonable time to vote prior to or after their normal work shift.

4.10 Group Insurance Plans

The Contractor will be reimbursed for all cost incurred in implementing, administering, and funding comprehensive group insurance plans. Initial implementations or substantial changes to these plans require DOE approval. The features of these plans are set forth in policies and summary plan descriptions, a current copy of which will be provided to DOE. These plans will be administered consistently in accordance with Plan Documents, insurance contracts, applicable laws, and fiduciary responsibilities.

The Contractor will periodically review the Plans to assure plan designs represent good business practices regarding the incorporation of cost containment features, and to assure the overall benefit package is reasonable from a total compensation philosophy.

Plan	Current Contractor Cost
Group Life Insurance	Active salaried employees, retirees under 65–50% of full cost for basic life.
Medical Expense including Prescription Drug and Vision Plans	Active employees - as approved by DOE effective January 1, 2004 Retirees (with greater than 10 years full time service) - as approved by DOE effective January 1, 2004
Major Medical Medicare Supplement Plan	Retirees (with greater than 10 years full time service) - as approved by DOE effective January 1, 2004
Dental Expense Assistance Plan	Active employees - as approved by DOE effective January 1, 2004 Retirees under 65 - as approved by DOE effective July 1, 1996
Dental Expense Assistance And Vision Plan	0 - fully paid by retiree age 65 and older
Travel Insurance	100% of full cost
Voluntary Benefits	0 - fully paid by employee
Special Accident Insurance Plan	0 - fully paid by employee
Long Term Disability Plan	100% of full cost for replacement income - 60% of salary
Medical and Dependent Care Flexible Spending Accounts	Administrative Cost only

* This table will be revised to reflect approved benefit plan changes when determined.

4.10.1 Benefits Programs for Displaced Workers

a. The cost of medical plan coverage for contractor employees who have separated from employment, excluding those terminated "for cause," will be reimbursable from the date of separation provided the employee was:

(1) On the employment rolls and voluntary or involuntary separation on or after September 27, 1991, as a result of the implementation of a work force restructuring plan requested by the Secretary of Energy; and,

(2) eligible for medical insurance coverage under the contractor's plan at the time of separation; and,

(3) not eligible for coverage under an employer's group health plan or Medicare since the time of separation.

b. Retirees eligible for medical coverage under the Contractor's health plan will not be eligible for coverage under Section 3161 of the National Defense Authorization Act of 1993.

c. Benefits for displaced workers contained in a Workforce Restructuring Plan, developed pursuant to the National Defense Authorization Act of 1993, are reimbursable to the extent that a specific description of each benefit with supporting information and detailed projected costs has been reviewed and approved in advance by DOE, for inclusion in the Plan.

4.11 Pension and Savings Plans

The Contractor will be reimbursed for all costs incurred in implementing, administering, and funding the above plans. Initial implementations or substantial changes to these plans require DOE approval. The features of the Pension and Savings Plans are set forth in plan descriptions, current copies of which will be provided to DOE. These plans will be administered consistently and in accordance with applicable laws, Internal Revenue Service code, Plan Documents, and fiduciary responsibilities.

The Contractor will periodically review the Plans to assure that the plan design meets Contractor objectives to provide income replacement value consistent with industry standards, and to assure the overall benefit package is reasonable and competitive from a total compensation perspective. The contractor cost of these plans is included in the table below:

Plan	Contractor Cost
Pension Plan	100% contractor paid
Savings Plan	100% match up to 2% of pay
	50% match up to 4% of pay (4% of total 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 a pay-as-you-go basis.

4.11.3 Reserved

4.11.4 Contract Termination/Expiration

The contractor shall not terminate any benefit plan without DOE approval. DOE will reimburse the contractor for allowable costs arising from qualified defined benefit pension plans, post-retirement life and medical insurance, and other welfare benefit liabilities for active and retired employees. 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 discharged as described below:

a. Defined Benefit Plans

(1) If the contract terminates or expires and there is a replacement contractor, all assets and liabilities shall transfer to the replacement contractor, and the contractor shall be relieved of, and indemnified by DOE, against any and all liabilities arising from such plans.

(2) If the contract terminates or expires and there is no replacement contractor, the plan shall be terminated, or frozen, or merged with another DOE Contractor's qualified plan in accordance with the provisions of ERISA and the Internal Revenue Code (IRC). If the contracting parties decide to terminate the plan, annuity purchase bids will be solicited from a minimum of five of the ten largest insurance companies whose AM Best rating is A+ and who are currently selling pension plan termination annuities. After allowable obligations for liabilities (as those liabilities are defined in ERISA, Section 4044 and applicable rules or regulations, and as those liabilities are commonly and mutually understood by the contracting parties) and any tax liability of the corporation related to plan termination have been discharged, any remaining assets and earnings thereon (where earnings accrue from effective date of determination of the aforementioned liabilities to date of final settlement) shall be returned to the DOE. Those reasonable plan administrative expenses that cannot be billed to the plan will be reimbursed to the contractor. The Contracting Officer will, in his or her sole discretion, determine which plan administrative expenses are reasonable and will apply

Department of Labor guidelines to determine those expenses that may be billed to the plan. At an appropriate date before determination of the liabilities, the contracting parties shall meet to assure that plan liabilities are commonly and mutually understood. If plan assets are insufficient to cover the pension obligations stated in this paragraph, DOE shall provide additional funding to cover such obligations.

(3) If the plan terminates before the contract terminates, the definition and disposition of assets and liabilities shall be as specified in paragraph (2).

(4) Under the scenarios described in paragraphs (1), (2), and (3), the contractor shall actively manage all assets until the date of settlement. Such management shall include protection of principal if appropriate.

b. Defined Contribution Plan

Upon contract termination, individual employee accounts in the defined contribution plan shall be handled in accordance with the provisions of ERISA. Any unallocated funds (e.g., suspense accounts) shall be returned to the DOE.

c. Post-Retirement Life and Medical, and Other Benefit Obligations

(1) If the contract terminates and there is a replacement contractor, all assets and liabilities shall transfer to the replacement contractor, and the contractor shall be relieved of, and indemnified by DOE, against any and all further liabilities arising from such plans.

(2) If the contract terminates and there is no replacement contractor, DOE will reimburse the contractor in a timely manner for allowable costs incurred under this contract related to Contracting Officer-approved employee welfare benefit plans. If so requested by DOE at the time of contract termination or expiration, the contractor will continue as the sponsor of these plans until all liabilities of such plans are discharged.

d. Taxes and IRS Penalties

If contractor action or inaction regarding plans approved by the Contracting Officer results in a tax or other IRS penalty, the contractor shall pay it from corporate funds.

If DOE action or inaction regarding plans approved by the Contracting Officer results in a tax or other IRS penalty, the contractor shall pay it from DOE funds.

4.12 Employee Assistance Program

The Contractor will provide for an Employee Assistance Program consistent with the Drug Free Workplace Act of 1988. This benefit will be administered in accordance with the contract between the contractor and the EAP vendor. Periodic internal reviews will be conducted to assess cost/benefit of program delivery.

4.13 Funeral Leave

In the event of the death of a member of the employee's immediate family, a salaried employee may be granted leave with pay for up to four days.

4.14 Suspension Provisions

Time off, with or without pay, for a suspension under the Contractor's discipline program is allowable.

5. Employee Programs

5.1 Education and Training

a. Student Educational Programs

The Contractor may provide temporary employment opportunities for students under the cooperative education and student intern programs.

b. Educational Assistance Program

The Contractor may provide financial assistance to eligible employees who engage in educational activities in order to establish, maintain, or upgrade skill required by the Contractor. Eligible employees must satisfactorily complete courses of study to be eligible for assistance. The contractor must verify that educational institutions are nationally accredited prior to approving tuition reimbursement. (Must be accredited by accrediting institutions recognized by the Department of Education, e.g. the Council on Higher Education Accreditation website.) Educational assistance may include payment for tuition, textbooks, and fees. Payment may also be made for proficiency testing, which results in the granting of academic credit or is otherwise required by the school.

Regular work hours may be rescheduled to attend classes provided that there is no significant reduction in the employee's productive contribution caused by the rescheduling. Reduction of work schedules, with appropriate reduction of pay, and leaves of absence may be granted to facilitate course completion where deemed beneficial to pay for work under the Contract. Employees participating in Educational Assistance Program may use facilities, equipment, and services in support of their studies if approved by management.

c. University Program Participation

The Contractor may permit a rescheduling of regular work hours or a reduction in the work schedule and corresponding reduction in pay for Contractor employees who are engaged in teaching, planning, or general management at local colleges or universities.

d. 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.

e. Benefit Plans Participation

Employees working on a reduced workweek schedule under 5.1.b and c will be permitted to participate in all employee plans, based on their full regular salaries and the continuation of full Company Service Credit.

5.2 Employee Recognition and Memberships

The costs of employee recognition programs and organizational and individuals memberships are allowable based on a budget formula not to exceed 1/4 of 1% of base payroll on September 30 of the prior fiscal year. Program costs include the following:

a. Company service awards for achieving service milestones consistent with the Corporate service awards program.

b. Safety awards and recognition to promote health and safety.

c. 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.

d. 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 and political (lobbying) activity.

5.3 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. Program costs include the following:

a. Cash Awards of $750 may be made to each inventor (or each co-inventor) for each invention, upon issue of the patent by the U.S. Patent and Trademark Office. The maximum award amount for team awards is $5000 per invention.

b. Cash Awards of $100 may be made to each author (or each co-author) of each trademark, upon issue of the trademark by the U.S. Patent and Trademark Office. The maximum award amount for a team of co-authors is $250 per trademark.

c. Cash Awards of $500 may be made to creators of mask works or copyrighted computer software (other than scientific and technical articles) created, authored, conceived, or first reduced to practice within the scope of their employment, upon filing of the copyright or mask work registration for which the Contractor has asserted copyright for the purpose of registration and commercialization through licensing. The maximum award amount for a team of co-creators is $3000 per copyright or mask work registered.

6. Travel and Relocation

a. The Contractor may pay transportation, lodging, meals, incidental, relocation, and other expenses for employees or other persons required to travel or move in conjunction with the performance of work under this contract. Allowable costs for travel and relocation include costs according to applicable provisions of the FAR and DEAR, the Federal Travel Regulations, and the Internal Revenue Service auto allowance. The Contractor may deviate in specific instances where it is determined to be economically advantageous to the DOE and to the extent such deviations conform to pertinent regulations and law. The Contractor will maintain records based on its determinations to deviate in specific instances sufficient for audit review.

b. When the Contractor requires employees to work at locations of significant distance from their regular assignment, on a temporary or permanent basis, geographic pay allowances may be appropriate. The intent is to keep employee's compensation and standards of living reasonably whole so that they suffer neither a significant financial loss nor gain because of the assignment. The ORNL Off-Site Assignment Policy (approved by DOE on May 7, 2004) will not be modified without DOE approval.

c. Relocation costs are those costs incident to (1) the permanent change of duty station of an existing employee and (2) the recruitment of a new employee.

d. Costs incurred in the recruitment of personnel consistent with applicable provisions of the DEAR and FAR and Federal Travel Regulations are reimbursable.

7. Miscellaneous Policies

7.1 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.

7.2 Licenses and Fees

The costs of required licenses, fees, and similar costs to certify and maintain employee qualifications 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.

7.3 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.

7.4 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. A cumulative report showing all employees loaned, along with the total days loaned and services provided, will be submitted to the DOE annually.

7.5 Personnel Support Activities

a. Wellness Program: Costs of a Wellness Program to promote employee health and fitness are allowable. This program includes health and first aid clinics, 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.

b. 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.

7.6 Protective Clothing

Employees who are required or allowed to wear special clothing, shoes and protective equipment for various reasons such as safety, housekeeping, protection from harmful chemicals or radioactive contamination, guard exercise clothing, etc., are furnished such items at no cost to the employees. Cost of providing and laundering of such special clothing are allowable costs. Safety glasses or goggles and safety shoes other than those furnished by the Contractor (one pair of which may be sold to any employee once every two years at $8 less than cost per pair in an attempt to prevent off-the-job lost-time accidents) are also allowable costs.

7.7 Security Suspension Pay

a. If the access authorization of an employee is suspended by direction of the Manager, Oak Ridge Operations Office, the Contractor shall transfer the employee to perform work not requiring access if such work is available. If a determination is made by the Contractor that no work is available in an uncleared area to which the employee may be transferred, the Contractor shall prepare a written report for the review and concurrence of DOE, setting forth the reasons for the determination. Subject to DOE's concurrence with such determination, the Contractor shall place the employee on leave with pay at the employee's current base compensation until the employee is notified in writing of the Hearing Officer's recommendation. If the Hearing Officer recommends revocation of access authorization the employee shall be placed on leave without pay. If the Hearing Officer recommends continuation of access authorization payment of the base wage shall be continued until final disposition of the case under Department procedures, 10 CFR Part 710.

b. In the event the employee whose access authorization has been suspended is transferred to another position where such access authorization is not required, compensation shall, thereafter, be the base wage or salary received by the employee on the position from which transferred, and such compensation shall continue until the employee is notified in writing of the Hearing Officer's determination. If the Hearing Officer recommends revocation of access authorization, compensation will be adjusted to the rate applicable to the job being performed.

If the Hearing Officer recommends continuation of access authorization, the base wage previously received shall be continued until final disposition of the case under Departmental procedures, 10 CFR Part 710.

c. If at any stage of the access authorization procedure following a suspension, the employee's access authorization is reinstated and returns to work in the same or comparable position, the employee shall be reimbursed for net loss of base earnings during the period of suspension.

7.8 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:

a. Booklets and pamphlets describing the capabilities of the Contractor, e.g., operational, financial, personnel, etc.

b. Cost of meetings, including cost associated with activities such as labor negotiations, recruiting, etc.

c. The cost of business meals is allowable to the extent reasonable and necessary for the effective performance of contract work. The Contractor shall establish and maintain effective internal controls.

7.9 Spallation Neutron Source (SNS) Project

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. The SNS pilot will expire on June 30, 2006. All employees who were hired under the pilot program will retain their eligibility for those eligible SNS Pilot program benefits.

7.10 Key Personnel

Changes to key personnel must be approved by DOE.

7.11 Resource Recruiting and Retention Toolbox

Parties acknowledge that the human resource tools as described and outlined in the memorandum entitled the *Office of Science Human Resource Recruiting and Retention Tools*, as approved by the DOE Acting Chief Operating Officer George J. Malosh on May 3, 2006, will be recognized under the appropriate Appendix A sections.

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