

Section J

Appendix A

Advance Understanding on Human Resources Costs

**Applicable to the Operation of
Pacific Northwest National Laboratory**

Contract No. DE-AC05-76RL01830

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Appendix A**

Pacific Northwest National Laboratory

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I. INTRODUCTION

- (a) This Advance Understanding is intended to document the principles and measures for evaluation of items of allowable human resources costs and related expenses not specifically addressed elsewhere under this Contract.
- (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. The Contractor shall notify the Contracting Officer of all changes to personnel policies. Any changes to the personnel policies or practices in place as of the effective date of this contract which would increase costs, are subject to approval in advance by the Contracting Officer. 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, without prior approval of the Contracting Officer.
- (c) 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 a modification to the prime contract.
- (d) The Contractor may propose exceptions to the provisions of Appendix A when such exceptions are in the best interest of contract operations, beneficial to the government, or will facilitate or enhance contract performance and are approved in advance by the Contracting Officer (CO).
- (e) It is understood that no provision of this Appendix can affect any right guaranteed to a bargaining unit staff member by the terms of a Collective Bargaining Agreement.

II. COMPENSATION

The Contractor is required to include the following elements in Laboratory compensation systems:

(a) Salary Increases

Compensation will comply with the maximum compensation reimbursement level, per the Bipartisan Budget Act of 2013 (BBA), Section 702, Limitation on Allowable Government Contractor Compensation Costs.

(b) Compensation Increase Plan

- (1) The Contractor shall submit the Compensation Increase Plan (CIP) proposal no later than 60 days prior to the start of the new salary cycle.

- (2) In order to pay "on-market-on-average," in the calculation of market position, Laboratory salary data shall be matched to survey data as of the midpoint of the salary cycle. PNNL's salary cycle is from January 1 to December 31 with a July 1 midpoint.
- (3) The annual effective date of the merit increase shall be on January 1 or as soon thereafter as is practicable following CIP approval from DOE. If the CO approval is not received in sufficient time to allow implementation as of that date, a retroactive payment adjustment will be made as soon as practicable after the CO approval is obtained.

(c) Variable Pay Plan

The contractor is authorized to expend contract funds in the amount of 2.5% of the combined exempt and non-exempt salary base, as of the previous year's December 31st data. This authorization is for the annual performance awards programs described under X. Employee Programs.

(d) Payment of Joint Appointees

Joint Appointees shall be paid at the salary and fringe benefit rates established by the home institution with only the home institution being the employer for purposes of pay and benefits. The host institution will reimburse to the home institution the percentage of time worked (salary and fringe benefit rate) by the Joint Appointee at the host institution.

III. ANCILLARY PAY COMPONENTS

Ancillary pay will be conducted in accordance with Contractor's policies/practices as approved by the Contracting Officer.

- (a) 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.

IV. REDUCTIONS IN CONTRACTOR EMPLOYMENT

Workforce Reductions in Force (RIF) (voluntary and involuntary) will be conducted in accordance with Contractor's Contracting Officer-approved policies/practices, the approved DOE Workforce Restructuring plan for the Pacific Northwest National Lab, and Contracting Officer direction on workforce restructuring.

(a) Workforce Restructuring Actions

- (1) The Contractor will notify or request approval of individual workforce restructuring actions in accordance with the following:

RESTRUCTURING ACTION	#EMPLOYEES POTENTIALLY IMPACTED	ACTION REQUIRED
Voluntary	100 or more	CO Notification
Involuntary	100 or more	CO Approval

Note: "Actions" are defined as restructuring efforts that are driven by impact to functional area, business purpose, or programmatic funding.

- (A) The Contractor is only required to provide notification of Self-Select Voluntary Separation Program (SSVSP) if consistent with the following parameters:
- a. In accordance with approved laboratory/contractor policies;
 - b. No enhanced benefits (severance or pension);
 - c. No backfilling (internally or externally) or re-employment of employees for a one-year period after severance is paid. If an employee is hired or rehired prior to the one-year period, the employee may be required to pay back, to the contractor who provided the severance payment, all or a pro-rata amount of the severance received under the SSVSP. There is no backfilling where a separating employee is replaced by an internal candidate as long as:
 - i. The separating employee is leaving voluntarily;
 - ii. The internal replacement is a regular, permanent employee on the contractor's payroll, not a temporary hire, staff augmentee, or someone serving under a post-doctoral program, etc.;
 - iii. The replacement results in a net reduction in headcount and costs of regular employees; and
 - iv. The replacement is accomplished in an otherwise legally compliant manner, including no unlawful intent to discriminate based upon age.
 - d. A business case is submitted 5 business days in advance of notification date that include maximum number of voluntary reductions, maximum dollars, positions/skills impacted; reasons reductions are needed, including how conducting a SSVSP will better position the contractor to conduct the mission work, copy of self-select waivers, and communication plan; and
 - e. Voluntary reductions are offered to all eligible employees in an operational unit (i.e., organization, direct/indirect category, etc.).
- (B) Actions requiring approval will additionally require a workforce restructuring plan (Specific Plan) prepared in accordance with DOE policy.

- (C) Approval actions shall be submitted a minimum of 10 business days prior to announcement to employees.
 - (D) The Contracting Officer will review and approve any Specific Plan or diversity analysis submitted for review affecting the reduction of 100 or more employees through an involuntary separation action within 10 business days after submission of a complete package by the Contractor unless the Contractor is notified of issues necessitating an extension of time. Should DOE request additional information from the Contractor regarding any Specific Plan or diversity analysis, the Contractor will respond to such request within three (3) business days.
 - (E) The Contractor must perform an adverse impact analysis (also known as a diversity analysis) as part of its determination to undertake involuntary separation action(s). A copy of the diversity analysis for involuntary separation action(s) affecting 100 or more contractor employees within a rolling 12-month period shall be submitted to the DOE site counsel, as applicable, prior to notification of employees selected for involuntary separation.
 - (F) Waivers or self-select forms that vary from those provided in DOE policy documents are subject to approval by DOE. The templates for contractor Involuntary Separation Plan, as well as the General Release and Waiver Forms, are available online at: <http://www.energy.gov/gc/services/technology-transfer-and-procurement/office-assistant-general-counsel-labor-and-pension>.
 - (G) The Contractor is responsible and accountable for conducting and defending all voluntary and involuntary separation action in compliance with applicable laws, regulations, and the contract terms and conditions.
- (2) Any employee who volunteers for layoff or retirement during a time period in which the Contract 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) The Contractor, to the extent practicable, shall provide outplacement services in

the forms of skills assessment and resume preparation to those employees who are involuntarily separated due to a layoff.

(4) 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. Allowable cost will be based on the following schedule:

- (A) First Year: The Contractor's contribution for an active employee
- (B) Second Year: One half of the Contractor's Cobra premium
- (C) 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 policy on workforce restructuring.

V. PAYMENTS ON TERMINATION OF EMPLOYMENT

- (a) Vacation. The Contractor is authorized to pay accumulated vacation upon termination at the rate in effect as of the date of termination, including any shift differential.
- (b) Sick leave. The payment of accumulated sick leave upon termination is unallowable.
- (c) Reduction in Force (RIF). When employees are terminated due to a RIF, the following costs are allowable:
 - (1) Pay in lieu of notice. Any employee who is laid off or terminated due to a RIF may be given pay in lieu of the required minimum written notice of termination. Accumulated vacation credit is also paid.
 - (2) Severance pay benefit. The severance payment shall be made in an amount equal to one week's pay for each year of continuous full-time equivalent service plus one-quarter of a week's pay for each additional three (3) months of continuous service at the time of layoff up to a total of twenty (20) weeks' pay. An additional five weeks of pay may be provided to staff who sign a General Release. Severance payments may be made at the Contractor's option to a staff member within a RIF grouping who is not scheduled for termination but who offers to terminate employment, provided the termination is accepted by Laboratory management, thereby eliminating the need

for terminating another staff member involuntarily

- (d) Terminations for Cause. Any consideration of pay in lieu of notice for immediate dismissal will be evaluated on a case-by-case basis in accordance with Contractor policies/procedures.

VI. SETTLEMENT COSTS

Staff Settlement Costs. The Contractor is authorized to resolve claims settlements and internal staff settlements up to \$25,000 without the advance approval of the Contracting Officer. Worker's Compensation claims settlements shall be in accordance with the Worker's Compensation Clause of the Contract.

VII. LABOR RELATIONS

- (a) Collective Bargaining – Consistent with Contract provisions, costs of fringe benefit and wages paid to staff under collective bargaining agreements will be reimbursed as well as 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.
- (b) Bargaining Unit Activity – Reasonable paid absence leave will be authorized for staff for time spent acting in the capacity of union officers, union stewards, or committee members handling grievances, negotiating with the Laboratory, and /or serving on labor management (Laboratory) committees as outlined in the Contractor's policies.

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 includes but is not limited to: Vacation, holiday, sick leave, jury duty, personal leave, and flextime, according to approved Laboratory schedules (where appropriate) and administered in accordance with applicable Contracting Officer-approved PNNL policies. Only leave categories included in the Benefit Value Study shall be allowable.
- (b) Temporary Assignments of Laboratory Staff to Other Institutions for Teaching and Research/Technical Exchange – The Contractor shall be reimbursed for expenditures (e.g. benefits/pension administration costs) arising out of an approved staff assignment to another institution for teaching and/or research or technical exchange if the assignment does not exceed one year. Extensions may be approved by the Chief Human Resources Officer with total assignment not to exceed five years.

- (c) Professional Sabbaticals program must be approved by the Contracting Officer. An approved program is intended to provide paid leave of absence to perform technical exchange/research with another institution that is both beneficial to the staff member engagement/development and PNNL strategic interests for up to one year with extensions not to exceed a total of three years with Chief Human Resources Officer approval.
- (d) The Contractor will notify the CO on an annual basis of joint appointments with research institutions within specific skill areas critical to national interest
- (e) Military Leave – Military leave and associated pay is authorized in accordance with Contracting Officer-approved policies, and/or State or Federal law.
- (f) Security Leave – Wages or salaries paid to staff when access authorization is suspended by DOE will be allowable costs under the following conditions:

If an appropriate position which does not require access authorization is not available, the Contractor may place the staff member on leave with pay at his or her base compensation until final disposition of the case.

IX. EMPLOYEE TRAINING, EDUCATION AND DEVELOPMENT

- (a) 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 deliver quality training that will provide the learning foundation for staff to be well-qualified and competent to manage facilities and meet mission requirements through administrative, professional and technical excellence.
 - (1) Training - The Laboratory may conduct or permit regular staff members 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. The Laboratory may permit regular staff members to attend training activities during normal working hours while receiving full pay in order to enable them to acquire the needed skills to qualify them for other jobs within the Laboratory, maintain competence, and/or stay current in their field of study or discipline.
 - (2) Education
 - (A) The Laboratory may approve and support educational courses taken by staff that serve to improve efficiency and productivity of Laboratory operations, increase and enhance needed skills, or prepare staff for increased responsibilities.

(B) Tuition Reimbursement - Tuition, required textbooks and fees for Laboratory staff under this Contract will be provided to the extent that courses are approved in advance by the Laboratory and the staff members continue their employment during the period of reimbursement.

(3) Development – The allowable cost for developmental programs shall include but is not limited to, apprenticeship training, supervisory training, management development, scientist/engineer development, project management development, career updating and redirection, and other programs supporting the development of staff in fields of interest to the Laboratory, in accordance with policy. Course completion certificates/awards may also be provided.

X. EMPLOYEE PROGRAMS

(a) The Contractor is authorized to provide monetary or non-monetary recognition for achievements not based on performance. Awards may include, for example:

- (1) Length of Service/Retirement Recognition;
- (2) Safety Awards;
- (3) Suggestion Program.

(b) The Contractor may recognize staff members or groups of staff who have distinguished themselves by their significant contributions and outstanding performance in the course of their work. Awards may be provided to staff or groups of staff in the form of cash. Additionally, distinguishing contributions and outstanding performance as well as noteworthy achievements and special efforts that contribute to the reputation and stature of the Laboratory may be recognized by the presentation of plaques, certificates, and memorabilia. The presentation of such recognition may be done at events designed to honor recipients as well as to encourage all staff to strive for similar achievement. Examples of contributions and performance that warrant recognition include:

- (1) Academy of Science nomination
- (2) Presidential Early Career Award (PECASE)
- (3) Recipient of high-level DOE award (e.g., DOE Distinguished Associate)
- (4) Recipient of prestigious, coveted and competitive award from a respected agency external to the Laboratory (e.g., Nobel Prize, National Medal of Science, E.O. Lawrence Award, Discover Award, Enrico Fermi Award)

- (5) Recipient of an external award given to recognize exemplary community service and/or citizenship.
- (c) Lab level events, as described in paragraphs (b), to distribute these awards are limited to \$150,000 per year, unless otherwise approved by the CO and shall be limited to no more than three (3) per year.
- (d) The Contractor may develop, administer and support a variety of staff programs. These programs may include athletic, cultural, and family activities. Participant fees may be collected to partially offset the cost of some or all of these activities. Appropriate facilities, utilities, and maintenance may be provided by the Laboratory.
- (e) The Contractor is authorized costs to provide a comprehensive Wellness Program to promote staff health and fitness as outlined in approved policies.
- (f) The Contractor shall 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 Program (EAP), Education, and Training.
- (g) The Contractor is authorized costs to procure and distribute PNNL branded communication items for the recruitment and retention of non-employees and employees respectively. The PNNL branded communication items are subject to cost reasonableness and are intended to generate awareness, promote pride and enhance morale as one aspect of recruiting and retaining the best talent for PNNL.
- (h) Domestic Extended Personnel Assignment. Contractor shall maintain a program that complies with Part I, Section H, H-22 "Payments for Domestic Extended Personnel Assignments" and remains within the following parameters for all PNNL sponsors. PNSO review and approval is only required for DOE Office of Science offsite assignments, excluding Office of Science Intergovernmental Personal Assignments (IPA).
 - (1) Assignments will not exceed three years, i.e. (36) months, in duration and a break between assignments should be at least 12 months.
 - (2) If a staff member is not maintaining a residence and/or the assignment will exceed 12 months from inception, Temporary Change of Station should be evaluated.
 - (3) Employee may be reimbursed up to 10 trips home from assignment location in a 12-month period.
 - (4) Employee may be authorized to ship personal items based on the DOE negotiated minimum weight thresholds with approved carriers. Staff member may be authorized to ship an additional 3,000 pounds of personal effects above the minimum weight thresholds, if the staff member waives his/her trips home for the

duration of the assignment.

- (5) Employee may be authorized to ship one Personally Operated Vehicle (POV), unless they travel to the assignment location via a POV.
- (6) Employee may be authorized to Extended TDY Tax Reimbursement Allowance (ETTRA), which will be calculated in accordance with the FTR methodology (FTR 301-11.604)
- (7) Employee may receive a transit subsidy for public transportation for assignments in the Washington, DC, area, consistent with what is allowed for Federal employees.
- (8) Meals and Incidental Expenses cannot be claimed concurrently in two different temporary duty locations.

XI. RECRUITING PERSONNEL

- (a) The Contractor shall have a recruitment program contained within the personnel management policies and practices that provides for recruitment and retention of future or existing staff of the Laboratory. This program should include strategies and benefits that retain a stable workforce and that retain the critical skills essential to carrying out the missions of the Laboratory.
- (b) The Contractor may incur costs for the recruitment of personnel, as follows:
 - (1) Costs of advertising and agency and consultant fees.
 - (2) Recruiting Expenses - The Laboratory may reimburse, consistent with other provisions of this contract, employees traveling for recruiting purposes, the cost incurred for the following expenses: transportation, lodging, and meals for prospective employees and, when approved, for spouses or representatives of academic institutions, professional societies and other scientific organizations and incidental expenses incurred in recruiting.
 - (3) New or prospective employees who have been offered and have accepted a position, and who are required to take a pre-placement physical examination, shall be reimbursed for costs of the physical examination.
 - (4) Costs associated with pre-employment screening shall be allowable.
- (c) Recruitment/Retention Tools.
 - (1) The Contractor may pay a sign-on bonus to recruit employees with critical skills.

- (2) An annual retention bonus is authorized to retain employees with critical skills or whose expertise for the completion of a specific project or to provide leadership continuity contributing to mission success.
- (3) The Contractor is authorized to provide service credit to critical skill new-hires for previous relevant experience at another DOE facility or external organization. Credited service may be used to establish eligibility for, or determine accrual of, service-based benefits (i.e., vacation accruals, vesting, or severance – unless severance has been paid for prior service), in accordance with the contractor's policies.
- (4) The Contractor is authorized to provide tuition reimbursement consistent with Contractor program guidance and Appendix A IX, Employee Training, Education and Development, paragraph (2) Tuition Reimbursement to intern program participants for strategic recruiting and retention needs. The Contractor will maintain Intern Programs to support strategic recruiting needs (e.g., hot skills, national security, etc.), where tuition reimbursement may positively affect recruitment and retention. The Contractor may provide tuition reimbursement up to 40 program participants annually, in support of strategic recruiting needs, without additional Contracting Officer approval.

XII. EMPLOYEE BENEFITS

Energy Employees' Occupational Illness Compensation Program Act (EEOICPA).

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