

**ATTACHMENT J.1**

**APPENDIX A**

**ADVANCE UNDERSTANDINGS ON HUMAN RESOURCES**

**Applicable to the Operation of  
Argonne National Laboratory**

**Contract No. DE-AC02-06CH11357**

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Appendix A**

**ARGONNE NATIONAL LABORATORY  
ADVANCE UNDERSTANDINGS ON HUMAN RESOURCES**

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## **SECTION I - INTRODUCTION**

- (a) This Advance Understanding is intended to document the principles and measures for evaluation of the Contractor's Human Resource Management (CHRM) programs and other items of allowable personnel costs and related expenses not specifically addressed elsewhere under this contract. Any changes to the personnel policies or practices in place as of the effective date of this contract which would increase costs, is subject to approval in advance by the Contracting Officer.
- (b) ANL CHRM programs will comply with the Federal Acquisition Regulation (FAR) cost principles and FAR contract clauses, as supplemented by the Department of Energy Acquisition Regulation (DEAR), for all HR programs, including but not limited to Compensation, Health and Welfare Benefits, Pension Plans, Training and Development, Employee Morale, Professional Society Memberships, Employee and Labor Relations, Diversity/Equal Employment Opportunity/Affirmative Action, Recruitment and Relocation. The Contractor shall use effective management review procedures and internal controls to assure compliance with the FAR and DEAR.
- (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 modification to the prime contract.
- (d) The Laboratory Director may make exceptions to the provisions of Appendix A when such exceptions are in the best interest of contract operations or will facilitate or enhance contract performance and are approved in advance by the Contracting Officer.
- (e) The Contractor, or designated representative, shall promptly furnish all reports and information required or otherwise indicated in this Advance Understanding to the Contracting Officer. The Contractor recognizes that the Contracting Officer or designated representative may make other data requests from time to time and the Contractor agrees to cooperate in meeting requests.
- (f) It is understood that no provision of this Appendix can affect any right guaranteed to a bargaining unit employee by the terms of a Collective Bargaining Agreement.

## **SECTION II - HUMAN RESOURCES STRATEGY, BUSINESS PLANNING AND PERFORMANCE MANAGEMENT**

The Institutional Plan highlights areas important to DOE and aligns with critical contract vision components. The HR Strategic Plan, which is subordinate to the Institutional Plan, will be reviewed with DOE representatives at least annually. Contract performance metrics and measures will be developed in partnership with DOE and are detailed in the Appendix B. A Balanced Scorecard (BSC) approach will be utilized as the principal means for annually assessing the performance of the contractor human resources function.

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

## **SECTION III - COMPENSATION**

- (a) Compensation Standards. The Contractor and DOE agree that the elements below will be included in Laboratory compensation systems and will be the basis upon which DOE will evaluate the Contractor's self-assessment required under Clause H.22 of this contract. The elements are:
- (1) philosophy and strategy for all pay delivery programs;
  - (2) method for establishing the internal value of jobs;
  - (3) method for relating the internal value of jobs to the external market;
  - (4) system that links individual and/or group performance to compensation decisions;
  - (5) method for planning and monitoring the expenditure of funds;
  - (6) method for ensuring compliance with applicable laws and regulations;
  - (7) system for communicating the program to employees; and

(8) system for internal controls and self-assessment.

(b) Salary increases.

- (1) Any combination of salary increases for an individual in a single fiscal year, including merit increases and those resulting from reclassification and promotion, which result in a salary that is 25% greater than the employee's salary prior to the increase shall require prior approval by the Laboratory Director. Salary increases that exceed 15% shall be reported annually to the Contracting Officer.
- (2) Annual funding for promotions shall be included in the Salary Increase Authorization (SIA) request as a discrete line item. The request for funding for promotions will be based upon actual use for the prior year and anticipated future use, such as classification restructuring.
- (3) An administrative stipend may be paid to an employee who is temporarily assigned responsibilities of a higher level position or other significant duties not part of the employee's regular position. The sum of stipend and base salary shall not exceed the maximum salary of the higher level position. The Laboratory Director may authorize an administrative stipend up to 15 % of the appointee's annual base salary for a period not to exceed one year.
- (4) Notwithstanding any other term or condition set forth in this Contract, the Contracting Officer's approval of compensation actions pursuant to H.22(b)(7) will consider:
  - A. relative alignment of proposed salaries with subordinate levels;
  - B. available market data, comparing total-cash compensation;
  - C. total compensation relative to the Executive Compensation Benchmark Amount established periodically by the Office of Federal Procurement Policy (OFPP).

(c) Salary Increase Authorization (SIA).

- (1) The Contractor shall submit the SIA proposal by August 1 of each year.

- (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 April 1, the midpoint of the fiscal year.
  - (3) The SIA shall be expressed as a percentage of the projected September 30 base payroll.
  - (4) Upon conclusion of the annual distribution of SIA merit funds, the Contractor shall provide a report to the Contracting Officer of individual compensation rates for employees with salaries of \$100,000 and above.
- (d) Payment of Joint Appointees. Joint Appointees shall be paid at the salary and fringe benefit rates established by home institution, for the percentage of time worked at the host institution.

#### **SECTION IV - ANCILLARY PAY COMPONENTS**

- (a) Extended work week.

When deemed essential to the performance of work under this contract, the Laboratory Director may establish an extended work week, during which exempt employees may receive additional pay for work over 50 hours in a period of unusual or extreme conditions expected to extend beyond eight consecutive weeks. The employee's salary will be increased in direct proportion to the scheduled increase in hours worked in the payroll week.

- (b) Uniform Allowance.

An allowance shall be provided to employees in the Fire Department. A full-time employee who has completed less than 12 months of service, a full-time employee who has worn a uniform less than full time, or a part-time employee shall receive an allowance prorated on the basis of the percent of time worked in uniform since the previous July 1.

- (c) 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.

## SECTION V - PAYMENTS ON SEPARATION

(a) 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 calculated as follows:

Exempt Employees: 2% of current annual salary multiplied by each year of service (partial years are computed to the nearest tenth of a year), with a minimum benefit of one (1) month's salary, and maximum benefit of 50% of current annual salary.

Non-Exempt Employees: 5 day's pay for one year of service, and 2.5 day's pay for each additional year, with a maximum benefit of 130 day's pay. A day's pay is eight times the basic hourly rate in effect on the date of notice of termination. Full-time equivalent service of six months or more in a year is counted as one year of service.

(b) Payments upon termination other than RIF.

(1) Sick leave. Accumulated sick leave is not payable upon termination and may not be used beyond a predetermined date of termination.

(2) Vacation. Accumulated vacation is payable at termination at the rate in effect as of the date of termination, including any shift differential.

## SECTION VI - LABOR RELATIONS

(a) Labor Management

The Contractor is authorized to enter into and administer its labor agreements in accordance with their negotiated terms subject to the provisions below:

(1) The Contractor will seek to maintain harmonious bargaining relationships that reflect a judicious expenditure of public funds, equitable resolution of disputes and effective and efficient bargaining relationships consistent with

the requirements of FAR, Subpart 22.1 and DEAR, Subpart 970.2201 and all applicable Federal and State Labor Relations laws.

- (2) The Contractor will notify the Contracting Officer or designee in a timely fashion of all labor relations issues and matters of local interest including organizing initiatives, unfair labor practice, work stoppages, picketing, labor arbitrations, and settlement agreements.
- (3) The Contractor will furnish reports as may be required from time to time by the Contracting Officer.

(b) Collective bargaining.

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

**SECTION VII – 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 vacation, holiday, sick, jury, bereavement, military, voting and personal leave according to approved Laboratory schedules. Only leave accruals included in the annual benefit value study shall be allowable.

(b) Unpaid Leaves of Absence.

The Laboratory will not count periods of approved leave without pay as Contractor service except as approved by the Contracting Officer. The effect of leave without pay on retirement and group insurance plans is governed by the group insurance and retirement plan policies in effect at the time the leave begins in accordance with applicable law and Contractor policy.

(c) Temporary Assignments.

- (1) Assignments of Laboratory Employees to Other Institutions for Teaching And Research. The Contractor shall be reimbursed for expenditures consistent with Laboratory policy arising out of an employee assignment to

another institution for teaching and/or research if the assignment is approved by the other institution and does not exceed one year. Contracting Officer approval is required for deviations from these limitations

- (2) Assignments In Accord With A Fellowship Award. The Contractor shall be reimbursed for expenditures consistent with Laboratory policy arising out of an employee assignment to another institution under a fellowship or similar honorary award made by an educational foundation, a similar organization, or the Government. Such assignments must be approved by the Laboratory Director and approved by the Contracting Officer and will be for a period of one year or less. Employees who receive such assignments will be required to return to their employment at the Laboratory upon completion of such an assignment. Contracting Officer approval is required for deviations from these limitations.
- (3) Assignments Under An Exchange Program. The Contractor shall be reimbursed for expenditures consistent with Laboratory policy arising out of an employee assignment to another institution under an exchange program as mutually agreed with other institutions. Such assignments will normally be for a period of one year or less and must be approved by the Laboratory Director and coordinated with the Contracting Officer. Contracting Officer approval is required for deviations from these limitations.
- (4) Assignment of Laboratory Employees to DOE and other Federal and Non-Federal Entities. Other than listed above, assignments shall be made in accordance with DOE policy.

(d) Military Leave.

Military leave and associated pay is authorized in accordance with Contractor policies, and/or State or Federal law.

(e) Security Leave.

Wages or salaries paid to employees when access authorization is suspended by DOE will be allowable costs under the following conditions:

If a position which does not require access authorization is not available, the Laboratory Director or designee may place the employee on leave with pay at his or her base compensation until final disposition of the case. Leave with pay

requires the Contracting Officer's concurrence that no position is available to which the employee might reasonably be transferred.

## **SECTION VIII – EMPLOYEE TRAINING, EDUCATION AND DEVELOPMENT**

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

(1) Training.

The Laboratory may permit selected employees to attend training classes while receiving full pay in order to enable them to acquire the needed skills to qualify them for more responsible jobs and maintain competence in their fields.

(2) Education.

(A) The Laboratory may approve and support educational courses taken by employees which serve to improve efficiency and productivity of Laboratory operations, increase needed skills, or prepare employees for increased responsibilities.

(B) An employee or third Party on behalf of an employee may be paid for tuition, required textbooks and fees for courses approved in advance by the Laboratory.

(3) Development.

(A) The Contractor shall be reimbursed for the cost of personnel training and personnel development programs, including but not limited to, apprenticeship training, supervisory training, management development, career updating and redirection, and work-study and other programs supporting the development of staff

in fields of interest to the Laboratory. Authorized courses include, but are not limited to:

- International Atomic Energy Agency (IAEA) Training Courses on Nuclear Power Planning and Implementation;
- IAEA-sponsored manpower development courses;
- Pre-college programs to encourage students to select careers in science and mathematics and enhance capabilities of teachers.

(c) Payments to Instructors.

The Contractor is authorized to pay appropriate fees to instructors (including Laboratory employees) who conduct after-hours classes for Laboratory employees.

(d) Special Professional Services.

The Laboratory may pay fees to persons who deliver lectures, conduct courses or symposia, or perform similar professional services to the Laboratory. The fee per day of service shall not exceed \$1,000 and the total honoraria given an individual may not exceed \$5,000 in a calendar year. Fees shall be based upon the individual's professional standing, the value of the service, the degree of inconvenience to the individual, amount of time devoted to the service, and other relevant factors. In the case of persons from nearby institutions or organizations, the fee may include an amount in lieu of reasonable expenses. Travel expenses which are reimbursable under the provisions of this Appendix may be paid in addition to the fee.

(e) Advanced Degree Program.

The Contractor may grant academic leave with pay to employees for the purpose of continuing or completing a graduate-level degree related to their work. Such leave will be limited to a total of nine months. This program shall be limited to a lifetime limit of 12 months without the approval of the Contracting Officer.

Eligible employees must have been continuously employed by the Contractor in a regular full time status for three or more years before applying for academic leave.

An employee to whom academic leave is granted is required to furnish a written statement that the employee will return to employment at the Laboratory upon completion of such leave and remain in employment for a minimum of one year. If the employee does not return to the Laboratory, all education costs paid to or

for the employee for that academic leave shall be reimbursed to the Laboratory by the employee. Should such employee be transferred to another DOE facility other than the Laboratory within a period equal to the length of the academic leave, the action will be reviewed with the Contracting Officer to determine appropriate action.

Any travel involved will be at the employee's expense.

Status of Employment - Employees on leave under this Article will continue to be Laboratory employees and shall be covered by all applicable provisions of this Appendix.

## **SECTION IX - EMPLOYEE PROGRAMS**

(a) Service and retirement awards.

The Contractor may expend from the Laboratory's operating budget, an amount not to exceed \$30.00 for each regular full-time employee on the payroll September 30 of each year without Contracting Officer approval. The types of awards may include, for example, Length of Service/Retirement Recognition; Safety Awards; Suggestion Program, Special Employee recognition, and other non-performance based awards.

(b) Performance award programs.

The Contractor may recognize employees or groups of employees who have distinguished themselves by their significant contributions and outstanding performance in the course of their work. Awards may be provided to employees or groups of employees in the form of cash. Additionally, noteworthy achievements and special efforts may be recognized by the presentation of plaques, certificates, and memorabilia.

Annually the Contractor shall provide the Contracting Officer with reports on the individual award program expenditures.

(c) Patent Awards.

An award of \$100 may be made to any Contractor employee, assigned employee, loaned employee, or other affiliate of the Contractor whose development of an invention resulting from the employee's work for the Contractor under the Prime Contract is processed for a United States patent application, up to a maximum of \$300 in awards on any one application.

An award of \$100 may be paid to each such inventor upon the issuance of a United States patent, up to a maximum of \$300 in awards on any one patent.

The Contractor may provide each such inventor with a plaque signifying the issuance of a United States patent.

(d) Cost of Health Services.

The Contractor shall be reimbursed for the costs of operating the Health Division for Laboratory employees and directly reimbursed for the cost of health services for DOE site employees, including but not limited to the following: Pre-employment physicals and other medical examinations required to meet Laboratory employment requirements, operation of a health unit which provides medical care for occupational injuries and to provide minor relief for minor physical complaints of employees while at the Laboratory and health examinations provided as a health service for employees.

(e) Other.

- (1) The Contractor may develop, administer and support a variety of employee 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.
- (2) Wellness program. Costs of a Wellness Program to promote employee health and fitness are allowable. This program shall be limited to activities related to stress management, smoking cessation, exercise, nutrition, and weight loss.
- (3) Employee Assistance Program. The Contractor shall (1) maintain a program of preventive services, education, short-term counseling, coordination with and referrals to outside agencies, and follow-up upon return to work that conforms to the requirements of 10 CFR 707.6, Employee Assistance, Education, and Training; (2) Submit for approval by the Contracting Officer any changes to the employee assistance program implementation plan; (3) Prepare and submit information to DOE concerning Employee Assistance Program services as requested by the Contracting Officer. Such reports shall not include individual identifiers
- (4) Employee Communications. The costs incurred in the publication, printing and distribution of a house organ, handbooks and other employee

communication media designed to effectuate better employee relations and understanding of Appendix A and current employment regulations shall be reimbursed and performed in a cost effective manner.

## **SECTION X - COSTS OF RECRUITING PERSONNEL**

- (a) 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 actual 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.

## **SECTION XI – COMMUNITY PROGRAMS**

Subject to prior approval of the Contracting Officer, the costs of participating in community service activities may be allowable to the extent participation does not adversely impact contract performance.

## **SECTION XII – REDUCTIONS IN CONTRACTOR EMPLOYMENT**

The Laboratory has been designated as a Defense Nuclear Facility by the Department of Energy. Reductions in employment will be conducted in accordance with the contractor's personnel management policies and practices and in accordance with applicable Departmental guidance on workforce restructuring, as revised from time to time.

- (a) Work Force Analysis.

The Laboratory will annually analyze its work force requirements to retain employees with the skills, knowledge and abilities necessary to effectively and safely meet assigned and futures missions within budget constraints. The Laboratory will develop appropriate work force transition strategies consistent with restructuring objectives contained in the Department's "Planning Guidance for Contractor Work Force Restructuring."

(b) Work Force Planning Requirement.

In addition to conducting both short and long term work force planning, the Laboratory will assist the Department in developing a Work Force Restructuring Plan pursuant to Section 3161 of the National Defense Authorization Act for Fiscal Year 1993 (the Act) and the above referenced guidance.

The Work Force Restructuring Plan will be generic in nature; that is, it will identify how employees will be accommodated whenever they are impacted by a reduction-in-force. The plan will be updated as required by law, and, if necessary, may be modified to address the needs of a particular restructuring action, including the provision of enhanced benefits. When modification to the approved plan is necessary due to changing circumstances, stakeholder input or implementation experience, proposed changes to the established plan shall be submitted for Departmental approval.

(c) Notice to Stakeholders.

The Laboratory shall provide notification of work force restructuring action for any occurrence that is expected to involve the involuntary separation of 50 or more employees, to employees, the public, and stakeholders, in accordance with a schedule approved by the Contracting Officer or his designee. The above noted stakeholders will be notified of and consulted with concerning the pending action as early as possible following agreement between DOE-CH and the Laboratory of the intended action.

(d) Notifications to DOE.

The Laboratory will notify the Contracting Officer or his designee, in writing, of any work force reduction plan that is expected to involve the separation of at least 10 employees, through voluntary or involuntary separation actions, at least 14 workdays prior to such separations. Notification will include providing the Contracting Officer with a draft of the restructuring announcement for concurrence. Should the combined work force reduction plans impact an aggregated total of 100 or more employees within a 12-month period, through either voluntary or involuntary actions, Contracting Officer approval shall be

requested within 30 calendar days of separation action. Upon reaching the threshold of 100, workforce reduction plans impacting at least 10 employees under one occurrence will require Contracting Officer approval. Should the separation actions anticipated through a workforce reduction plan exceed the total previously approved by more than 5, separate approval may be required, at the Contracting Officer's discretion.

The following shall be provided in support of work force reduction plans in notifications or requests for Contracting Officer approval: affected job classifications, numbers of employees affected, site affected, union or non-union, full or part-time, standard or enhanced benefits, other separations, and actions taken to assist the employees in finding other employment or otherwise lessen the impact of the separation.

In addition to the information required above, upon exceeding the threshold of 50 within a 12-month period, a diversity impact analysis shall be provided as required by the Contracting Officer.

(e) Voluntary Separation or Retirement Incentive Plans.

After appropriate Workforce Planning has been completed, the Contractor may consider voluntary separation or retirement incentive plans to facilitate work force reductions for the purpose of reducing potential involuntary separations. Proposals for voluntary separation and retirement incentive plans, accompanied by an appropriate analysis, should be presented to the Contracting Officer at least 2 weeks in advance of the planned action to allow sufficient time for review and approval. Proposals will be evaluated for their consistency with maintaining critically needed skills. Any request for approval should include a full justification in conformance with this requirement. Proposals for voluntary separation plans that are associated with reductions designed to increase organizational efficiency should be supported by a cost-benefit analysis.

(f) Transition costs.

The Contractor is authorized to provide involuntarily separated employees with outplacement assistance in the form of skills assessment and resume' preparation.

(g) Displaced Worker Health Benefits Programs.

The allowable costs for the DOE Displaced Worker Health Benefits Program are:

- (1) First Year: The Laboratory's contribution for an active employee.

- (2) Second Year: One half of the Laboratory's COBRA premium.
- (3) Third and subsequent years: Reasonable administrative costs that exceed the 2 percent administrative fee paid by the displaced worker.

### **SECTION XIII – EMPLOYEE BENEFITS**

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

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

- (b) Dependent Care Facilities.

The Laboratory is authorized to provide a dependent care benefit program consistent with the written directions of the Contracting Officer.

Support costs for labor, materials, and supplies expended for the operation of a dependent care facility shall not be allowable under any circumstances unless the facility is for the exclusive use of DOE and Laboratory employees and except for any expense items such as utilities, maintenance, food, medical services, or supplies already used in support of site operations and readily available.