

PART III

**SECTION J - LIST OF DOCUMENTS, EXHIBITS
AND OTHER ATTACHMENTS**

APPENDIX B

ADVANCE UNDERSTANDING ON HUMAN RESOURCE COSTS

(Attached Hereto)

BECHTEL JACOBS COMPANY

(Oak Ridge Complex)

APPENDIX "B"

CONTRACT NO. DE-ACO5-98OR22700

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1. INTRODUCTION

This Personnel Appendix sets forth the allowable cost by advanced understanding for the Contractor's human resource management policies and related expenses which 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.

To support accelerated closure, 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 standard industrial practice insofar as they are not inconsistent 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" featured or a similar word processing software feature.

This Appendix B 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 B 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 Contractor is responsible for managing and controlling overall 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

Accelerated Closure Commitments are the commitments set forth in DOE's agreement in principle with the State of Tennessee to accelerate closure of environmental management activities in Oak Ridge

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

Adjusted Rate, Adjusted Pay, or Adjusted Base Pay is 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 Employees are clerical, professional, or technical employees hired to work on a temporary replacement basis, or for a limited period of time. They are paid on an hourly basis. Employment is offered with no guarantee of hours to be worked per week or guarantee of consecutive days or weeks of employment.

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

Contractor Bechtel Jacobs Company

Corporation Bechtel Systems & Infrastructure, Inc. and Jacobs Engineering.

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

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

Employee A person hired by and working for the Contractor.

Exempt (E) Employees Executive, administrative, and professional employees who are exempt from certain provisions of the Wage and Hour laws. They are in the Contractor's Salary Grades 28 - 32 and are not paid overtime.

Exempt Premium Overtime (EPO) Employees Executive, administrative, and professional employees who may not be exempt from certain provisions of the Wage and Hour laws. They are in Contractor's Salary Grades 21 - 24 and are paid overtime at one and one-half their regular rate for all hours worked in excess of 40 hours in a workweek.

2. DEFINITIONS (Cont.)

Exempt Straight Time (EST) Employees Executive, administrative, and professional employees who are exempt from certain provisions of the Wage and Hour laws. They are in Contractor's Salary Grades 25 - 27 and are paid overtime at their straight time rate for all hours in excess of 40 hours in a workweek, provided that all hours are scheduled and approved in advance.

Grandfathered Employees shall mean individuals who meet both of the following conditions:

- (A) The individual was either: (1) an employee of Lockheed Martin Energy Systems, Lockheed Martin Utility Services, or Lockheed Martin Energy Research (collectively, LM) on March 31, 1998; or (2) a Bargaining Unit member of the Paper, Allied-Industrial, Chemical and Energy Workers International Union, AFL-CIO (PACE) (at the East Tennessee Technology Park) who was on the LM recall list on March 31, 1998; or (3) a Bargaining Unit member of the Atomic Trades and Labor Council (ATLC) (at the Oak Ridge National Laboratory or Y-12 Plant), or PACE (at the Portsmouth Gaseous Diffusion Plant or Paducah Gaseous Diffusion Plant) who was either an LM Employee, United States Enrichment Corporation (USEC) Employee, or on the LM or USEC recall list on the date of the applicable Bargaining Unit Transition Agreement.
- (B) The individual was either: (1) subsequently employed by the CONTRACTOR or its first-tier or second-tier Subcontractors for work under this Contract prior to April 1, 2000; or (2) a USEC employee (at the Portsmouth Gaseous Diffusion Plant or Paducah Gaseous Diffusion Plant) who transitions directly to the Contractor or its first-tier or second-tier Subcontractors for work under this Contract after March 31, 2000, and before January 1, 2001; or (3) a former USEC employee (at the Portsmouth Gaseous Diffusion Plant or Paducah Gaseous Diffusion Plant) who received an Involuntary Reduction in Force after March 31, 2000, and is subsequently hired by the Contractor or its first-tier or second-tier Subcontractors for work under this Contract before January 1, 2001; or (4) covered by an applicable Bargaining Unit Transition Agreement (noted above) for which no employment deadline is specified.

A Grandfathered Employee who incurs a break in service of any length will continue to be a Grandfathered Employee upon re-employment by the CONTRACTOR or by any of its first-tier or second-tier Subcontractors under this Contract; except, Grandfathered Employees whose employment with the CONTRACTOR, or any of its first-tier or second-tier Subcontractors, or any other DOE-ORO prime contractor, is terminated after December 31, 2000, for any reason other than a reduction in force will forfeit their Grandfathered Employee status and will not be Grandfathered if re-employed by CONTRACTOR or any of its first-tier or second-tier Subcontractors under this Contract.

Incumbent Employee means a Grandfathered Employee who is performing M&I scope of work at the time of issuance of a Request for Proposal which results in a Subcontract, and is actively participating in the Bechtel Jacobs Company LLC Pension Plan for Grandfathered Employees, the Restated Retirement Program Plan for Employees of Martin Marietta Energy Systems, Inc. (Lockheed Martin Employees), or the Multi-Employer Pension Plan (MEPP).

MEPP means the Multi-Employer Pension Plan that the Contractor will administer for the benefit of Grandfathered Employees.

Merit Increase is 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.

2. DEFINITIONS (Cont.)

MEWA means the Multi-Employer Welfare Arrangement that the Contractor will administer for the benefit of Grandfathered Employees.

Nonexempt (NEX) 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.

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 40 hours within a payroll week for eligible exempt salaried employees.

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 to the established 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, week-end premium, etc.

Promotion is the permanent 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 is a change of job level, up or down, through formal evaluation of an existing job.

Regular Employee is any full-time or part-time employee on the Contractor's payroll, not in a temporary 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.

Right of First Refusal means that all non-management positions will be offered for assignment first to Incumbent Employees and will only be offered to other persons in the event that no qualified Incumbent Employee is available.

Severance Pay means the Bechtel Jacobs Company LLC Severance Plan for Grandfathered Employees adopted by the Contractor under the M&I Contract.

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.

2. DEFINITIONS (Cont.)

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.

Substantially Equivalent Pay and Benefits means that the complete package of employee pay and benefits offered to Incumbent Employees by Subcontractors is equivalent in the aggregate to that offered to Incumbent Employees by the Contractor, even though individual elements of the package may differ. For subcontracts involving Bargaining Unit Employees, pay and benefits for Bargaining Unit Employees are governed by the applicable Union Agreement(s).

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 the DOE. The collective bargaining agreements, incorporated by reference, include those with the following bargaining agents:
- Oil, Chemical and Atomic Workers International Union AFL-CIO and its Local 3-288
 - Atomic Trades and Labor Council, AFL-CIO and its Affiliated Unions including Local 480 of the IAM
- b. 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 which 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.

3.2 NONREPRESENTED EMPLOYEE COMPENSATION

3.2.1 Policy/Objectives

The Contractor will implement a compensation program to attract, motivate, retain, and reward a competent work force to effectively accomplish the performance of work under this Contract at a reasonable cost to the government. The Contractor's compensation and incentive programs shall be designed and implemented to support accelerated closure. 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 which seek to match average salaries in the competitive market at the beginning of the calendar year.
 - (2) Market policy for nonexempt salary structures and base salaries which seek to match average salaries in the competitive market at the beginning of the calendar year.

3.2.2 Salary Administration (Cont.)

- (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 1-5 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, accelerated closure goals, and relevant economic data. SIP merit program funding will be reasonable and will not exceed averaged and timely salary increase budget data collected from at least three of the following leading survey companies (William M. Mercer, World at Work, Watson Wyatt, or Hewitt Associates). SIP promotion and adjustment funding will not exceed .85% of appropriate base payroll for the end of the previous calendar year without DOE approval.

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 market average pay 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 calendar year. All components will be identified therein, e.g., merit, promotion, adjustment, lump sum, 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.

3.2.2 Salary Administration (Cont.)

- (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, lump sums, and structure movement for each payroll showing actual against planned amounts.
- e. Assure no "catch up" occurs for monies saved as a result of the Secretary of Energy's 1994 salary freeze in accordance with DOE direction.

3.2.3 Approval Of Individual Compensation Actions

The Contractor will submit annually proposed individual salary actions for Key Personnel identified in Appendix A to the Bechtel Jacobs Company Management and Integration Contract for approval by DOE. Revisions or additions to this listing (e.g., new hires) must be approved by DOE.

3.2.4 Other Pay Provisions

a. Overtime

- (1) The Contractor shall maintain adequate internal controls to ensure that employees' overtime is authorized only if cost effective and necessary to ensure performance of work under this contract.
- (2) The Contractor shall notify the Contracting Officer when, in any given year, it is likely that overtime usage, as a percentage of payroll, may exceed 4 percent.

b. Other Supplements

- (1) Accelerated Closure Compensation and Incentives. To retain the vital skills necessary to meet DOE's accelerated closure commitments, the Contractor may continue to utilize the Variable Pay Program which is currently a component of the Salary Increase Planning fund for exempt and non-exempt employees. The funding percentages for future Variable Pay Programs may not exceed the currently approved percentages of .85% and .7%, for exempt and non-exempt employees respectively, without obtaining prior approval from DOE. The funding level will be based on the appropriate base payrolls for the end of the previous calendar year. The Contractor's Variable Pay Program will provide an appropriate "line of sight" to the DOE mission at all levels. The initiation of any additional variable or incentive pay programs requires CO approval.
- (2) Pay practices, in addition to FLSA requirements, may apply to Nonexempt employees in the following instances. Payment amounts will not exceed the maximum allowable specified for the same pay practices contained in collective bargaining agreements.

Call-in Allowance	Report for Work – No Notification
Holiday Pay	Saturday and Sunday Shift Premium
Meal Allowances	Shift Differential
EMT Premium	Licensing Payments

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

These payments may not be included in earnings when calculating the employee's participation in the various benefit plans.

- (4) 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.
- (5) 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.
- (6) 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 relicensing.

c. Salaried Employees - 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. All part-time employees are considered nonexempt for overtime purposes consistent with the Fair Labor Standards Act regardless of job classification.

3.2.4 Other Pay Provisions (Cont.)

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

Company Service Credit	Pension Plan
Group Insurance	Safety Programs and Awards
Holiday Pay (if working)	Savings Plan
Jury Duty (scheduled workday)	Shift Differential
Layoff Allowance	Travel
Occupational Disability	Vacation Plan
Overtime Premium	Voting

From 2000, the part-time employee cost for group insurance premiums is the regular employee premium for each plan. Paid time off will be accrued based on the number of hours worked. Part-time employees are eligible to convert to full-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 \$65 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 \$60 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 \$110 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.

3.2.4 Other Pay Provisions (Cont.)

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 necessitate 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 times the employee's adjusted rate for Nonexempt (NEX) and Exempt Premium Overtime (EPO) employees and 2 times the employee's adjusted rate for Exempt Straight Time (EST) employees in grades 25-27.

3.3 SEVERANCE PAY

3.3.1 Severance Pay Benefit (Grandfathered Employees Only)

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 an employee is re-employed by the Contractor 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) Employees who transferred directly from the predecessor Contractor (Union Carbide Corporation, Nuclear Division) to work under this contract, and who were hired by the predecessor Contractor prior to January 1, 1966 (substitute January 1, 1967, for hourly production and maintenance (P&M) employees of the ORGDP), who are laid off at retirement age (early or normal) or who voluntarily elect retirement are paid a severance pay based on Company Service Credit with the predecessor Contractor through December 31, 1965 (substitute December 31, 1966, for hourly P&M employees of the ORGDP).

3.3.1 Severance Pay Benefit (Grandfathered Employees Only) (Cont.)

Any such employee eligible for this Special Benefit who transferred from the predecessor Contractor (Union Carbide Corporation, Nuclear Division) to one of its private sector operations and back to the contract work during the term of the previous Union Carbide contracts, retained eligibility for this benefit at retirement. No further service under this contract will be credited to any employee toward this Special Benefit. Any severance pay granted will be based on the employee's basic rate of pay at the time of termination.

- (3) 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

<u>Company Service Credit</u>	<u>Severance Pay</u>
Under 3 months	No pay
3 months and under 1 year completed	Same portion of 1/2 month's pay as months of service are of 12 months
1 year and under 3 years	1/2 month's pay
3 years and under 5 years	3/4 month's pay
5 years and under 7 years	1 month's pay
7 years and under 10 years	1 1/2 month's pay
10 years	2 month's pay
11 years	Same for 10 years, plus 1/4 month for each additional year of service

3.3.2. Layoff (Excludes Grandfathered Employees)

Non-Grandfathered Contractor employees who are laid off due to a reduction in workload, reorganizations, changes in job requirements, or failure to meet DOE site access requirements will receive at least four weeks advanced notice of layoff.

When circumstances do not allow for part or all of the advanced notice period to be given, equivalent weeks pay in lieu of notice up to a maximum of four weeks pay may be granted.

3.3.3 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 equivalent pay and benefits.

3.3.4 Holding Status

Holding Status is a non-pay status which may be offered to employees awaiting reassignment following completion of an assignment in lieu of layoff.

The benefits of Holding Status are two-fold.

- The Contractor retains the employee in a “ready-to-call-back-to-work” status for potential upcoming work.
- The employee’s benefits; life insurance, medical, dental and special accident insurance, are paid for by the Contractor during this holding status period of time.

Rates will be based on coverage immediately preceding notification of holding status.

Holding Status may be authorized for up to three months by the senior manager responsible for releasing the employee.

If no assignment has been found the employee will be terminated on the last day of the holding status period, or earlier if the employee resigns or takes a full time job with another employer.

4. BENEFIT PROGRAMS & 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 B, 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 order to determine reasonableness of cost, the Contractor will:

- a. Conduct a benefits value study (market assessment) every two years to evaluate the relative value of the overall benefits package.
- b. DOE and the Contractor will mutually agree on the companies to be used in the benefits value study. DOE will receive a copy of the study.
- c. The Contractor's net benefit value will be managed so as not to exceed the average net benefit value (from the benefits value study) with appropriate consideration for the financial health of the organization and the reasonableness of the total compensation package.
- d. All changes to the Contractor's benefit programs will be approved by the DOE.

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 systems, the Contractor may recognize (for the purpose of establishing appropriate paid time off benefits) prior service credit earned while employed in the DOE system provided all the required criteria in acquisition letter 94-19 is met. The Manager of Human Resources must approve any grant of "Paid Time Off".
- b. When an individual is transferred to the service of the Contractor from the DOE or from one of its contractors because of the 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:

4.1 COMPANY SERVICE CREDIT (Cont.)

- (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 respect, the Company Service Credit will be allowed in accordance with the Contractor's Company Service Credit rules.

4.2 HOLIDAYS

The Contractor observes the following holiday during the calendar year.

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

4.3 SHORT-TERM DISABILITY PAY FOR SALARIED EMPLOYEES

Contractor's Disability Program provides first day coverage if employee is injured in a non-occupational accident, is hospitalized or has outpatient surgery that causes the employee to be out for at least eight calendar days. Disability coverage for other conditions begins on the eighth calendar day. Employees must use their Paid Time Off (PTO) to be paid for absences not covered by disability. The schedule of maximum salary continuation for short term disabilities is as follows:

<u>Company Service Time</u>	<u>Duration of Salary Continuation</u>
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

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

4.4 PAID TIME OFF

The cost of salaried employee paid time off taken in accordance with the established Paid Time Off Policy is allowable.

<u>Years of Service</u>	<u>Annual Accrual*</u>
0 - 4 years	120 hours
5 - 9 years	160 hours
10 - 19 years	200 hours
20 + years	240 hours
* *	280 hours

- * Includes vacation accrual plus 40 hours of annual accrual to provide for absences for non-occupational disabilities, personal leave and time off for religious observance.
- ** Grandfathered employees who had 15 or more years of company service on January 1, 1991, and who are located at the Portsmouth Site, will be entitled to accrue PTO at the rate of 280 hours per year upon reaching 25 years of company service. Grandfathered employees who had 15 or more years of company service on December 31, 1995, and who are located at the Oak Ridge or Paducah Sites will be entitled to accrue PTO at the rate of 280 hours per year upon reaching 30 years of company service.

Salaried employees working a reduced weekly schedule will accrue paid time off on a prorated basis. Employees will continue to accrue paid time off during all paid absences, and will not accrue paid time off while in any unpaid status.

Consistent with Corporate policy, in special circumstances such as extraordinary unreimbursable medical expense, expense of purchasing a primary residence, tuition payments/post secondary education expense, funeral expenses, etc., the employee may request pay in lieu of using paid time off. In these cases, the Manager of Human Resources may authorize a cash payment in lieu of paid time off. The cash payment in lieu of paid time off is an allowable cost.

The Manager of Human Resources has authority to change PTO entitlement by granting up to two weeks of additional PTO eligibility on an exception basis to select employees when, in the opinion of the Contractor, such an extraordinary entitlement is necessary to successfully hire and retain a senior, critical, or key employee. In such exceptional cases, individuals would be eligible for additional PTO each year as authorized by the Manager of Human Resources until their company service would deem them eligible for more PTO.

4.5 LEAVES OF ABSENCE

4.5.1 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.

4.5.1 Leave Of Absence Without Pay (cont.)

- a. Granting of company service for the full period of the leave (not to exceed 3 years) and restoration of paid time off 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 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 paid time off upon return to work for any leave without pay, other than those listed above, requires prior DOE approval if the leave exceeds 180 days.

4.5.2 Paid Education/Sabbatical Leave

- a. Salary continuation and benefit costs will be allowable for the granting of up to eight leaves company wide for the following purposes:
 - (1) To obtain advanced terminal degrees in fields of study which, in the opinion of the Contractor, will further the DOE mission.
 - (2) To teach or perform research at an accredited college, university, or research institute.
- b. Maximum of eight leaves at any given time.
- c. The leaves require approval by the organizational General Manager and Manager of Human Resources.
- d. May be approved for a duration not to exceed 24 months.
- e. 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.
- f. 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.
- g. 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 may be protected against loss of pay for the period of time needed to fulfill the obligation.

Employees may be paid their adjusted rate of pay for the regular day. Hours paid for under this policy may 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 will be continued for four weeks.

4.8 MILITARY SERVICE, TRAINING, AND EMERGENCY DUTY

Military service, training and emergency duty policies will be administered 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 Civil 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 Community Service (cont.)

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, country, or municipal election consistent with state laws.

4.10 GROUP INSURANCE PLANS

The Contractor will be reimbursed for all cost incurred in implementing, administering, and funding comprehensive group insurance plans. 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 perspective.

PLAN	CURRENT CONTRACTOR COST
Group Life Insurance	Active salaried employees, retirees under age 65 - 50% of full cost for basic life; optional life and dependent life – fully paid by employee
Medical Expense including Prescription Drug and Vision Plans	Active employees - 88% full cost Retirees (with greater than 10 years full-time service) - 75% of full cost
Major Medical Medicare Supplement Plan	Retirees (with greater than 10 years full-time service) - 50% of full cost
Dental Expense Assistance Plan	Active employees - 88% of full cost Retirees under 65 - 75% of full cost
Travel Insurance	100% of full cost
Special Accident Insurance Plan	None - 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 Costs Only

4.10 Group Insurance Plans (cont.)

4.10.1 Benefits Program 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 voluntarily or involuntarily separated on or after October 23, 1992, 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 from employment; and
 - (3) not eligible for coverage under an employer’s group health plan nor 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 this Order.
- 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 Pension and 401 (k) Savings plans. They must be maintained as qualified plans under IRS regulations and only revisions which effect substantive changes or increased costs are subject to prior approval of DOE. The features of the Pension and 401 (k) 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 costs of these plans are included in the table on the bottom of this page.

The grandfathered employees who transition to the Contractor or its first or second tier subcontractors will retain substantially equivalent base pay and employee benefits, to include company service credit and the opportunity to participate in a Multiple Employer Pension Plan and companion retiree medical benefit. The Contractor and its first or second tier subcontractors are also responsible for providing substantially equivalent 401 (k) savings plans and health & welfare programs for the grandfathered employees. The Contractor will provide oversight over its first or second tier subcontractors to insure that subcontractors comply with the substantially equivalent pay and benefits provisions.

4.11 PENSION AND SAVINGS PLANS (Cont.)

**PENSION AND 401 (k) SAVINGS PLANS (GRANDFATHERED
 EMPLOYEES ONLY)**

PLAN	CONTRACTOR COST
Pension Plan	100 % Contractor paid
401 (k) Savings Plan	100% match up to 4% of pay. ⁽¹⁾

401 (k) PLANS (NON-GRANDFATHERED EMPLOYEES ONLY)	
PLAN	CONTRACTOR COST
Trust Component	100% Contractor paid ^{(2) (1)}
401 (k) Component	100 % match up to 4% of pay; an additional 1 % contributed each pay period ⁽¹⁾

⁽¹⁾Includes overtime pay and Incentive Compensation payments.

⁽²⁾Trust payments will be consistent with Corporate-wide payments to employees, not to exceed 6%. Non-grandfathered, union employees will receive 5.8% of pay in the Trust per the collective bargaining agreement.

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 Incentive Compensation

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

- (1) The normal cost to the Pension Plan will not exceed \$19,500 per year in 2002 dollars.
- (2) Only the two Grandfathered employees who were participating in IC and were hired by the Contractor on April 1, 1998, will be covered by this clause.
- (3) Bechtel Jacobs Company will not exceed either the dollar amount or number of employees covered without prior written approval of the Contracting Officer or his designee.

4.11.3 Incentive Compensation (Cont.)

- (4) Performance awards annually included in the Salary Increase Plan (SIP) are not covered by these restrictions.
- b. To minimize discrimination testing costs and to replicate Corporate plan provisions, the inclusion of Incentive Compensation in the definition of compensation for the 401 (k) Plan is an allowable cost with the following restrictions:
 - (1) From 1999, the annual cost of including Incentive Compensation in the Trust and Savings Plan will not exceed .007 percent of the salary of the eligible non-grandfathered employees on December 31 of the preceding year.
 - (2) The Contractor will not exceed the percentage above without prior written approval of the Contracting Officer or his designee.
 - (3) Performance awards annually included in the SIP fund are not covered by these restrictions.

4.11.4 Contract Termination/Expiration

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

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 the 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 in accordance with the provisions of ERISA and the Internal Revenue Code (IRC) 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 quoting pension plan termination annuities. After all obligations for all liabilities (as defined in IRC 1.414(1)) of these defined benefit plans have been fully funded, as well as any related tax liability of the corporation, any remaining assets shall be returned to the DOE. If the assets are insufficient to cover pension obligations, 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).

4.11.4 Contract Termination/Expiration (Cont.)

(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 the DOE against, any and all further liabilities arising from such plans.

(2) If the Contract terminates and there is no replacement contractor, DOE will make available to the Contractor in a timely manner sufficient funds so that the Contractor has no out-of-pocket expenditures from corporate funds to cover all liabilities incurred under this Contract related to Contracting Officer-approved employee welfare benefit plans (including but not limited to medical, life, and workers' compensation). 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 same 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 same from the DOE funds.

4.12 EMPLOYEE ASSISTANCE PROGRAM

The Contractor will provide for an Employee Assistance Program (EAP) 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 under current contract.

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 WORKERS' COMPENSATION AND LEGACY PROGRAMS

The Contractor will provide workers' compensation benefits as required by applicable state laws. The Contractor will also administer and provide payments to eligible individuals described

in the October 1, 2001 Memorandum of Understanding between DOE and the Contractor concerning legacy workers' compensation claims and will administer and provide payments for other DOE legacy programs.

5. EMPLOYEE PROGRAMS

5.1 EMPLOYEE DISPUTE RESOLUTION (EDR) PROGRAM

The Contractor will implement an EDR Program as the mandatory first step for resolving disputes by both the employee and the contractor to effectively accomplish the performance of work under the contract at a reasonable cost to DOE. The Contractor's costs associated with mediation and arbitration are allowable under the contract. The Contractor may provide financial assistance to employees who have contracted for legal services to assist them with their mediation or arbitration under the EDR Program. Contractor may provide, after a deductible of \$100, 80% of the balance of legal fees to a maximum of \$2500 per employee per year.

5.2 EDUCATION AND TRAINING

a. Cooperative Educational Program

The Contractor may provide temporary employment opportunities for students under the cooperative education and student intern programs. Cooperative education and student intern employees are not eligible to participate in the Educational Assistance Program.

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 skills required by the Contractor. Eligible employees must satisfactorily complete courses of study to be eligible for assistance. Educational assistance may include payment for tuition, textbooks, and fees up to a maximum of \$5,250 per employee per year. 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 the 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 which 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.

5.2 EDUCATION AND TRAINING (Cont.)

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.

5.3 EMPLOYEE RECOGNITION

The costs of Contractor employee recognition programs 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:

- Company service awards for achieving service milestones consistent with the Corporate Service Awards Program.
- Safety awards and recognition to promote health and safety.
- Accelerated closure awards and recognition to promote commitment to DOE's accelerated closure commitments.
- 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.

From 1999, Grandfathered employees who transition to workforce transition subcontractors will participate in a separately-funded, Contractor-managed service recognition program at an average cost of \$150 per employee, per year.

5.4 PATENT AWARDS

Cash awards of \$500 may be made to each inventor (or each co-inventor) for each invention filed in the U.S. Patent and Trademark Office which benefits the objectives of the Contractor and DOE.

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 actual and reasonable costs according to Public Law 103-355, (Federal Acquisition Streamlining Act of 1994), applicable provisions of the FAR and DEAR, the Federal Travel Regulations, the Internal Revenue Service auto allowance, and standard industry practice. 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 domestic locations of significant distance from their regular assignment location or in a foreign country, on a temporary or permanent basis, compensation may include allowances to address the incremental increase in the cost of living. 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.
- 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. Reasonable and necessary expenses incurred in the recruitment of personnel consistent with applicable provisions of the DEAR and FAR and standard industry practice 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 requires Engineers and Scientists in certain job classifications to obtain professional licenses, certificates and/or registrations to formally practice their trade. The Contractor reimburses employees for certain costs associated with the initial registration upon passing the required exam and becoming registered. These include tuition for one Contractor approved exam preparatory course, course book costs, special examination fees, registration fee, stamp and initial exam time if scheduled during normal work hours. Other expenses are not reimbursed.

Salaried Engineers and Scientists in salary grades 28 and below and all Technical Specialists will be reimbursed for actual receipted expenses associated with license maintenance fees. Employees who do not meet the professional qualifications requirements, or do not keep their professional registration current, will not be reimbursed said fees.

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

Consistent with Section H-12 in the Prime Contract, the cost associated with Corporation and other non-Corporation employees not working for Bechtel Jacobs Company, borrowed for work under this contract or to support accelerated closure 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 and accelerated closure goals. Each loan arrangement will be reviewed to assure no conflict of interest exists and must be approved by the general manager. 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

The Contractor will be reimbursed for costs for activities incidental to the promotion of morale, welfare, health, and safety of employees, such as employee publications; health and first aid clinics; 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 activities 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 the employee 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 PROFESSIONAL SOCIETY MEMBERSHIP

Contractor may reimburse membership fees in professional societies or organizations for employees who hold a position of responsibility, such as an active membership of a standards, practices or codes committee, or an officership in a local section or national organization, or otherwise maintain membership for the direct benefit of the Contractor and the DOE.

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. The Contractor will closely manage and control the number of memberships necessary for the performance of effective work under the contract, and costs will not exceed \$32,000 annually (includes \$20,000 for Healthcare 21 Coalition) without DOE-ORO approval.

7.10 OVERSIGHT OF SUBCONTRACTORS

The Contractor and DOE recognize the substantive responsibility that the Contractor has to provide adequate oversight of its subcontractor's human resources (HR) management practices and to flow down to subcontractors applicable programs. The time spent for the contractor to provide adequate oversight of subcontractors in the following areas is an allowable cost: assuring a smooth workforce transition, assuring substantially equivalent pay and benefits where applicable, implementing the MEPP and other applicable employee benefits, assuring positive labor-management relations, assuring a diverse workforce, and assuring the existence of a viable employee concerns resolution program. In addition, reasonable costs necessary for effective implementation of these HR programs, benefits, and activities by each covered subcontractor, are allowable.

8. POST TRANSITION PERIOD WORKFORCE TRANSITION MANAGEMENT

Consistent with Section H-20 of the Prime Contract and the Contractor's approved Transition Plan, there resides with the Contractor the continued responsibility to ensure certain entitlements for the population of Transitioned and other Grandfathered employees beyond the defined Transition Period (3/31/98 – 3/31/00). The maintenance of these entitlements is recognized by the Contractor and DOE as a primary strategy for maintaining positive employee/labor relations and a highly productive work force. Reasonable costs associated with implementation and administration of benefit plans and other programs required to ensure these entitlements beyond the Transition Period are allowable.

- a. Right of First Refusal will continue to be afforded to Incumbent employees who are affected by subcontracting new scopes of work and to Grandfathered employees impacted by subcontract re-competition.
- b. Substantially Equivalent base Pay and Benefits will be provided to Incumbent employees whose transition from Bechtel Jacobs to a subcontractor, or from one subcontractor to another, is resultant from subcontract re-competition or subcontracting new scopes of work. Benefits will include eligibility for the MEPP and Severance Plan and either (1) Bechtel Jacobs MEWA and the M&I 401(k) Plan or (2) employee welfare benefits and 401(k) Plan judged substantially equivalent by Bechtel Jacobs at the time of transition.
- c. Newly hired employees of Bechtel Jacobs and its first- and second-tier subcontractors who are granted Grandfathered status, and rehired Grandfathered former employees, will be eligible for the Bechtel Jacobs MEWA, or will be provided benefits substantially equivalent to those provided other Grandfathered employees at the time of rehire. Since these hires will not involve Incumbent employees and may involve positions with responsibilities different from former positions, pay will be negotiated between the employee and the hiring company.
- d. Incumbent employees and other Grandfathered employees who transition will continue their service uninterrupted for the MEPP, Severance Plan and Paid Time Off (PTO) Plan, consistent with plan provisions in effect at the time of transition.
- e. Grandfathered former employees who are rehired, and newly hired employees granted Grandfathered status, will have prior eligible service credited for the MEPP, Severance Plan and PTO Plan, consistent with plan provisions in effect at the time of rehire.
- f. Newly hired employees of Bechtel Jacobs or its first- and second-tier subcontractors who are not Grandfathered and are not eligible for Grandfathered status will not be eligible for the MEWA, MEPP, or Severance Plan, but may be eligible for the commercial plans of their respective employers.

Eligibility for the various entitlements and plans is depicted in Figure 1 below.

FIGURE 1

**POST TRANSITION PERIOD (4/1/98 – 3/31/00)
WORKFORCE TRANSITION MANAGEMENT ^(1, 2)**

	ROFR	Pay	Health and Welfare Plans	MEPP	Severance	PTO
GF Incumbent Employees ⁽³⁾	Yes	Same	MEWA or Substantially Equivalent	Continuous Service	Continuous Service	Continuous Service
New hire GF or GF Former Employees ⁽⁴⁾	N/A	Negotiable	MEWA or Substantially Equivalent	Reinstated ^(5, 6)	Reinstated ^(5, 7)	Reinstated ⁽⁵⁾
Non-GF New Hires	N/A	Negotiable	BJC Plans or Commercial Plans if Sub	No	No	No

- (1) Does not include Portsmouth GDP turnover
- (2) Employment and Benefits of bargaining unit employees governed by collective bargaining agreements
- (3) Re-competition of existing WFT subcontract or award of new WFT subcontract
- (4) Rehired by BJC or WFT subcontractor
- (5) Those terminating employment after 12/31/00 for any reason other than RIF forfeit GF status and would be non-GF new hires if reemployed
- (6) Former USEC where no pension assets were transferred have their pension benefit offset by the employee's eligible USEC pension benefit
- (7) If former USEC previously paid severance, eligibility granted but service not reinstated and service date set to the date of hire. If former BJC or WFT Sub, service reinstated and future severance payment reduced by previous amount paid.