

**Argonne National Laboratory Prime Contract****Appendix A Advance Understandings on Human Resources**

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*Last revised: August 15, 2012*

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**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. **Compensation.**
1. Any position change or salary action for the leadership work force (L4 and above) shall require prior approval by the Laboratory Director.
  2. Any combination of salary increases for any employee in a single Compensation Increase Plan (CIP) year (March 1st to February 28th), including merit increases and those resulting from reclassification and promotion, which result in a salary that is 15% greater than at the start of the CIP year shall be reported annually to the Contracting Officer (March 31st).
  3. Annual funding for promotions shall be included in the Compensation Increase Plan (CIP) 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.
  4. Additional compensation (non-base for exempt employees and base for non-exempt employees) 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

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- position. The result of the additional compensation shall fall within the salary range parameters as published annually. Assignments beyond six months must be approved by the Director, Human Resources. Compensation increases greater than 20% or exceeding one year require Contracting Officer approval. All supplements shall be reported annually to the Contracting Officer.
5. Foreign assignment allowances for employees whose physical work location is outside the United States are allowable provided they do not exceed terms offered by DOE (as described in the DOE Handbook on Overseas Assignments). Such allowances will be reported annually to the Contracting Officer.
  6. Hiring and retention supplements. The Laboratory Director is authorized to implement a Hiring and Retention Supplement Program. Contracting
  7. Officer approval is required for all changes to policy impacting supplement maximums. The Laboratory will provide the Contracting Officer an annual report specifying supplements paid and effectiveness of the program.
  8. Notwithstanding any other term or condition set forth in this Contract, the Contracting Officer's approval of compensation actions pursuant to H.22(b)(8) 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) and the most recent Acquisition Letter addressing Contractor Executive Compensation.
- c. Compensation Increase Plan (CIP).**
1. The Contractor shall submit an annual CIP proposal by November 30th for Contracting Officer approval.
  2. In order to pay "on-market-on-average," in the calculation of market position, Laboratory salary data shall be matched to survey data extrapolated to September 1st the midpoint of the CIP year (March 1st to February 28th).
  3. The CIP shall be expressed as a percentage of the projected February 28 base payroll.

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4. The Contractor is authorized to make minor shifts of funds across employment categories after approval of the CIP in order to meet the compensation requirements of its organization, subject to the following guidelines:
  - Minor shift is defined as up to 10% of approved CIP funds by employment category (e.g., Scientist/Engineer, Admin, Exempt, Non-Exempt).
  - Total increase expenditures will be limited to the total CIP approved.
  - Special Adjustment funds will not be interchangeable.
  - Contractors will notify the Contracting Officer that funds have been shifted.

**d. Payment of Joint Appointees.**

Home institutions shall be reimbursed for the joint appointee's salary, fringe benefits and overhead according to the percentage of time the joint appointee works for the host institution. The Laboratory may supplement the joint appointee's salary if it is determined that the home university's pay scale is not competitive with the Argonne pay scale for a comparable position. These supplements are non-base. Such payment must be made through an agreement with the home institution, and the supplemental amount will be paid directly to the home institution. In no case will the home institution be reimbursed an amount greater than what a comparable position at the Laboratory would receive. Such transactions will be approved by the Contracting Officer on a case by case basis and will be documented in the quarterly report provided to DOE.