

**Argonne National Laboratory Prime Contract****Appendix A: Personnel Appendix**

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*Last revised: September 29, 1999*

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**V. COMPENSATION PROGRAM**

The Laboratory shall develop and implement a compensation program that meets the tests of allowability and reasonableness by Federal Acquisition Regulations 31.205-6 and Department of Energy Acquisition Regulations 970.3102-2, Compensation for Personal Services.

**A. Self Assessment & DOE Certification**

The Laboratory shall submit to the Contracting Officer for approval, before September 30, 2000, a written Compensation Program self-assessment. DOE will make a good faith reasonable effort to respond on certification within 90 days of receipt of the self-assessment. Until such time that DOE has made a determination on certification, approvals regarding compensation actions are limited to the salary actions for the individuals described in Appendix F of this Contract. The self-assessment will form the basis for DOE's certification of the ANL compensation program and shall include consideration of the following documentation:

A description of the compensation program with relevant market comparisons and a description of the following components:

Philosophy and strategy for all pay delivery programs.

System for establishing a job worth hierarchy.

Method for relating internal job worth hierarchy to external market.

System that links individual and/or group performance to compensation decisions.

Method for planning and monitoring the expenditure of funds.

Method for ensuring compliance with applicable laws and regulations.

System for communicating the programs to employees.

System for internal controls and self-assessment.

System to ensure that reimbursement of compensation, including stipends, for employees who are on joint appointments with a parent or other organization shall be on a pro-rated basis.

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DOE and the Contractor shall meet to work out mutually agreeable criteria for the Laboratory's self-assessment.

DOE will evaluate the strategies, data and assumptions made by the Laboratory in the self-assessment to evaluate the acceptability of its compensation practices. DOE's review process may include the use of outside consultants, review of industry benchmarks, best practices and DOE Contractor experience data. However, an important factor in evaluating the acceptability of the compensation system should be how well it meets the strategic hiring and retention needs of the Laboratory, which may result in some variance with industry norms.

If the Contractor compensation system is disapproved or if the Contractor fails to maintain certification, the Contractor shall be required to submit all individual salary actions over \$100K, the annual proposed CIP fund, a plan and schedule for correcting the compensation elements giving rise to lack of certification, and any proposed changes to the compensation program to the Contracting Officer for review and approval until such time as the system is certified.

**B. Significant Changes To A Certified System**

Significant compensation program design changes implemented subsequent to certification of the Laboratory's compensation program will require Contracting Officer approval.

**C. Annual Compensation Increase Plan (CIP)**

By August 1 of each year, the Laboratory shall conduct an annual CIP process that includes the elements set forth in D. below. The CIP does not require DOE review and approval unless any of the following conditions are met:

The Laboratory's CIP proposal exceeds the guidelines as set forth in annual approval procedures for CIPs issued by DOE-Headquarters.

The Laboratory uses unapproved surveys or methodology.

The Laboratory fails to meet any mutually agreed upon performance expectations, if any.

The Laboratory fails to secure Board of Governor's approval of the CIP.

The compensation system is disapproved by the Contracting Officer.

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**D. Elements Of A CIP**

The CIP shall include the following components and data:

Comparison of average pay to market average pay.

Information regarding surveys used for comparison.

Aging factors used for escalating survey data and supporting information.

Projection of escalation in the market and supporting information.

Information to support proposed structure adjustments, if any.

Analysis to support special adjustments.

Funding requests for each pay structure to include breakouts of merit, promotions, variable pay, special adjustments, and structure movement.

A discussion of the impact of budget and business constraints on the CIP amount.

Comparison of pay to relevant factors other than market average pay.

Proposed CIP fund totals expressed as a percentage of the payroll as of the day prior to the effective date of the spending authority (September 30 payroll for promotion fund and February 28 payroll for merit fund).

All pay actions granted under the CIP, excluding the costs associated with a posted promotion to the minimum of the new salary range, are fully charged when they occur regardless of the time of year in which the action transpires and whether the employee terminates before year-end.

Specific payroll groups (e.g., exempt, nonexempt) for which CIP amounts are intended shall be defined by mutual agreement between the Contractor and the Contracting Officer.

The Contracting Officer may adjust the CIP amount after approval based on major changes in factors that significantly affect the plan amount (for example, in the event of a major reduction in force or significant ramp-up).

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**E. Individual Compensation Actions**

The Contractor, with the University of Chicago Board of Governor's for Argonne National Laboratory endorsement, will provide to the Contracting Officer for approval the annual recommended salaries, including bonuses for those positions identified as "Key Personnel" in Appendix F of Part III, Section J of this contract. Upon certification of ANL compensation program by DOE, approvals will only be required for the six salary actions of the Laboratory Director, Associate Laboratory Directors and the Chief Operations Officer.

**F. Variable Pay Plans**

Any proposed establishment of a variable pay plan, must be budget neutral. Such proposal must contain:

The design of the variable pay plan, the funding methodology, and linkage to contract performance measures.

Requirement for approval of a variable pay plan design changes by the Contracting Officer prior to implementation.

Requirement for an annual approval, prior to the performance period, of the total dollar amount of the pool, the eligible positions, and contract performance goals.

Requirement for policy that provides a specific passover rate, i.e., percent of participants who will not receive an incentive.

Requirement for an annual summary report on distributions made under a variable pay plan.

Requirement for pay-at-risk.

**G. Non-Base Lump Sum Payments**

On an annual basis, the Laboratory may establish a separate pool of funds that would be available to be distributed in non-base lump sum payments to employees subject to the following conditions:

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- (a) The pool of funds available for non-base lump sum payments is dependent upon the Contractor's annual performance as determined under Appendix B of this Contract and Exhibit V of this Appendix.
- (b) For FY2000 and 2001, the maximum amount of funds available in the non-base lump sum pool shall not exceed one percent of total non-union base compensation for regular employees. Total available funds and methodology for determining total available non-base lump sum pool beyond FY2001 shall be determined annually by the DOE Contracting Officer in consultation with the Contractor.
- (c) No portion of the non-base lump sum pool is guaranteed. The entire pool is at risk dependent upon Contractor performance.
- (d) All regular non-union employees are eligible to receive a non-base lump sum payment. The non-base lump sum pool will be distributed to Laboratory selected employees based on individual performance as determined during the annual performance appraisal process.
- (e) The non-base lump sum pool shall be budget neutral and funded out of the Laboratory's operating funds (separate from the Compensation Increase Plan Fund).
- (f) The Laboratory's total direct pay (base plus non-base) shall not exceed the average of market total direct pay (base plus non-base) as determined by annual market surveys.

**H. Reports**

The Laboratory shall provide the Contracting Officer with an annual Contractor Salary-Wage Increase Expenditure Report that includes breakouts for merit, promotion, variable pay, non-base pay (lump sum), special adjustments, and structure movements for each pay structure showing actual against approved amounts.

The Laboratory shall provide a semiannual Report of Compensation which includes: Subtotal dollar amounts for exempt and nonexempt employees; and individual compensation by employee name, position, and amount for each direct report to the top official and individual compensation at \$100,000 and above.