

SECTION J

APPENDIX A

STATEMENT OF WORK

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CHAPTER I. Objectives, Scope, and Requirements

1.0 OBJECTIVE

The objective of this Contract is to obtain non-nuclear production services to support National Nuclear Security Administration (NNSA) and broader national security requirements. The Contractor shall be fully responsible for functions to support NNSA Stockpile Stewardship and Management Program activities directed by the Office of Defense Programs (DP). Furthermore, the Contractor shall directly support the NNSA Offices of Safeguards Transportation and Nuclear Non-Proliferation in addition to other Department of Energy (DOE) offices. Beyond DOE/NNSA, the Contractor shall provide unique services to ongoing missions for other Government agencies or privately owned organizations in accordance with policies identified in the operating requirements.

In addition to achieving Presidential goals outlined in the April 2010 Nuclear Posture Review, this Contract will strengthen NNSA's vision for a fully integrated and interdependent Nuclear Security Enterprise (NSE), consisting of all eight NNSA sites, by achieving the following three specific objectives:

- (i) Improving performance in the completion of national security missions for non-nuclear production operations;
- (ii) Reducing the cost of performing work; and
- (iii) Requiring actions that support operation as an integrated DOE/NNSA enterprise.

2.0 BACKGROUND

2.1 The NNSA Mission

The NNSA, established by Congress per the NNSA Act (Title XXXII of the National Defense Authorization Act for Fiscal Year 2000, Public Law 106-65) as a semiautonomous element within DOE, is responsible for the management and security of the nation's nuclear weapons, non-proliferation, and naval propulsion programs. It also responds to nuclear and radiological emergencies in the United States and abroad, and NNSA federal agents provide safe and secure transportation of nuclear weapons, components and special nuclear materials.

2.2 The NNSA Organization

NNSA relies on Management and Operating (M&O) Contractors to manage day-to-day site operations and to adhere to its policies when operating its laboratories, production plants, and other facilities in the NSE. Together, the M&O Contractors implement NNSA's all-encompassing Stockpile Stewardship Program managed by Defense Programs that includes operations associated with surveillance, assessment, maintenance, refurbishment, manufacture and dismantlement of the nuclear weapons stockpile as well as research, development and certification efforts.

2.3 Becoming an Enterprise

Overall, the NNSA needs to carry out its mission within research, development, and manufacturing organizations that are integrated, efficient, and cost effective. Work must be aligned with requirements received from key customers in a manner that strives to retain the intellectual excellence and key infrastructure capabilities demanded by national interests.

Throughout the 1990s, the DOE/NNSA took steps to consolidate to its current configuration of three national laboratories, four production plants, and a nuclear test site. In an evaluation of the NSE completed in October 2008, NNSA published a Supplemental Programmatic Environmental Impact Statement (SPEIS) that analyzed alternatives for transforming the complex into a smaller more efficient enterprise that responds to changing national security challenges and ensures the long-term safety, security, and reliability of the nuclear weapons stockpile. Two Records of Decision (RODs) informed by this SPEIS were published in December 2008.

While the RODs look at transforming the physical infrastructure, other initiatives have been undertaken to improve management and business practices. Two councils have been formed: one among the Contractor senior management and another among the federal site managers. The main function of these councils is to improve the integration and communication within the enterprise. Also, governance reform is an NNSA management initiative that focuses on developing a partnering relationship between the federal team and the supporting M&O Contractors.

2.4 Location of Performance

The term "Kansas City Plant" as used herein includes several Government-owned or leased facilities, along with a variety of satellite operations. The primary facility is located in Kansas City, Missouri, and consists of a Government-owned nuclear weapon component production plant that manufactures electrical, electronic, mechanical, electro-mechanical, plastic, and metal components. During the term of this contract, a new facility will be built approximately seven miles south of the existing facility, still to be located in Kansas City, Missouri. For some period of time, operations will be ongoing at both the old and new facilities. Both Kansas City facilities are therefore included in the term "Kansas City Plant." Satellite operations include Government-owned or leased facilities located in Albuquerque, New Mexico, that provide support to other DOE organizations associated with nuclear weapons activities; support operations in Los Alamos, New Mexico; support operations at Fort Chaffee, Arkansas; and support operations at several training and communications sites.

The existing Kansas City, Missouri, plant is situated on approximately 140 acres of the 300 acre Bannister Federal Complex. It is within the city limits in a highly developed area approximately 12 miles south of downtown Kansas City. The 3.1 million square foot plant shares the Bannister Federal Complex with numerous other federal agencies, and operates the site in conjunction with the U.S. General Services Administration. The plant is dominated by a large manufacturing building of 2.2 million gross square feet, and thirty-six other buildings with a total of approximately 0.9 million gross square feet. As of May 28, 2010 the Kansas City, Missouri, employment is approximately 2,400 people.

The new Kansas City, Missouri, plant will be situated on approximately 191 acres and will be located at Botts Road US 150 highway. The facility is being constructed by Centerpoint-Zimmer LLC for the General Services Administration who will then rent the facility to NNSA through an Occupancy Agreement (OA). The OA is for a 20 year period of time with a 10 year option period. The facility is scheduled to be completed in November 2012 for the NNSA mission and in May 2013 for the National Secure Manufacturing Center (NSMC) per the current schedule. There will be 4 buildings at the new facility. Building 1 will be office space and buildings 2 & 3 will house NNSA's manufacturing. Building 4 will house NSMC's Work for Others activities. After construction of the new facility is completed, FM&T will move operations over a 18-month period of time. The Bannister facility will be dispositioned once it is determined to be excess to NNSA's needs and disposition shall take place as soon as practicable.

Kirtland Operations, located in Albuquerque, New Mexico, are principally located on 20.4 acres on Kirtland Air Force Base (KAFB), adjacent to the city. This site consists of 24 Government-owned buildings and trailers totaling approximately 56,000 gross square feet. Additional space is leased at several locations within the city for other operations. These consist of approximately 35,000 gross square feet in the Craddock facility, approximately 9,000 gross square feet in the Air Park facility, both near KAFB, and approximately 1,000 gross square feet of office space in Los Alamos, New Mexico. The New Mexico operations are generally responsible for the various satellite operations within the responsibility of the Kansas City Plant. As of February 1, 2000, the Albuquerque employment was approximately 200 people.

Future plans for Kirtland Operations include moving all operations in support of OST and WFO from NC-135 to a leased space in the vicinity of the currently occupied Craddock and Air Park facilities. The relocation is currently scheduled to be completed by the end of FY 2014. The move will result in the return of approximately 10 acres of land to the US Air Force. Approximately 45,000 total square feet will have to be leased to replace the 65,000 total square feet currently available in facilities at NC-135. The new leased space will require Tenant Improvements necessary to accomplish the mission. Five existing buildings at NC-135 totaling approximately 14,000 square feet will be completely turned over to NA-42 in FY 2011

3.0 SCOPE

This Contract is comprehensive with an objective to perform all necessary operational, coordination, and management functions required to support NNSA and broader national security missions assigned to this facility. This includes but is not limited to all ongoing missions and functions, as well as those that may be assigned during the term of the Contract. It further includes all infrastructure management and maintenance; information technology; human resource management including critical skills recruitment and retention; environmental management; health, safety and security systems; and purchasing, asset management and other administrative systems.

The Contractor shall be fully responsible and accountable for the safe and secure accomplishment of all work, whether performed by its own personnel or team members, including subcontractors. The Contractor shall be responsible for planning and coordinating production schedules; integrating, managing and executing the programs; supporting and executing large and small projects; and completing operations and other activities as described in this Statement of Work.

3.1 Mission

The Contractor shall safely and securely complete all mission responsibilities and improve performance in the completion of national security missions for non-nuclear production operations and all other national security missions, as applicable. NNSA has a National Work Breakdown Structure (NWBS) that is discussed further in Section J, Appendix F, National Work Breakdown Structure. For this Contract, the general work structure and functional activities of the site is defined in Section J, Appendix A, Chapter II, Work Scope Structure. At a minimum, the Contractor shall:

The scope of operations at the Kansas City Plant includes manufacturing and/or procuring a multitude of nonnuclear electrical, electronic, electro-mechanical, mechanical, plastic, and metal components for nuclear weapons. These manufacturing and/or procurement operations are reflected in approximately 5,700 major active part numbers and 1,000 ship items, requiring 120 major technologies/processes, supporting 42 product lines, approximately 300 suppliers. The Kansas City Plant Contractor provides and operates a production management system to control and level-load the output of multiple manufacturing processes, considering an average of 8,000 weapon packages are shipped monthly.

At a minimum the contractor shall:

- (1) Ensure the full set of manufacturing and evaluation operations are performed safely, efficiently and timely for active production technologies,
- (2) Implement diagnostic techniques that will provide high quality data on the safety, security and reliability of the nuclear weapons components manufactured and/or procured through the Kansas City Plant,
- (3) Effectively use advanced design and manufacturing technologies and systems to design and produce products on short cycle times, with quality that approaches zero defects,
- (4) Effectively support requalification activities for the manufacture of electrical, electronic, electro-mechanical, mechanical, plastic, and metal components and hardware to support the NSE's response to stockpile issues including movement to a new facility, and
- (5) Achieve the plant footprint/space efficiency objectives of the Kansas City, Missouri operations prior to movement into the new facility in 2012.
- (6) Provide design support for Kansas City Responsive Infrastructure and Manufacturing (KCRIMS) project to ensure new facility meets NNSA's Program of Requirements. Reviews of change orders must be completed on time to ensure there is no Government delay caused by the M&O Contractor.

- (7) Move Planning and Execution is performed safely, on time and within budget and does not impact production operations negatively.
- (8) Disposition planning, preparation and execution are performed within scope and schedule. Cost of disposition is to be minimized to protect RTBF budgets. Work is to be accelerated to the extent possible to minimize outyear RTBF budgets.

In order to achieve the above results, the Contractor is expected to move to a higher level of performance throughout the term of the Contract by making the following process enhancements:

- Demonstrate a culture of continuous improvement for plant disciplines (such as cross-functional skill development, flexibility in job classifications, process-based manufacturing, outsourcing of appropriate products, quality, scheduling for continuous output, cost controls) and the associated metrics to demonstrate performance,
- Improve integration, partnering, and support among the NSE Contractors to promote early on-site problem solving and assist in NSE site issues, consolidation of business elements, and cost efficiencies,
- Develop and deploy effective strategic planning for the mission in the environment of changing budgets and technical and regulatory requirements,
- Assure effective human resource management and the availability of critical skills and capabilities to ensure operations are performed timely and efficiently, and
- Ensure that the infrastructure and facilities are operationally safe, secure, compliant, and that an acceptable defined level of readiness is sustained at all facilities to meet programmatic requirements while the floor space required for plant operations is reduced for movement to the new facility.

Operational excellence is a desired underlying philosophy and mindset expected for the Kansas City Plant. This incorporates the principle that compliance with regulations and standards shall be accomplished while performing Kansas City Plant missions on time, at a reasonable cost, while protecting human health and the environment, and conserving the Government's assets. Operational excellence shall include a focus on the requisite rigor and discipline in all aspects of Contractor activities and, in particular, holding management and staff accountable. To achieve this operational excellence, it is essential that operations at the Kansas City Plant be performed in a manner that meets DOE and other regulatory objectives. Therefore, a disciplined, effective and efficient management system to meet and exceed current industry performance in manufacturing operations is a significant objective of this contract.

3.2 Cost Savings

The Contractor shall safely and securely complete mission responsibilities while achieving cost savings in accordance with the commitments included in the Contract. At a minimum the Contractor shall:

- (i) Develop an integrated performance measurement baseline (with cost, scope and schedule) for NNSA approval within one year of the Base Term;
- (ii) Provide cost data transparency in support of the DOE/NNSA Field Chief Financial Officer cost data calls to support cost baselines (see Section J, Appendix M, Functional Activity Definitions);
- (iii) Utilize cost benefit analyses to determine the appropriate level of support functions and risk;
- (iv) Tailor Earned Value Management System (EVMS) application or equivalent in accordance with requirements in DOE O413.3A at the appropriate level;
- (v) Support independent third party validation of any savings claimed; and
- (vi) Support benchmark studies to compare performance against an appropriate set of industry and Government peers.

3.3 Enterprise Success

The Contractor shall participate with NNSA and other NNSA M&O Contractors as part of an "enterprise organization" to evaluate, plan, develop and implement strategic initiative activities that optimize mission and business operations across the NSE. The goal of these initiatives is to increase the efficiency and cost effectiveness from a business and mission perspective.

The Contractor shall lead and/or participate in strategic business and management initiatives that result in reduced operational costs enterprise-wide, more consistent work practices and operational processes, better pricing, better products, more timely delivery, reduced administrative costs and lead times for both the Contractor and the DOE/NNSA, greater standardization and interchangeability across the NSE, and increased awards to small business entities.

Strategic mission initiatives shall result in timely fulfillment of mission goals such as weapon design, development and production scheduling. The Contractor shall lead and support these and other initiatives that result in a shift to an enterprise focus based on the Contractor who possesses the most expertise and experience level within the NSE.

The Contractor shall cooperate with NNSA and NSE Contractors in identifying potential cross-NSE benefits to be derived from implementing common practices and goals across the NSE in the areas of mission workload and enterprise functional support.

The Contractor and NNSA shall establish performance incentives with performance measures and targets for strategic efforts that would result in enterprise performance improvement overall for the Government.

4.0 ADMINISTRATIVE AND TECHNICAL REQUIREMENTS

4.1 Integrated Safety Management (ISM), Integrated Safeguards and Security Management (ISSM), Environmental Management System (EMS), and Quality Assurance Systems (QAS)

The Contractor shall ensure that the principles of ISM, ISSM, EMS, and QAS are integrated into its operations.

4.2 Work Authorization (WA) System

Specific work requirements under this Contract will be established annually and updated as needed by the Contracting Officer in accordance with DOE Order 412.2 entitled “Work Authorization System” and the Contract’s Section I Clause entitled “DEAR 970.5211-1, Work Authorization.” Prior to the start of each fiscal year and during the year, the NNSA will provide program execution guidance through a comprehensive set of WAs which will provide the Contractor sufficient detail to develop estimated cost, scope, and schedule. The Contractor will respond to each WA by developing a detailed work proposal, which will consist of activities within the NNSA Integrated Performance Measurement Baseline. Both the work proposals and the NNSA Integrated Performance Measurement Baseline will be consistent and compatible with the format in Section J, Appendix F, National Work Breakdown Structure where it applies, and consistent with instructions from the Contracting Officer where it does not.

The Contractor shall submit periodic cost, schedule, and technical performance plans and reports in such form and substance as required by the Contracting Officer (for more information concerning these reports refer to Section J, Appendix O, Program Management and Cost Reports). These periodic plans and reports shall be submitted at the interval, and to the addresses and in the quantities as specified by the Contracting Officer. Where specific forms are required for individual plans and reports, the Contracting Officer shall provide such forms to the Contractor.

4.3 Information Technology (IT)

The NNSA seeks to optimize the efficiency of the NSE through enterprise information sharing, activities that enable the enterprise integration of IT systems, NSE-wide processes that lead to multi-site optimization, and technologies that enable these processes. This entails the careful examination of existing systems and architecture across the sites to develop a single, integrated “to-be” vision that utilizes the best available technologies and management practices from both Government and commercial sources to improve and achieve performance excellence, including fiscal efficiency. With respect to production, these efforts shall include, but are not limited to, the implementation of multi-site, integrated manufacturing based information systems that support weapons production, special nuclear material (SNM) accountability, production scheduling and flow, surveillance, weapon retirement, process knowledge archiving, and preservation of production and certification records. Desktop and back-office computing capabilities should be compatible with those used by NNSA entities to the extent beneficial to the NNSA. Back-office functions shall include, but not be limited to, payroll, human resources, etc.

If the Contractor plans to offer a deliverable that involves IT that is not initially Internet Protocol version 6 (IPv6) and Homeland Security Presidential Directive (HSPD)-12 compatible, the Contractor agrees to (1) obtain the Contracting Officer's approval before starting work on the deliverable; and (2) provide a migration path and firm commitment to upgrade to IPv6 and HSPD-12 compatibility for all application and product features.

The Contractor agrees to and does hereby grant to the Government an irrevocable, nonexclusive, paid-up license by or for the Government, in any Contractor-owned software and systems brought in and used. Said license shall be limited to the continued non-nuclear production work by successor Contractors.

4.4 Governance

Governance is the system of management and controls exercised in the stewardship of the organization. The governance system shall be consistent with NNSA governance documents at Section J, Appendix G, Governance. Contractors must self-govern and deliver mission results in a safe and secure manner. The Contractor shall implement governance through a collaborative partnership with NNSA to form the self-governance framework by which the mission is accomplished in an effective and efficient manner. The governance framework invokes trust and confidence between parties, defines expectations and authorities and verifies performance by utilizing objectives, requirements, assessments, metrics and rewards. The Contractor will focus on management transformation activities that maximize the ability to complete the mission in a way that ensures effective and efficient stewardship of the taxpayers' money. The Contractor shall streamline operations and reduce costs to maximize mission accomplishment through a common understanding of expectations and performance accountability, supported by a strong Management Assurance System (MAS). The Contractor shall have a MAS as a subordinate and supporting feature of Governance as described in 4.4.1 below.

4.4.1 Management Assurance System: The Contractor shall have a Contractor designed and utilized system to manage performance consistent with Contract requirements. The MAS shall be a primary tool used by Contractor management to measure and improve performance, ensure that mission objectives and Contract requirements are met; ensure that workers, the public and the environment are protected; and ensure that operations, facilities, and business systems are efficiently and effectively operated and maintained. An effective MAS integrates Contractor management, supports corporate parent governance and facilitates Government oversight systems as described in Section H.14, Management Assurance. NNSA oversight shall not be relied upon by the Contractor as the primary feedback in assessing its performance. The Contractor is fully accountable for performing its own assessment of these areas.

4.4.2 Parent Organization(s):

- (i) The contractor is encouraged to identify opportunities for the use of parent corporate systems and corporate home and branch office personnel for site operations for the purposes of monitoring plant performance, assisting the plant in

meeting its mission and operational requirements, streamlining the Contractor's administrative and business systems, improving performance, and adapting private sector expertise to plant issues.

The term "systems" means any discrete process, procedure, program, document or instrument where cost of use under this contract can be identified and quantified to the parent corporation.

- (ii) The Contractor, prior to using any parent corporate systems or home and branch office personnel where reimbursement is expected, shall submit a plan for review and approval by the Contracting Officer. In reviewing the Plan, the Contracting Officer shall consider the extent to which each separate element of the Plan is more efficient and/or represents an overall cost savings to the Government versus existing site systems, assists the parent corporation or the contractor in monitoring plant performance and in meeting mission and operational requirements or brings value-added expertise to plant issues. In addition, in using parent corporate systems, the Contractor must show that it is able to maintain associated data in a form readily transferable to a successor contractor.
- (iii) Parent corporate systems and home and branch office personnel are allowable costs to the extent incurred consistent with the approved Plan and this section.
- (iv) The Contractor shall charge to the account of the Government as provided in the clause entitled "Payments and Advances," or as otherwise directed by the Contracting Officer, the amounts incurred for the approved systems and related support services. Such amounts will be charged and accounted for as follows however, in no event shall they be inconsistent with the FAR or DEAR cost principles applicable to this contract. Costs may include travel, per diem, and other out-of-pocket costs, plus the actual salaries of the persons performing such services plus a percentage factor of salaries to cover fringe benefits and payroll taxes. The percentage factor will be applied in accordance with the Contractor's Cost Accounting Standards Disclosure Statement. Costs reimbursed for parent corporate systems will be based on actual costs or some reasonable basis of allocation consistent with the Contractor's Cost Accounting Standards Disclosure Statement.
- (v) The Contractor shall provide periodic reports of activities and costs incurred as required by the Contracting Officer. The amount reimbursable under this Contract shall be subject to NNSA/DOE audit.

4.4.3 Performance Evaluation Plan: The Contractor shall participate in the formulation of Performance Evaluation Plans (PEP) for a defined period of time. The PEP shall include performance incentives, performance measures, and targets.

4.4.4 Performance Metrics: The Contractor shall propose a list of performance metrics that provide Contractor and NNSA management an overall assessment of the "health of the operation" quickly and accurately. The metrics shall be part of the

Management Assurance System and be provided with transparency to aid in the identification and understanding of significant performance issues.

4.5 Contractor Human Resources

The Contractor shall have the flexibility to restructure the workforce and make changes to employee benefits throughout the term of the Contract, as may be permitted by this Contract and applicable law, to maximize efficiencies. The Contractor shall be responsible for identification and maintenance of critical skills and for the employment of all professional, technical, skilled, and other personnel engaged and to be engaged by the Contractor in the work hereunder, and for the training of personnel. Persons employed by the Contractor or its subcontractors or consultants shall not be deemed employees of the Government. The Contractor shall follow the Human Resources (HR) requirements pertaining to workforce transition and management in accordance with Section J, Appendix A, Chapter III, Human Resources.

4.6 Environmental Permits and Applications

In recognition of the Contractor's responsibility to operate in compliance with all applicable environmental requirements, the Contractor is responsible for signing environmental permits and applications as "operator or co-operator" at the sites.

- (i) The Contractor shall not incur any liability above and beyond that contemplated by the Contract by reason of the Contractor's execution of environmental permits.
- (ii) If bonds, insurance, or administrative fees are required as a condition for such permits, such costs shall be allowable. In the event that such costs are determined by NNSA to be excessive or unreasonable, NNSA shall provide the regulatory agency with an acceptable form of financial responsibility. In no event shall the Contractor or its parent be required to provide any corporate resources or corporate guarantees to satisfy such regulatory requirements.
- (iii) The allowability of the costs associated with fines and penalties shall be subject to clauses of this Contract. The Contractor shall notify the Contracting Officer promptly when it receives service from the regulators of NOV/NOAVs and fines and penalties.
- (iv) In the event of termination or expiration of this Contract, NNSA will require the new Contractor to accept transfer of all environmental permits executed by the Contractor.
- (v) When providing NNSA with permits and applications that are to be signed or co-signed by NNSA, the Contractor will accompany such document with a certification statement, signed by the appropriate Contractor corporate officer, attesting to NNSA that the document has been prepared in accordance with all applicable requirements and the information is, to the best of its knowledge and belief, true, accurate, and complete.

4.7 Privacy Act System of Records

The Contractor shall design, develop, and maintain the following systems of records on individuals to accomplish an agency function in accordance with the Contract's Section I Clause entitled "FAR 52.224-2, Privacy Act".

<u>DOE System No.</u>	<u>Title</u>
DOE-10	Energy Employees Occupational Illness Compensation Program Act Files
DOE-31	Firearms Qualifications Records (The Contractor Employees at Kansas City Plant.)
DOE-35	Personnel Radiation Exposure Records (Past and present DOE and Contractor employees and other persons having access to Kansas City Plant.)
DOE-38	Occupational and Industrial Accident Records (The DOE and Contractor employees and other persons having access to Kansas City Plant and having accidents at Kansas City Plant, or individuals involved in accidents with DOE or Contractor employees.)
DOE-44	Special Access Authorization for Categories of Classified Information
DOE-45	Weapon Data Access Control System (The DOE, DOD, or other Government agency employees, Government Contractors, consultants, and other persons requiring access to classified weapons data or Kansas City Plant nuclear weapons program facilities.)
DOE-48	Security Education and/or Infraction Reports
DOE-50	Human Reliability Program Records
DOE-51	Employee and Visitor Access Control System (The DOE and Contractor employees and other individuals working or visiting at Kansas City Plant.)
DOE-52	Access Control Records of International Visits, Assignments, and Employment at DOE Facilities and Contractor Sites.

The above list shall be revised annually or more frequently if necessary, by mutual agreement between the Contractor and the Contracting Officer as may be necessary to keep it current. Such changes need not be formally incorporated before the annual Contract update modification, but shall have the same effect as if actually listed above for the purpose of satisfying the listing requirement contained in Paragraph (a)(1) of the Contract Clause entitled "Privacy Act."

CHAPTER II. Work Scope Structure

1.0 INTRODUCTION

Specific work requirements under this contract will be established annually by the Contracting Officer in accordance with the Chapter I, Section 4.2 above entitled "Work Authorization System." The Contracting Officer will issue Work Authorizations for each major work area to be accomplished in a given year. These Work Authorizations will conform to the Scope of Work of this Contract and further affect the General Requirements specified in this section.

2.0 GENERAL REQUIREMENTS

2.1 Defense Programs Strategic Planning Process

The Contractor shall contribute to the development of the DOE's Office of Defense Programs (DP) strategic planning process and the Contractor shall execute those plans. The goal of the DP planning process is to integrate programmatic work to maximize scientific and technical work accomplishment, while minimizing duplication between programs and sites and while providing for major investments in facilities within essentially fixed budgets. Work is defined in three major categories:

- **Directed Stockpile Work** is activity that supports ongoing stockpile maintenance and refurbishment work as well as the scientific understanding and engineering development capabilities necessary for the refurbishment and certification of the stockpile to support Stockpile Life Extension Programs.
- **Campaigns** are focused efforts involving the weapons plants, the three weapons laboratories, and the Nevada Test Site (NTS), to address critical capabilities needed to achieve key future program objectives. Campaigns are technically challenging, multi-function efforts that have definitive milestones, specific work plans, and specific end dates. The Kansas City Plant is a major participant in the Enhanced Surveillance, the Advanced Design and Production Technologies, and the Nonnuclear Readiness campaigns.
- **Readiness in Technical Base and Facilities** are those scientific and technical activities required to ensure that the infrastructure and facilities are operationally safe, secure, compliant, and that an acceptable defined level of readiness is sustained at all facilities.

2.2 Technology and Business Integration

The Contractor shall utilize available technology and management practices from both government and commercial sources to improve and achieve excellence. The DOE is continuously looking for opportunities to optimize the efficiency of the site and the collective accomplishment of the weapons production mission through integration of multiple site activities.

The Contractor shall propose and participate with other DOE Contractors and other Federal Contractors and agencies to support these efficiencies. If a stockpile stewardship

function were centralized at a single site, the Government would provide these centralized materials and services to the other sites. Therefore, the DOE reserves the right to reassign missions, both core and non-core responsibilities, when it is in the best interest of the Government, and requires the Contractor to propose and support such initiatives.

The Contractor shall provide nonnuclear materials and components for the six production sites of the NSE. The Contractor shall work with the six production sites to ensure cost-effective products are delivered on time to meet National Security needs. The Contractor shall integrate supplier management and quality to include: pre-qualification, manufacturing process evaluation, field inspection and source acceptance, performance tracking, and corrective action/problem resolution.

The Kansas City Plant is designated as the lead site for the Supply Chain Management Center (SCMC). In this role, the Contractor shall work with NNSA to integrate strategic sourcing for contractor procurement spending across NNSA M&O sites. In addition, the Contractor shall support the effort to implement SCMC tools and systems at DOE M&O sites.

The Contractor shall provide subcontract administration for the NSE for the Roof Asset Management Program (RAMP). In this integration role the Contractor will coordinate with the other participating NSE sites to ensure efficient and effective management of the program. The Contractor will also work with NNSA to expand applicability of the RAMP to DOE sites beyond the NSE as directed by the Contracting Officer.

The Contractor shall provide the management expertise and such other services as may be necessary to accomplish the efficient operation of the facilities at the Kansas City Plant. The Contractor shall maintain national security mission competency and capability.

2.3 Plant Directed Research, Development and Demonstration (PDRD) Program

The Contractor shall conduct a DOE approved Plant Directed Research, Development and Demonstration (PDRD) Program that supports science-based manufacturing related to the National Nuclear Security Administration (NNSA) weapons mission, and encourages advanced research, development, and demonstration work to enhance the science and technology capabilities and core competencies required to fulfill the mission of the plant.

3.0 DIRECTED STOCKPILE WORK (DSW)

Directed Stockpile Work includes weapons programs and production support programs. These programs are performed to achieve stockpile evaluation, stockpile maintenance, and nuclear weapons assembly and disassembly objectives in accordance with DOE directive schedules. The Contractor shall provide the following:

3.1 Weapons Programs

Provide management of the manufacture, evaluation and refurbishment of nuclear weapon components as follows:

- Procure and manufacture nonnuclear electrical, electronic, electro-mechanical, mechanical, plastic, and metal components for nuclear weapons in support of the DOE Stockpile Life Extension Programs, Limited Life Component Exchanges, and the stockpile evaluation program,
- Provide a Process Development Program,
- Manage the NSE Integrated Production Scheduling System,
- Store nonnuclear components and hardware for nuclear weapons
- Refurbish, repair and modify nonnuclear components and hardware for nuclear weapons,
- Disassemble and dispose of nonnuclear nuclear weapons components and hardware no longer required in the military stockpile,
- Maintain production capabilities for components and hardware not in the active stockpile,
- Manage a weapons quality assurance program to ensure that products meet design agency specifications, and certify in writing that weapons material submitted to DOE meets the requirements of applicable drawings and specifications,
- Manage requalification activities associated with the move to the new facility and ensure production deliverables are met with quality parts, on time and within budget.
- Complete Build-aheads to support the departmental outages during the move and requalification periods.
- Perform research, development, testing and engineering work for the current and future Kansas City Plant production missions to include development work in support of the weapon laboratories, and
- Support DOE production information systems.

3.2 Production Support Programs

- Provide management of operations and support activities to support the nuclear weapons program functions, and maintain core mission competencies and capabilities. These activities include Quality Supervision and Control, Production Supervision and Control, Production Engineering, and other mission support.
- Provide support to other Management and Operating Contractors in the collective accomplishment of the NSE production mission.
- Operate product testing laboratories focused on metallurgical/mechanical analysis, analytical chemistry, stockpile environment testing, and nondestructive evaluation.
- Operate and maintain a metrology laboratory; and develop, build, and maintain test equipment and gages for nonnuclear components.

4.0 CAMPAIGNS

4.1 Enhanced Surveillance Campaign

Implement advanced diagnostic techniques to be used by the Core Surveillance Program. These techniques will provide high quality data on the safety, security and reliability of the nuclear weapons stockpile.

4.2 Advanced Design and Production Technologies Campaign

Effectively use advanced design and manufacturing technologies and systems to design and produce products on short cycle times, with quality that approaches zero defects.

4.3 Nonnuclear Readiness Campaign

Provide tools, techniques and capacities to enable ambitious goals in cost, delivery time and product performance for Directed Stockpile Work. This campaign bridges the gap between technologies developed and demonstrated in campaigns for Advanced Design and Production Technologies, Enhanced Surveillance, and Enhanced Surety and the production availability/capacity required by Directed Stockpile Work.

4.4 Additional Campaigns

Perform work in areas of other Campaigns as they are identified and established along with their associated implementation plans.

5.0 READINESS IN TECHNICAL BASE AND FACILITIES

The Contractor shall provide management and administrative capabilities to maintain the Kansas City Plant in the production readiness posture defined by DOE. Maintaining this state of readiness requires the Contractor to provide the following administrative and technical capabilities, and to provide an assessment of its Readiness to DOE each year.

5.1 General Management, Administration and Oversight

The Contractor shall be fully responsible and accountable for the safe, efficient and effective accomplishment of all work, whether performed by its own personnel or onsite subcontractors. The Contractor shall be responsible for planning, integrating, managing and executing the programs, projects, operations and other activities as described in this scope of work such that all functions are fully integrated and work is accomplished safely. The Contractor shall provide general management and program management functions that include: legal services, audit services, business systems management, human resources, property management, information resources, financial services, safeguards and security, public information and external communications activities, intergovernmental affairs, training, procurement, and industrial relations.

The Contractor shall establish clear ES&H priorities and manage activities in proactive ways that comply with human health, safety and environmental regulations; minimize wastes; and comply with applicable regulatory requirements and DOE directives.

The Contractor shall continuously analyze plant activities to identify commercial standards and practices that may be substituted for DOE Orders and Directives or for

current plant business practices. The Contractor shall evaluate the benefits of incorporation of those standards and practices into facility operations, and develop proposals that define the transition timelines and metrics to be used in monitoring the success of those substitutions that are approved by DOE. The Contractor shall integrate the concepts of continuous improvement into all aspects of plant operations, for example, through the use of independent quality certification, safety and environmental management systems, total quality management, etc.

5.2 Waste Management

The Contractor shall manage and perform waste minimization activities and waste management activities to support plant operations.

5.3 Construction Programs and Capital Equipment

Construction programs include the design and construction of facilities necessary for the performance of Kansas City Plant missions. The Contractor shall:

- Manage the design, construction, procurement/installation and startup of plant/equipment for capital facilities at the Bannister Federal Complex and National Security Campus (NSC). Modifications to the NSC above \$650K will be handled consistent with the GSA Lease Agreement, Occupancy Agreement, and Delegations of Operations between NNSA and the General Services Administration.
- Manage the design, construction and building preparation for the disposition of the KCP at Bannister Federal Complex.
- Provide design reviews and project support for the new KCRIMS facility enabling the KCP to meet all mission requirements. KCP design changes must stay within scope, schedule and budget requirements.
- Execute the move and occupancy of the NSC within the scope, cost and schedule.
- Excess Capital Equipment (CE) to support disposition of the Kansas City Plant at the Banister Federal Complex.
- Procure and install specific equipment items pursuant to capitalization criteria as defined by DOE.

It is expected that these projects and activities will be managed to the approved baseline, accomplished on or ahead of schedule, within budget, and will meet stated purpose or objective. During the term of the contract, significant recapitalization may be required to meet production readiness objectives.

5.4 Asset Management

The Contractor shall perform custodial management of government-owned/leased facilities and equipment at the Kansas City Plant and in doing so provide the following:

- Planning/Engineering/Support
The Contractor shall manage government-owned, leased, or controlled real property and attendant facilities under this contract. Support the management of the NSC consistent with the GSA Lease Agreement, Occupancy Agreement, and Delegations of Operations. Specific activities include land and facility use planning, real property management, construction project management, utility management, maintenance management, configuration management, and support of the DOE in its joint operation of the Bannister Federal Complex with the General Services Administration.
- Utility Operations
The Contractor shall manage utility operations that include support for all electric service, fuel oil, natural gas, potable water/sewer service, purified water, nitrogen, steam, chilled water, and non-potable hot water operations and utility services, whether contracted for by the Contractor or DOE. Included in Contractor's responsibilities is the operation of boiler/chiller plants, utility systems, procured utilities, utilities to other federal tenants, and managing the facility in an energy efficient manner per developed energy management plans. New facility operations will be managed by the Developer team and overseen by GSA with support from the Contractor.
- Maintenance
The Contractor shall manage the Kansas City Plant maintenance activities, including equipment and facilities, custodial services, rearrangements, modifications, and special project services for facilities. The Contractor shall perform periodic condition assessments of the property to determine any deterioration or technical obsolescence that may threaten performance or safety. The NSC shall be managed consistent with the GSA Lease Agreement, Occupancy Agreement, and Delegations of Operations.

5.5 Site Services

The Contractor shall provide the following Site Services, comparable to best-in-industry practices:

- Environmental, Safety & Health Programs
Manage and integrate Environmental, Safety & Health (ES&H) programs for the purpose of ensuring that current and future plant operations do not negatively impact the environment, or the health and safety of the public, employees, and property. ES&H programs include air emissions; toxic materials; pesticides; storm-water, sanitary, and waste water discharges; safety and risk management; fire protection engineering; fire protection; industrial hygiene; and radiological protection.

- Security
Manage the Kansas City Plant security program to protect classified information, nuclear weapon components and other government property. In addition, provide general industrial security services for general plant operations.
- Emergency Services
Manage onsite emergency management and emergency operations programs.

5.6 Other Site Services

The Contractor shall provide other site services that are incidental or related to this Statement of Work as directed and funded by DOE. These support services include onsite and offsite activities that are complementary to the Kansas City Plant mission and enable DOE to accomplish its integrated nuclear weapons mission.

6.0 OTHER DOE SUPPORT

6.1 Secure Transportation Asset Support

The Contractor shall provide production and technical support to the NNSA Office of Secure Transportation, including computer program design and development, numerical analysis, artificial intelligence applications, physics modeling, escort vehicle manufacturing, procurement and manufacture of tractors and trailers, vehicle maintenance and refurbishment, force on force simulation logistics, development of training programs, and maintenance of remote communications equipment.

6.2 Non-Proliferation, Treaty Related Issues and Verification

The Contractor shall support planning activities and shall execute assigned tasks related to worldwide non-proliferation programs, treaty-related activities, and DOE transparency and verification initiatives.

6.3 Environmental Restoration

The Contractor shall manage and perform environmental characterization, and “operations and maintenance” requirements of solid waste management units in accordance with established permits.

6.4 Supply Chain Management Center (SCMC) and Roof Asset Management Program (RAMP)

As mentioned in Section II.2.2 the Contractor shall work with NNSA and DOE to expand SCMC and RAMP services to DOE sites outside the NSE as determined appropriate by the Contracting Officer.

6.5 Emergency Response (Modified Mod 0049)

The Contractor shall provide production and service support to the NNSA Office of Emergency Response, including fieldable tools, training devices, depot storage, equipment maintenance, device characterization, equipment procurement, life-cycle management, and field logistics, and HS&E Management System guidance and support.

7.0 OTHER NON-DOE SUPPORT

The Contractor shall manage and execute other assigned programs related to the Kansas City Plant mission.

7.1 Work for Others (WFO) Program

The Contractor shall conduct a Work for Others (WFO) Program, as approved by the Contracting Officer. Some of the major WFO sponsors include DOD, Federal and State agencies, and academia. All such work shall be consistent with and complementary to the approved missions of KCP. Work shall be done in accordance with policies identified in the operating requirements for the Kansas City Plant to maintain its weapons production capabilities.

7.2 Technology Partnerships Program

The Contractor shall support or establish Technology Partnerships for the transfer of manufacturing technology to American-owned businesses as required. This work takes advantage of partnerships with industry through cooperative research and development agreements, outreach and direct assistance programs, user agreements and facilities, and education and training. All projects must enhance the KCP's ability to meet mission requirements and improve the industrial competitiveness and national security of the United States.

CHAPTER III. Human Resources (Modified Mods 002, 029)

1.0 DEFINITIONS

Contract Performance begins on the effective date of the Transition Term.

Incumbent Employees are the employees in good standing of Honeywell FM&T, LLC under Contract DE-AC04-01AL66850 as of the effective date of the Contract.

Non-Incumbent Employees are new hires, i.e., employees other than Incumbent Employees who are hired by the Contractor upon the beginning of the Base Term at the KCP.

2.0 WORKFORCE TRANSITION

The following are requirements the Contractor shall carry out during the Transition Term prior to the beginning of the Base Term.

2.1 Staffing Plan

No later than 30 calendar days after the effective date of the Contract the Contractor shall provide NNSA its plan for achieving the right workforce size and skills mix at each site.

2.2 Pay & Benefits

Consistent with the requirements identified in **3.0 COMPENSATION** and **4.0 BENEFITS** below, the Contractor shall develop and submit for NNSA approval an integrated pay and benefits program to cover non-bargaining unit Incumbent and non-bargaining unit Non-Incumbent Employees at KCP. It is expected that the benefits program will be developed utilizing best practice and market based design concepts to achieve maximum efficiency and lower cost through such features as vendor and benefit plan consolidation.

2.2.1 No later than 75 calendar days after the effective date of the Contract, the Contractor shall submit for NNSA approval all proposed benefit plans. The submission shall include all plan documents that will describe benefits provided to employees at KCP including existing plans to which the Contractor becomes a sponsor at the beginning of the Base Term as well as newly proposed plans.

No later than 180 calendar days after the effective date of the contract, the contractor shall also submit an "Employee Benefits Value Study" comparing the proposed benefit plans for non-bargaining unit Incumbent Employees and non-bargaining unit Non-Incumbent Employees to an NNSA provided list of comparator companies. Contracting Officer's approval of the Contractor's integrated pay and benefits program will be contingent on the net benefit value not exceeding the comparator group by more than five percent.

2.2.2 No later than 150 calendar days after the effective date of the Contract, the Contractor shall submit a plan with a timeline for implementing an integrated Compensation system that meets the criteria defined **3.0 COMPENSATION** below.

2.3 Advance Understanding on Human Resources

The Contractor shall submit no later than 60 calendar days after the effective date of the Contract a proposed Human Resources Plan outlining how the Contractor will comply with the requirements of this Contract. The Human Resources Plan shall describe the policies regarding compensation, pensions and other benefits, and how these policies will support at reasonable cost the effective recruitment and retention of a highly skilled, motivated, and experienced workforce. This document will serve as the starting point for negotiation with which NNSA and the Contractor will reach an advance understanding on Contractor Human Resources costs. The advance understanding enables both the Contractor and the NNSA to determine allocability, allowability and reasonableness of costs prior to incurrence, thereby avoiding subsequent disallowance and disputes; provide appropriate and reasonable compensation levels to recruit and retain Contractor employees to meet NNSA mission objectives; and assure prudent expenditure of public funds. The language identified in **3.0 COMPENSATION, 4.0 BENEFITS, 5.0 LABOR RELATIONS, and 6.0 WORKFORCE PLANNING** below will serve as the governing text for development of the advance understanding. The Personnel Appendix will include but is not limited to such additional topics as severance schedules, holidays, vacation, etc., or any other human resource costs the Contractor or NNSA deems necessary. It is understood that any advance understanding will be appended to the Contract as the Personnel Appendix (Section J, Appendix I, Personnel Appendix). Once the NNSA and the Contractor have reached an advance understanding on Contractor Human Resources costs, the contractor will seek Contracting Officer approval for any change to policies regarding compensation, pensions and other benefits that would result in an overall increase in costs on the Contract. If such approval is not sought or approved, such increase in cost will not be an allowable cost.

3.0 COMPENSATION

The Contractor shall recruit and retain a highly skilled, motivated, and experienced workforce in a cost effective manner capable of carrying out the technical and other requirements set forth elsewhere in this Statement of Work.

3.1 Total Compensation System

Consistent with the requirement in 2.2., Pay and Benefits, the Contractor shall establish a market based pay program. The objective is to provide a level of total compensation which, within available funds, attracts, motivates and retains a highly competent workforce and maintains a competitive position in the applicable labor markets.

The Contractor shall develop, implement and maintain formal policies, practices and procedures to be used in the administration of its compensation system including a compensation system self-assessment consistent with FAR 31.205-6 and DEAR 970.3102-05-6; "Compensation for Personal Services" (Total Compensation System). In addition, the Contractor's total compensation system shall include the following components:

- (i) Philosophy and strategy for all pay delivery programs.

- (ii) System for establishing a job worth hierarchy.
- (iii) Method for relating internal job worth hierarchy to external market.
- (iv) System that includes a documented method and process for evaluating individual job performance and that bases individual and/or group compensation decisions on individual performance and Contractor performance as appropriate. In addition, the system must show the link to the annual evaluation of Contractor performance for individual compensation actions as appropriate.
- (v) Method for planning and monitoring the expenditure of funds.
- (vi) Method for ensuring compliance with applicable wage payment laws and regulations, (e.g., the Fair Labor Standards Act).
- (vii) System for communicating the pay programs to employees.
- (viii) System for internal controls and self-assessment.
- (ix) System to ensure that reimbursement of compensation, including stipends, for employees who are on joint appointments with a parent or other organization shall be pro-rated according to the amount of time the employee spent performing work under this Contract.

3.2 Cash Compensation

The Contractor shall submit the following to the Contracting Officer for a determination of cost allowability for reimbursement under the Contract.

- 3.2.1** Any additional compensation system self-assessment data requested by the Contracting Officer that may be needed to validate and approve the total compensation system.
- 3.2.2** Any proposed major compensation program design changes prior to implementation.
- 3.2.3** An Annual Compensation Increase Plan (CIP). The CIP shall be provided to the Contracting Officer on October 1 annually and shall include the following components and data:
 - (i) Comparison of average pay to market average pay.
 - (ii) Information regarding surveys used for comparison.
 - (iii) Aging factors used for escalating survey data and supporting information.
 - (iv) Projection of escalation in the market and supporting information.

- (v) Information to support proposed structure adjustments, if any.
- (vi) Analysis to support special adjustments.
- (vii) Funding requests and supporting analysis for each pay structure to include breakouts of merit, promotions, variable pay, special adjustments, and structure movement.
 - (A) The proposed plan totals shall be expressed as a percentage of the payroll for the end of the previous plan year.
 - (B) All pay actions granted under the CIP are fully charged when they occur regardless of time of year in which the action transpires and whether the employee terminates before year end.
 - (C) 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.
 - (D) The Contracting Officer may unilaterally 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).
 - (E) The Contractor is authorized to make minor shifts (up to 10%) in funds between payroll groups without prior Contracting Officer approval. The Contractor shall notify the Contracting Officer at the time funds are shifted.
- (viii) A discussion of the impact of budget and business constraints on the CIP amount.
- (ix) Discussion of relevant factors other than market average pay (e.g., turnover and offer-to-acceptance statistics, collective bargaining provisions, geographic considerations, total compensation).

3.2.4 The compensation actions for all Key Personnel shall be submitted for approval prior to replacement. The top contractor official (i.e., Plant Manager or equivalent) salary actions including merit pay increases shall be submitted annually to the Contracting Officer for approval. The top contractor official's approved reimbursed base salary will serve as the maximum allowable salary reimbursement under the Contract. With these compensation actions, the Contractor shall provide supporting justification related to internal and external equity, individual performance and the Application for Contractor Compensation Approval Form (DOE 3220.5).

- 3.2.5** Any proposed establishment of an Incentive Compensation Plan (variable pay plan/pay-at-risk). This documentation shall be provided to the Contracting Officer no later than 60 days prior to proposed implementation. Such proposal must contain:
- (i) The design of the Incentive Compensation Plan, the funding methodology, and linkage to Contract performance measures.
 - (ii) Requirement for approval of Incentive Compensation Plan design changes by the Contracting Officer prior to implementation.
 - (iii) Requirement for an annual approval, prior to the performance period, of the total dollar amount of the pool, the eligible positions, and linkage to Contract performance goals.
 - (iv) Requirement for policy that provides a specific passover rate, i.e., percent of participants who will not receive an incentive.
 - (v) Requirement for an annual summary report on distributions made under an Incentive Compensation Plan.
 - (vi) For any Executive Incentive Plans, a requirement for pay at risk.
- 3.2.6** Assignments of individuals outside of their normal duty station for which the NNSA/DOE will reimburse all or some of their compensation or other expenses shall be approved by the Contracting Officer prior to beginning the assignment. Requests shall be submitted 30 days prior to the desired start date. The Contractor shall submit a report of all such assignments, to include the total cost of each assignment, reason for assignment, location, duration, and cost-share arrangement to the Contracting Officer by January 30 of each year unless otherwise specified.
- 3.2.7** Contracting Officer-approved standards (e.g., to be set forth in Section J, Appendix I, Personnel Appendix), shall be applied to the Total Compensation System. The Contractor's Total Compensation System shall meet the tests of allowability in FAR 31.205-6 and DEAR 970.3102-05-6, be fully documented, be consistently applied, and be acceptable to the Contracting Officer. Costs incurred in implementing the Total Compensation System shall be approved by the Contracting Officer. Any changes to the Total Compensation System shall be submitted to the Contracting Officer 60 days prior to implementation. Changes that impact current or future costs shall be approved by the Contracting Officer prior to implementation.
- 3.2.8** As a part of the Human Resources Plan the Contractor shall submit a severance plan. The severance plan must include the notification period, pay-in-lieu policy, and the severance schedule. Supporting documentation must include information

regarding standards from nationally recognized sources and or comparator firms (including corporate parents).

Severance Pay is not payable to an employee under this Contract if the employee:

- (i) Voluntarily separates, resigns or retires from employment, except that in the event the Contractor conducts an NNSA approved voluntary separation program.,
- (ii) Is offered employment with a successor/replacement Contractor,
- (iii) Is offered employment with a parent or affiliated company, or
- (iv) Is discharged for cause.

Service Credit for purposes of determining severance pay does not include any period of prior service for which severance pay has been previously paid through a DOE cost-reimbursement Contract.

3.3 Reports and Information: Compensation

The Contractor shall provide the Contracting Officer with the following reports and information with respect to pay and benefits provided under this Contract:

- (i) An Annual Contractor Salary-Wage Increase Expenditure Report to include, at a minimum, breakouts for merit, promotion, variable pay, special adjustments, and structure movements for each pay structure, showing actual against approved amounts, no later than 30 days after Compensation Increase Plan expenditures; and
- (ii) Other compensation reports as requested by the Contracting Officer.

4.0 BENEFITS (MODIFIED MOD 016)

4.1 The Contractor will be required to become a sponsor of the existing pension and other Post Retirement Benefit Plans (PRB), as applicable, with responsibility for management and administration of the plans, including maintaining the qualified status of those plans. The Contractor shall carry over the length of service credit and leave balances accrued as of the date of the Base Term.

4.1.1 No presumption of allowability will exist when the Contractor implements a new benefit plan or makes changes to existing benefit plans until the Contracting Officer makes a determination of cost allowability for reimbursement for new or changed benefit plans that will result in additional costs. Justification for new benefit plans and changes to plan design or funding methodology that will increase costs must include the cost impact, and the basis of determining the cost. (Modified Mod 016)

- 4.1.2** Current incumbent contractor plans have been previously approved. Any changes for which the Contractor requests cost reimbursement for pension and other benefit programs sponsored by the Contractor for non-bargaining and bargaining unit employees will be based on the Contracting Officer's approval of Contractor actions pursuant to an approved "Employee Benefits Value Study" and an "Employee Benefits Cost Survey Comparison" as described in 4.1.5.1 and 4.1.5.2 below.
- 4.1.3** The Contractor may not terminate any benefit plan during the term of the Contract without 60 calendar days prior written notification to the Contracting Officer.
- 4.1.4** Service Credit for cost reimbursement for employee benefits to include PRB eligibility will be determined in accordance with NNSA Supplemental Directive NA SD O 350.1, M&O Contractor Service Credit Recognition.
- 4.1.5** Unless otherwise stated, or as directed by the Contracting Officer, the Contractor shall submit the studies required in paragraphs 4.1.5.1 and 4.1.5.2 below. The studies shall be used by the Contractor in calculating the cost of benefits under existing benefit plans. In addition, the Contractor shall submit updated studies to the Contracting Officer for approval prior to the adoption of any change to a pension or other benefit plan that will increase costs.
- 4.1.5.1** The NNSA Consolidated Employee Benefits Value Study for non-bargaining unit employees, must be completed every two years or as directed by the Contracting Officer. The Contractor will utilize the comparator companies previously utilized in the last NNSA Consolidated Benefit Value Study. If any of the comparator companies no longer participate, the Contractor will recommend replacement companies for approval by the Contracting Officer. The Contractor shall include major non-statutory benefit plans offered by the Contractor, including qualified defined benefit (DB) and defined contribution (DC) retirement and capital accumulation plans and death, disability, health, and paid time off welfare benefit programs in the Value Study. To the extent that the value studies do not address post-retirement benefits other than pensions, the Contractor shall provide a separate cost and plan design data comparison for the post-retirement benefits other than pensions using external benchmarks derived from nationally recognized and Contracting Officer approved survey sources.

An Employee Benefits Value Study for bargaining unit employees must be completed 6 months prior to the end of the bargaining unit Contract. The Benefits Value Study must include at least 15 comparator companies approved by the Contracting Officer. The Value Study must include major non-statutory benefit plans offered by the Contractor, including qualified DB & DC retirement and capital accumulation plans and death, disability, health, and paid time off welfare benefit programs. To the extent that the value study does not address post retirement

benefits other than pensions, the Contractor shall provide a separate cost and plan design data comparison for the post retirement benefits other than pensions using external benchmarks derived from nationally recognized and Contracting Officer approved survey sources.

- 4.1.5.2 An Employee Benefits Cost Study Comparison non-bargaining and bargaining unit employees, annually, using a professionally recognized measure approved by the Contracting Officer, that analyzes the Contractor's employee benefits cost for employees on a per capita basis per full time equivalent employee and compares it with appropriate comparator data.
- 4.1.5.3 When the average net benefit value for all employees (including different tiers of benefits or groups of employees) exceeds the comparator group by more than five percent, the Contractor shall submit a corrective action plan to the Contracting Officer no later than 60 days after the Benefit Value Study is conducted.
- 4.1.5.4 When the average of the Employee Benefits Cost Study total benefit per capita cost exceeds the comparator group by more than five percent, the Contractor shall submit an analysis of the specific plan costs that are above the per capita cost range or total benefit cost as a percent of payroll and a corrective action plan to the Contracting Officer no later than 60 days after the Benefits Cost Study is conducted.
- 4.1.5.5 Within two years of Contracting Officer approval of the Contractor's corrective action plan for non-bargaining employees, or upon the next collective bargaining period for bargaining unit employees, the Contractor shall attempt to align employee benefit programs with the benefit value and per capita cost range as approved by the Contracting Officer.

4.2 Reports and Information: Benefits

The Contractor shall provide to the Contracting Officer:

- (i) Annually, the Report of Contractor Expenditures for Employee Supplemental Compensation (DOE F 3220.8).
- (ii) Quarterly, input requested benefits data into DOE's iBenefits pension and benefits management system.
- (iii) Every four years, a dependent eligibility verification audit report of 100% of population (actives and retirees; Consolidated Omnibus Budget Reconciliation Act (COBRA) if significant enrollment) which includes all dependents (children and spouses). After completion of audit, procedures must be in place to verify dependents at their initial enrollment, annual enrollment and during status changes.

4.3 Workers Compensation

4.3.1 The Contractor, unless workers' compensation coverage is provided through a state funded arrangement or a corporate benefits program, shall submit to the Contracting Officer for approval all new workers compensation policies and all initial proposals for self-insurance (Contractors shall provide copies to the Contracting Officer of all renewal policies for workers compensation).

4.3.2 Workers compensation loss income benefit payments when supplemented by other programs (such as salary continuation, short term disability) are to be administered so that the total benefit payments from all sources shall not exceed 100% of employee's net pay.

4.4 Pension Plans

4.4.1 For cost allocability and reimbursement purposes, any defined benefit (DB) or defined contribution (DC) pension plans established by the Contractor and any DB or DC plans for which the Contractor assumes sponsorship upon the start of the Base Term, shall be maintained consistent with the requirements of the Internal Revenue Code (IRC), Employee Retirement Income Security Act of 1974 (ERISA) the Pension Protection Act of 2006 (PPA) and any other applicable laws.

4.4.2 Any pension plan maintained by the Contractor, for which NNSA reimburses costs, shall be maintained as a separate pension plan distinct from any other pension plan which provides credit for service not performed under a DOE cost-reimbursement contract. Each Contractor pension plan shall be subjected to a limited-scope audit annually that satisfies the requirements of ERISA section 103, except that every third year the Contractor must conduct a full-scope audit satisfying ERISA section 103. Alternatively, the Contractor may conduct a full-scope audit satisfying ERISA section 103 annually. In all cases, the Contractor must submit the audit results to the Contracting Officer. In years in which a limited scope audit is conducted, the Contractor must provide the Contracting Officer with a copy of the qualified trustee or custodian's certification regarding the investment information that provides the basis for the plan sponsor to satisfy reporting requirements under ERISA section 104.

4.4.3 The Contractor will be reimbursed for pension contributions in the amounts necessary to ensure that the plans are funded to meet the annual minimum required contribution under ERISA, as amended by PPA. The Contractor shall notify the Contracting Officer at least sixty (60) days prior to the date a payment is due to avoid benefit restrictions is required if the payment of the minimum required contribution will result in benefit restrictions to Plan participants. Reimbursement above the annual ERISA required minimum contribution will require prior approval of the Contracting Officer. The Contracting Officer will take into consideration all pre-funding balances and funding standard carryover balances when evaluating whether to approve reimbursement above the minimum

required contribution. Timing of a Contractor's contributions to a plan must enable a plan's actuary to certify that a plan is adequately funded at the beginning of a plan year.

4.4.4 At least 60 days prior to the adoption of any benefit changes that increase costs to a pension plan, the Contractor shall submit the information required in 4.4.4.1 and 4.4.4.2 below, as applicable, to the Contracting Officer for approval or disapproval and a determination as to whether the costs to be incurred are deemed allowable pursuant to FAR 31.205-6, as supplemented by DEAR 970.3102-05-6. The Contractor shall provide prior notification to the Contracting Officer of any other benefit changes to a pension plan.

4.4.4.1 For proposed changes to DB and DC plans that are not mandated by law the Contractor shall provide the following to the Contracting Officer:

- (i) A clean copy of the current plan document (as conformed to show all prior plan amendments), with the proposed new amendment indicated in redline/strikeout.
- (ii) An analysis of the impact of any proposed changes on actuarial accrued liabilities and an analysis of relative benefit value and a cost study index.
- (iii) Except in circumstances where the Contracting Officer indicates that it is unnecessary, a legal explanation of the proposed changes from legal counsel for purposes of compliance with all legal requirements applicable to private sector DB pension plans.
- (iv) The Summary Plan Description.
- (v) Any such additional information as requested by the Contracting Officer.

When changes to DB and/or DC plans are required by law, the Contractor must provide a copy of the current plan document (as conformed to show all prior plan amendments), with the proposed new amendment indicated in redline/strikeout no later than 30 days before the new amendment is to take effect.

4.4.4.2 The Contractor shall obtain the advance written approval of the Contracting Officer for any required pension plan changes that are not required by law and which may increase costs or liabilities, and any proposed special programs (including, but not limited to, plan-loan features, employee contribution refunds, or ancillary benefits) and shall provide the Contracting Officer with an analysis of the impact of special programs on the actuarial accrued liabilities of the pension plan, and on relative benefit value, or cost per capita, if applicable.

- 4.4.5** When operations at a designated NNSA facility are terminated and no further work is to occur under the prime Contract, the following apply.
- 4.4.5.1 No further benefits for service shall accrue.
 - 4.4.5.2 The Contractor shall provide a determination statement in its settlement proposal, defining and identifying all liabilities and assets attributable to the NNSA Contract.
 - 4.4.5.3 The Contractor shall base its DB pension liabilities attributable to NNSA Contract work on the market value of annuities or dispose of such liabilities through a competitive purchase of annuities. The Contractor, as pension plan sponsor, must adhere to Department of Labor guidance set forth at 29 CFR 2509.95-1 regarding selection of an annuity provider for the purpose of benefit distributions from a DB pension plan.
 - 4.4.5.4 Assets shall be determined using the “accrual-basis market value” on the date of termination of operations.
 - 4.4.5.5 NNSA and the Contractor shall establish an effective date for spinoff or plan termination. On the same day as the Contractor notifies the IRS of the spinoff or plan termination, all NNSA assets assigned to a spun-off or terminating plan shall be placed in a high-yield, fixed-income portfolio until the successor trustee, or an insurance company, is able to assume stewardship of those assets. The portfolio shall be rated no lower than Standard & Poor's “AA.”
- 4.4.6** Terminating Plans.
- 4.4.6.1 NNSA Contractors shall not terminate any pension plan (commingled or site specific) without notifying the Department at least 60 days prior to the scheduled date of plan termination.
 - 4.4.6.2 To the extent possible, the Contractor shall satisfy plan liabilities to plan participants by the purchase of annuities through competitive bidding on the open annuity market. The Contractor, as pension plan sponsor, must adhere to Department of Labor guidance set forth at 29 CFR 2509.95-1 regarding selection of an annuity provider for the purpose of benefit distributions from a DB pension plan. The Contractor shall apply the assumptions and termination procedures of the Pension Benefit Guaranty Corporation.
 - 4.4.6.3 Funds to be paid or transferred to any party as a result of settlements relating to pension plan termination or reassignment shall accrue interest from the effective date of termination or reassignment until the date of payment or transfer.

- 4.4.6.4 If ERISA or IRC rules prevent a full transfer of excess NNSA reimbursed assets from the terminated plan, the Contractor shall pay any deficiency directly to NNSA according to a schedule of payments to be negotiated by the parties.
- 4.4.6.5 On the same day as the Contractor notifies the IRS of the plan termination, all NNSA assets will be placed in a high-yield, fixed-income portfolio until full disposition of the terminating plan's liabilities. The portfolio shall be rated no lower than Standard & Poor's "AA."
- 4.4.6.6 NNSA liability to a commingled pension plan shall not exceed that portion which corresponds to participants' service accrued for their work under an NNSA Contract. The NNSA shall have no other liability to the plan, to the plan sponsor, or to the plan participants.
- 4.4.6.7 After all liabilities of the plan are satisfied, the Contractor shall return to NNSA an amount equaling the asset reversion from the plan termination and any earnings which accrue on that amount because of a delay in the payment to NNSA. Such amount and such earnings shall be subject to NNSA audit. To affect the purposes of this paragraph, NNSA and the Contractor may stipulate to a schedule of payments.

4.4.7 Post Contract Responsibilities for Pension and Other Benefit Plans

- 4.4.7.1 If this Contract expires or terminates and NNSA has awarded a Contract under which the new Contractor becomes a sponsor and assumes responsibility for management and administration of the pension or other benefit plans covering active or retired Contractor employees with respect to service, the Contractor shall cooperate and transfer to the new Contractor its responsibility for sponsorship, management and administration of the plans consistent with direction from the Contracting Officer. If a comingled plan is involved, the Contractor shall:
 - (i) Spin off the NNSA portion of any commingled plan that provides benefits for employees working at the NNSA facility into a separate plan. The new plan shall provide benefits similar to those provided by the commingled plan and shall carry with it the NNSA assets on an accrual basis market value, including NNSA assets that have accrued in excess of NNSA liabilities.
 - (ii) Bargain in good faith with NNSA or the successor Contractor to determine the assumptions and methods for establishing the liabilities involved in a spinoff. NNSA and the Contractor(s) shall establish an effective date of spinoff. On the same day as the

Contractor notifies the IRS of the spinoff, all NNSA assets assigned to a spun-off plan shall be placed in a high-yield, fixed income portfolio until the successor trustee is able to assume stewardship of those assets. The portfolio shall be rated no lower than Standard & Poor's "AA."

4.4.7.2 If this Contract expires or terminates and NNSA has not awarded a Contract to a new Contractor under which the new Contractor becomes a sponsor and assumes responsibility for management and administration of the Plans, or if the Contracting Officer determines that the scope of work under the Contract has been completed (any one such event may be deemed by the Contracting Officer to be "Contract Completion" for purposes of this paragraph), whichever is earlier, and notwithstanding any other obligations and requirements concerning expiration or termination elsewhere in this Contract, the following actions shall occur regarding the Contractor's obligations regarding the Plans at the time of Contract Completion:

- (i) Subject to paragraph 4.4.7.2(ii) below, and notwithstanding any legal obligations independent of the Contract the Contractor may have regarding responsibilities for sponsorship, management, and administration of the Plans, the Contractor shall remain the sponsor of the Plans, in accordance with applicable legal requirements.
- (ii) The parties shall exercise their best efforts to reach agreement on the Contractor's responsibilities for sponsorship, management and administration of the Plans prior to or at the time of Contract Completion. However, if the parties have not reached agreement on the Contractor's responsibilities for sponsorship, management and administration of the Plans prior to or at the time of Contract Completion, unless and until such agreement is reached, the Contractor shall comply with written direction from the Contracting Officer regarding the Contractor's responsibilities for continued provision of pension and welfare benefits under the Plans, including but not limited to continued sponsorship of the Plans, in accordance with applicable legal requirements. To the extent that the Contractor incurs costs in implementing direction from the Contracting Officer, the Contractor's costs will be reimbursed pursuant to applicable Contract provisions.

4.4.8 Reports and Information - Retirement Plans: For each DB and DC pension plan as applicable or portion of a pension plan for which NNSA reimburses costs, the Contractor shall provide the Contracting Officer with the following information within nine months of the last day of the current pension plan year except for the Pension Management Plan which must be submitted by January 30 of each year.

- 4.4.8.1 The annual actuarial valuation report for each NNSA-reimbursed pension plan. When a pension plan is commingled, the Contractor shall submit separate reports for NNSA's portion and the plan total.
- 4.4.8.2 Copies of IRS Forms 5500 with Schedules for each NNSA-funded pension plan, no later than that submitted to the IRS.
- 4.4.8.3 Copies of all forms in the 5300 series submitted to the IRS that document the establishment, amendment, termination, spin-off, or merger of a plan submitted to the IRS.
- 4.4.8.4 The annual Pension Management Plan as described below (**4.5 Pension Management Plan**) by January 30 of each year.

4.5 Pension Management Plan

- 4.5.1** The Contractor shall submit a plan for management and administration (Pension Management Plan) for each defined benefit pension plan (Plan) for which the Department has a continuing obligation to reimburse pension contributions that is consistent with the terms of this Contract and which includes estimated assets, estimated liabilities, and estimated contributions and the prior year's actuarial valuation report annually on January 30.
- 4.5.2** The Pension Management Plan shall include:
 - 4.5.2.1 The Contractor's best estimate of the contributions which it will be legally obligated to make to the Plan(s), beginning with the required contributions for the current fiscal year, based on the latest actuarial valuation, and continuing for the following four fiscal years. This estimate will be based upon compliance with all applicable legal requirements relating to the determination of contributions and upon the assumptions set out in the Plan document(s). All contribution calculations should reflect payments made during DOE fiscal years, beginning Oct 1, through September 30, and the next succeeding four fiscal years. Please include a summary of the key actuarial assumptions used to determine the required contribution. All estimates must be based upon the most recently available asset information for the Plan. For example, for a Plan with a July 1 valuation date, project the July 1, value of assets for the current year to be used in the calculation from the actual January 1, value of assets from the same year.
 - 4.5.2.2 If the actuarial valuation submitted pursuant to the annual Pension Management Plan update indicates that the sponsor of the Plan must impose benefit restrictions, the Contractor shall provide the following information:
 - (i) The type of benefit restriction that will take place,
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- (ii) The number of Contractor employees that potentially could be impacted and the nature of the restriction (e.g., financial impact) by imposition of the required benefit restriction,
- (iii) The amount of money that would need to be contributed to the Plan and the timing of such contribution to avoid legally required benefit restrictions, and
- (iv) A recommendation regarding whether the additional money should be contributed to the Plan and the rationale for the recommendation.

4.5.2.3 A detailed discussion of how the Contractor intends to manage the Plan(s) to maximize contribution predictability (i.e. forecasting accuracy) and to contain current and future costs, to include the rationale for selection of all Plan assumptions (i.e., actuarial experience studies) that determine the required contributions and which impact the level and predictability of required contributions. As part of the Contractor's plan to maximize contribution predictability, the Contractor may propose funding strategies other than ERISA minimums for NNSA's consideration and approval. The Contractor shall submit the following for NNSA to consider in deciding on the alternate funding strategy:

- (i) Identify whether the current year additional amount can be absorbed within the current operating budget.
- (ii) Discuss the integration of Plan's funding strategy and investment strategy taking into consideration the plan's demographic profile, liability duration, and impact of current year funding decisions on future year contribution requirements.
- (iii) Discuss the strategy for achieving fully funded status and protecting against erosion of the Plan's funded status.
- (iv) Discuss the strategy for specifically protecting any pension funding contributions reimbursed in excess of the minimum required contribution against the risk of significant loss.
- (v) Discuss whether the plan has a prefunding or funding standard carryover balance that could be used to improve the plan's AFTAP without requiring additional contributions. Provide a rationale regarding the recommended use of the available balance(s).

4.5.2.4 An assessment to evaluate the effectiveness of the Contractor's Plan(s) investment management/results. The assessment must include at a minimum: a review and analysis of Plan investment objectives and asset

allocations; results of the most recent asset liability study and investment policy review; the strategies employed to achieve the Plan's investment objectives; and the methods used to monitor execution of those strategies and the achievement of the investment objectives. The Contractor shall also identify its plans, if any, for revising any aspect of its Pension Management Plan based on the results of the review.

Within thirty (30) days after the date of the submission, appropriate Contractor representatives will meet with the Contracting Officer and other DOE/NNSA representatives to discuss the Contractor's proposed Pension Management Plan. The Contractor must be prepared to discuss any differences between the prior fiscal year's estimated pension contributions for future fiscal years and the most recent estimated pension contributions for future fiscal years and the rationale for any such discrepancies. In addition, discrepancies between the actual contributions made for the most recent fiscal year preceding the meeting and the estimated contributions for that fiscal year and the rationale for any such discrepancies, and funding strategies for the Plan will be discussed.

5.0 LABOR RELATIONS

- (i) The Contractor shall comply with the National Labor Relations Act, DEAR Subpart 970.2201, and all applicable Federal and State labor laws.
- (ii) The Contractor shall meet with the Contracting Officer or designee(s) for the purpose of determining the allowability of cost associated with the Contractor's economic bargaining objectives, prior to negotiation of any collective bargaining agreement, extension or revision thereto. During the collective bargaining process, the Contractor shall notify the Contracting Officer before submitting or agreeing to any collective bargaining proposal which would exceed parameters previously determined to be allowable under this Contract or which could involve other items of special interest to the Government. During the collective bargaining process, the Contractor shall obtain the approval of the Contracting Officer in advance before proposing or agreeing to changes in any pension or other benefit plans.
- (iii) The Contractor shall provide an electronic copy of the bargaining agreement to the Contracting Officer 30 days after formal ratification. The Contractor shall provide the "Report of Settlement" 30 days after formal ratification using the Work Force Information System (WFIS).
- (iv) The Contractor shall notify the Contracting Officer in a timely fashion of all labor relations issues including economic issues and other matters that have a potentially significant impact on work rules, make or buy decisions, or other matters that may cause a significant deviation from past customs or practices.

- (v) The Contractor shall immediately advise the Contracting Officer of the following:
 - (A) Possible strike situations or other actions affecting the continuity of operations including work stoppages and picketing.
 - (B) Formal action by the National Labor Relations Board (NLRB) including but not limited to issuance of a complaint against the Contractor. Copies of complaints, settlement agreements, judgments and any other documents issued in connection with Contractor actions with respect to labor practices shall be provided to the Contracting Officer.
 - (C) Recourse to procedures under the Labor-Management Relations Act of 1947 as amended or any other state law.
 - (D) Any grievance scheduled for arbitration under any collective bargaining agreement that has the potential for significant economic or other impact as well as the decision of the arbitrator.
 - (E) Other significant issues that may involve review by other federal or state agencies.

6.0 WORKFORCE PLANNING

6.1 Workforce Planning - General

The Contractor shall analyze workforce requirements consistent with current and future mission requirements and develop appropriate workforce transition strategies to ensure appropriate skills are available at the right time, in the right number, in the right place. Particular attention shall be paid to current and future critical skills. This analysis shall be available for review upon Contracting Officer request.

6.2 Reductions in Contractor Employment – Workforce Restructuring

6.2.1 Voluntary Separations: In order to minimize the number of involuntary separations and mitigate the impact on affected employees, the Contractor will consider in consultation with the Contracting Officer, the use of a Voluntary Separation Program (VSP) before consideration is given to conducting an Involuntary Separation Program (ISP) when workforce restructuring is necessary. The Contractor shall submit the VSP for approval by the Contracting Officer prior to implementation regardless of the number of employees involved. No reimbursement of costs associated with VSPs will be allowable if not approved by the Contracting Officer prior to implementation.

6.2.2 Involuntary Reductions in Contractor Employment

6.2.2.1 If the restructuring involves between 10-99 employees in a rolling twelve month period, the Contractor shall notify the Contracting Officer no later than 15 days in advance of the action.

- 6.2.2.2 For restructuring actions that involve separating between 50-99 employees, the Contractor shall prepare a specific workforce restructuring plan and submit the plan to the Contracting Officer for informational purposes. In addition, the Contracting Officer shall perform a diversity impact analysis and provide a copy of the analysis to the NNSA Site Counsel at the Kansas City Site Office for any restructuring actions that involve 50 or more employees within a 12 month period.
 - 6.2.2.3 If the restructuring may involve the separation of 100 or more employees within a 12-month period, the Contractor shall submit a specific workforce restructuring plan for approval by the Contracting Officer, to enable compliance with Section 3161 of the National Defense Authorization Act for Fiscal Year 1993 at a minimum, no later than 90 days in advance of the date the Contractor needs to begin notification to employees in accordance with the law and its attendant timeframes to effect the separations
 - 6.2.2.4 All notifications to the NNSA must contain pertinent information such as reasons, costs, dates, and numbers of impacted employees.
- 6.2.3** Any payment of benefits beyond those already approved in the Contract must be approved by the Administrator, NNSA.