

ATTACHMENT J.1

APPENDIX A

ADVANCED UNDERSTANDINGS ON HUMAN RESOURCES

**Applicable to the Operation of
Princeton Plasma Physics Laboratory**

Contract No. DE-AC02-09CH11466

Table of Contents

Appendix A

PRINCETON PLASMA PHYSICS LABORATORY

ADVANCE UNDERSTANDING ON HUMAN RESOURCES

SECTION I – INTRODUCTION [M092 – 5/3/12]	3
SECTION II – HUMAN RESOURCES STRATEGY, BUSINESS PLANNING AND PERFORMANCE MANAGEMENT [M092 – 5/3/12]	3
SECTION III – COMPENSATION [M092 – 5/3/12]	4
SECTION IV – ANCILLARY PAY COMPONENTS [M092 – 5/3/12]	5
SECTION V – PAYMENTS ON SEPARATION [M092 – 5/3/12]	6
SECTION VI – LABOR RELATIONS [M092 – 5/3/12]	6
SECTION VII – PROGRAMS INVOLVING EMPLOYEE ABSENCE FROM THE WORKPLACE [M092 – 5/3/12]	6
SECTION VIII – EMPLOYEE TRAINING, EDUCATION AND DEVELOPMENT [M092 – 5/3/12]	7
SECTION IX – EMPLOYEE PROGRAMS [M092 – 5/3/12]	7
SECTION X – COST OF RECRUITING PERSONNEL [M092 – 5/3/12; M119 – 4/11/13]	8
SECTION XI – REDUCTIONS IN CONTRACTOR EMPLOYMENT [M097 – 6/19/12]	9
SECTION XII – EMPLOYEE BENEFITS [M092 – 5/3/12]	10
SECTION XIII – U.S. ITER LONG-TERM FOREIGN ASSIGNMENT RELOCATION POLICY – MAY 4, 2007 [M092 – 5/3/12]	11

SECTION I – INTRODUCTION [M092 – 5/3/12]

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

SECTION II – HUMAN RESOURCES STRATEGY, BUSINESS PLANNING AND PERFORMANCE MANAGEMENT [M092 – 5/3/12]

The PPPL Strategic Plan highlights areas important to DOE and aligns with critical contract vision components. The HR Strategic Plan, which is subordinate to the PPPL Strategic Plan, will be reviewed with DOE representatives at least annually. Contract performance metrics and measures will be developed in partnership with DOE and are detailed in the Appendix B.

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

SECTION III – COMPENSATION [M092 – 5/3/12]

(a) Compensation Standards. The Contractor and DOE agree that the elements below will be included in Laboratory compensation systems and will be the basis upon which DOE will evaluate the Contractor's self-assessment required under Clause H.22 of this contract. The elements are:

- (1) philosophy and strategy for all pay delivery programs;
- (2) method for establishing the internal value of jobs;
- (3) method for relating the internal value of jobs to the external market;
- (4) system that links individual and/or group performance to compensation decisions;
- (5) method for planning and monitoring the expenditure of funds;
- (6) method for ensuring compliance with applicable laws and regulations;
- (7) system for communicating the program to employees; and
- (8) system for internal controls and self-assessment.

(b) Salary increases.

- (1) Any combination of salary increases for an individual in a single fiscal year, including merit increases and those resulting from reclassification and promotion, which result in a salary that is 25% greater than the employee's salary prior to the increase shall require prior approval by the Laboratory Director. Salary increases that exceed 15% shall be reported annually to the Contracting Officer.
- (2) Annual funding for promotions shall be included in the Salary Increase Authorization (SIA) request as a discrete line item. The request for funding for promotions will be based upon actual use for the prior year and anticipated future use, such as classification restructuring.
- (3) An administrative stipend may be paid to an employee who is temporarily assigned responsibilities of a higher level position or other significant duties not part of the employee's regular position. The sum of stipend and base salary shall not exceed the maximum salary of the higher level position. The Laboratory Director may authorize an administrative stipend up to 15% of the appointee's annual base salary for a period not to exceed one year.

(4) Notwithstanding any other term or condition set forth in this Contract, the Contracting Officer's approval of compensation actions pursuant to H.22(e)(3) will consider:

- A. relative alignment of proposed salaries with subordinate levels;
- B. available market data, comparing total-cash compensation;
- C. total compensation relative to the Executive Compensation Benchmark Amount established periodically by the Office of Federal Procurement Policy (OFPP).

(c) Salary Increase Authorization (SIA).

- (1) The Contractor shall submit the SIA proposal by August 1 of each year.
- (2) In order to pay "on-market-on-average," in the calculation of market position, Laboratory salary data shall be matched to survey data as of April 1, the midpoint of the fiscal year.
- (3) The SIA shall be expressed as a percentage of the projected September 30 base payroll.
- (4) The Contractor is authorized to make minor shifts of funds across employment categories after approval of the SIA in order to meet the compensation requirements of its organization, subject to the following guidelines:
 - Minor shift is defined as up to 10% of approved SIA funds by employment category (e.g., Scientist/Engineer, Admin, Exempt, Non-Exempt)
 - Total increase expenditures will be limited to the total SIA approved.
 - Special Adjustment funds will not be interchangeable.
 - Contractors will notify the Contracting Officer that funds have been shifted.

(d) Payment of Joint Appointees. Joint Appointees shall be paid at the salary and fringe benefit rates established by the home institution, for the percentage of time worked at the host institution.

SECTION IV – ANCILLARY PAY COMPONENTS [M092 – 5/3/12]

(a) Shift Premiums.

The Contractor is authorized to provide a premium of up to 10% for second shift and up to 15% for third shift.

(b) Extended work week.

When deemed essential to the performance of work under this contract, an extended work week may be established at the Laboratory or any portion thereof.

(c) Medical evacuation services/insurance.

Employees required to perform official travel to foreign countries where local care is substandard (according to U.S. standards) may have coverage that pays for

evacuation services to an acceptable medical facility in a proximal location on an urgent or emergency basis. The policy shall cover evacuation, expatriation of remains, and ancillary costs associated with the incident. Costs for such coverage for eligible employees are allowable.

SECTION V – PAYMENTS ON SEPARATION [M092 – 5/3/12]

- (a) Reduction in Force (RIF). When employees are terminated due to a RIF, the following costs are allowable:
 - (1) Pay in lieu of notice. Any employee who is laid off or terminated due to a RIF may be given pay in lieu of the required minimum written notice of termination. Accumulated vacation credit is also paid.
 - (2) Severance pay benefit. As approved by the Contracting Officer.
- (b) Payments upon termination other than RIF.
 - (1) Sick leave. Accumulated sick leave is not payable upon termination and may not be used beyond a predetermined date of termination.
 - (2) Vacation. Accumulated vacation, up to a maximum of 30 days, is payable at termination at the rate in effect as of the date of termination, including any shift differential.

SECTION VI – LABOR RELATIONS [M092 – 5/3/12]

- (a) Collective bargaining.

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

The Contractor is authorized to settle internal employee grievances up to \$60,000 without the advance approval of the Contracting Officer. Settlements of internal employee grievances in excess of \$60,000 require advance approval of the Contracting Officer.

SECTION VII – PROGRAMS INVOLVING EMPLOYEE ABSENCE FROM THE WORKPLACE [M092 – 5/3/12]

- (a) Paid Leave.

The Laboratory will provide a reasonable and cost effective paid leave program. Paid leave includes vacation, holiday, sick, jury, bereavement, military, and personal

leave according to approved Laboratory schedules. Only leave accruals included in the annual benefit value study shall be allowable.

(b) Temporary Assignments of Laboratory Employees to Other Institutions for Teaching And Research.

The Contractor shall be reimbursed for expenditures consistent with Laboratory policy arising out of an employee assignment to another institution for teaching and/or research if the assignment does not exceed one year.

(c) Military Leave.

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

SECTION VIII – EMPLOYEE TRAINING, EDUCATION AND DEVELOPMENT [M092 – 5/3/12]

- (a) The Laboratory shall establish training, education and development programs that are consistent with DOE requirements and guidance, industry standards, and other Federal, State and local regulations. These programs shall ensure that employees are well-qualified and competent to manage facilities and meet mission requirements through administrative, professional and technical excellence.

SECTION IX – EMPLOYEE PROGRAMS [M092 – 5/3/12]

(a) Service/Retirement/Non-Performance awards.

The Contractor is authorized to provide monetary or non-monetary recognition for achievements not based on performance. Awards may include, for example, Length of Service/Retirement Recognition; Safety Awards; Patent Awards; Suggestion Program.

(b) Performance award programs.

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

Not later than November 1, the Contractor shall provide the Contracting Officer with a fiscal year report on the individual award program expenditures.

(c) Cost of Health Services.

The Contractor shall be reimbursed for the costs of operating a Health Unit for Laboratory employees, including but not limited to the following: Pre-employment physicals and other medical examinations required to meet Laboratory employment requirements, operation of a health unit which provides medical care for

occupational injuries and to provide minor relief for minor physical complaints of employees while at the Laboratory and health examinations provided as a health service for employees.

(d) Other.

- (1) The Contractor may develop, administer and support a variety of employee programs. These programs may include athletic, cultural, and family activities. Participant fees may be collected to partially offset the cost of some or all of these activities. Appropriate facilities, utilities, and maintenance may be provided by the Laboratory. Entertainment costs, including costs of amusement, diversions, and social activities are unallowable, as well as directly related costs such as tickets, meals, lodging, rentals, transportation and gratuities.
- (2) Wellness program. Costs of a Wellness Program to promote employee health and fitness are allowable. This program shall be limited to activities related to stress management, smoking cessation, exercise, nutrition, and weight loss.
- (3) Employee Assistance Program. The Contractor shall (1) maintain a program of preventive services, education, short-term counseling, coordination with and referrals to outside agencies, and follow-up upon return to work that conforms to the requirements of 10 CFR 707.6, Employee Assistance, Education, and Training; (2) Submit for approval by the Contracting Officer any changes to the employee assistance program implementation plan; (3) Prepare and submit information to DOE concerning Employee Assistance Program services as requested by the Contracting Officer. Such reports shall not include individual identifiers
- (4) Employee Communications. The costs incurred in the publication, printing and distribution of a house organ, handbooks and other employee communication media designed to effectuate better employee relations and understanding of Appendix A and current employment regulations shall be reimbursed and performed in a cost effective manner.

SECTION X – COST OF RECRUITING PERSONNEL *[M092 – 5/3/12; M119 – 4/11/13]*

- (a) On an annual basis, the Laboratory will conduct workforce planning, documented in the form of a plan, and submit it to the Contracting Officer for review and approval. The Plan will identify critical skills necessary to meet mission and contract requirements, provide an updated gap analysis, and outline that year's strategy for the recruitment and retention of those skills, as well as for any necessary restructuring.
- (b) The Contractor may incur costs for the recruitment of personnel, as follows:
 - (1) Costs of advertising and agency and consultant fees.
 - (2) Recruiting Expenses - The Laboratory may reimburse consistent with other provisions of this contract, employees traveling for recruiting purposes the actual cost incurred for the following expenses: transportation, lodging, and meals for

prospective employees and, when approved, for spouses or representatives of academic institutions, professional societies and other scientific organizations and incidental expenses incurred in recruiting.

- (3) New or prospective employees who have been offered and have accepted a position, and who are required to take a pre-placement physical examination, shall be reimbursed for costs of the physical examination.
- (4) Costs associated with pre-employment screening shall be allowable.

(c) Recruitment/Retention Tools

- (1) The Contractor may pay a non-base sign-on bonus of up to \$20,000 to recruit employees with critical skills, as defined in the Laboratory's approved policy. Approval must be obtained by either the Deputy Director for Operations or the Deputy Director for Research. An annual usage report must be submitted to the Contracting Officer.
- (2) An annual non-base retention bonus of up to \$20,000 is authorized to retain employees with critical skills or whose expertise is critical to the completion of a specific project, as defined in the Laboratory's approved policy. Approval must be obtained by either the Deputy Director for Operations or the Deputy Director for Research. An annual usage report must be submitted to the Contracting Officer.
- (3) Both sign-on and retention bonus' require prior approval by the Contracting Officer.
- (4) The Contractor is authorized to provide service credit to critical skill new-hires for previous relevant experience at another DOE facility or external organization.

SECTION XI– REDUCTIONS IN CONTRACTOR EMPLOYMENT [M097 – 6/19/12]

Reductions in employment will be conducted in accordance with the contractor's personnel management policies and practices and in accordance with applicable Departmental guidance on workforce restructuring, as revised from time to time.

(a) Workforce Restructuring Actions

- (1) The Contractor will notify or request approval of workforce restructuring actions in accordance with the following:

RESTRUCTURING ACTION	# EMPLOYEES POTENTIALLY IMPACTED	ACTION REQUIRED
Voluntary	50-99	CO Notification
Voluntary	100+	CO Approval
Involuntary	50+	CO Approval

- (A) Notifications will include a business case outlining the drivers necessitating restructuring activity, an implementation strategy and communication plan.

- (B) Actions requiring approval will additionally require a workforce restructuring plan prepared in accordance with DOE policy.
 - (C) Notifications and Approval actions shall be submitted a minimum of 10 business days prior to announcement to employees.
 - (D) Waivers or self-select forms that vary from those provided in DOE policy documents are subject to approval by DOE.
- (2) Any employee who volunteers for layoff or retirement during a time period in which the Contractor has a DOE approved active reduction in force plan will be eligible for severance pay provided the termination is accepted by Laboratory management and results in the retention of an employee who otherwise would have been laid off.
 - (3) The Contractor, to the extent practicable, may provide outplacement services in the forms of skills assessment and resume preparation to those employees who are involuntarily separated due to a layoff.
- (b) Displaced Worker Medical Benefit
- Employees placed on layoff status who have completed the entry probation period are eligible for continued participation in the health benefits program with premiums supplemented by the Contractor based on the following schedule:
- (1) First Year: The Contractor's contribution for an active employee
 - (2) Second Year: One half of the Contractor's Cobra premium
 - (3) Third and subsequent years: Reasonable administrative costs that exceed the two percent administrative fee paid by the displaced worker.

SECTION XII – EMPLOYEE BENEFITS [M092 – 5/3/12]

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

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

(b) Dependent Care Facilities

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

The Contractor shall sub-contract the operation of the dependent care center, unless otherwise approved by the Contracting Officer. Support costs for labor, materials, and supplies expended for the operation of a dependent care facility shall not be allowable under any circumstances unless the facility is for the exclusive use of Laboratory employees and except for any expense items such as utilities, maintenance, food services, medical services, or supplies already used in support of site operations and readily available. The cost of meals shall not be allowable.

SECTION XIII – U.S. ITER LONG-TERM FOREIGN ASSIGNMENT RELOCATION
POLICY – MAY 4, 2007 [M092 – 5/3/12]

(a) Monthly Living Allowance (for Goods and Services, Housing and Transportation).

A Living Allowance provides the international staff member with the amount of additional compensation necessary to maintain approximately the same purchasing power in the host location as what would exist in the home country at the staff member's current salary level. The Living Allowance includes a goods and services, housing and transportation cost differential with the foreign location. The philosophy of the Allowance is to keep the family whole and is not intended for the family to have an upgrade in life style abroad. Any additional allowance provided by ITER International (i.e., any Monthly Secondment Allowance) will not be duplicated. Data from AIRINC (an international compensation consultant) will determine the monthly allowance and will be individually calculated based upon the staff members home location, foreign location, family size, current salary, and current rate.

Contact the Manager of U.S. ITER Human Resources (HR) Division for country-specific Allowance information.

Regulatory Guidance: Dept. of State, 220, 221 Post Allowance – Post allowance means a cost-of-living allowance granted to a staff member officially stationed at a post in a foreign area where the cost of living, exclusive of quarters costs, is substantially higher.

Regulatory Guidance: Dept. of State 130 – 131.1 “Living quarters allowance,” hereinafter referred to as LQA, means a quarters allowance granted to an employee for the annual cost of suitable, adequate, living quarters for the employee and his/her family.

(b) Language Training

Reasonable receipted costs for language training for the staff member before and during assignment up to \$3,200 will be reimbursed. It is expected that the staff member will typically take up to two courses before departure for the foreign country, and up to two courses after arrival in the foreign country with an average cost of \$800 per course equaling \$3,200.

Regulatory Guidance: Although the state department regulation does not specifically address language training, employees are provided language training in Washington, D.C., prior to departure. All benchmarked labs and 78 percent of industry provide language training.

(c) Medical Plan

ITER Project Office will arrange and pay for foreign medical insurance for seconded staff members and Internal Revenue Service (IRS) dependents who accompany them.

Regulatory Guidance: Dept. of State 220, 221 – The Calculations the State Department uses for this Post Allowance includes the amount for medical costs at

the overseas location. In addition, most U.S. employer's medical coverage is much less comprehensive and has higher premiums for foreign assignments than the U.S. Therefore, the best medical coverage and ease for claims reimbursement is the French Previnter plan, which the ITER Project Office plans to provide for seconded personnel.

(d) House Hunting (at foreign assignment location)

One lodging hunting trip for up to 10 days will be reimbursed for the spouse only (no IRS dependents) in conjunction with the staff members business travel. Only transportation and meals will be provided.

Regulatory Guidance: FAR 31.205-35 – The policy allows a spouse to accompany an employee who is on business travel for the purpose of selecting lodging in the new location, for a reasonable period not exceeding 10 calendar days. This is economically advantageous for the DOE because it is likely to reduce the amount of time in temporary lodging after arrival for the new assignment.

(e) Shipments and/or Storage of Household Goods – to and from foreign location

U.S. ITER will ship approved household goods that fit in a 40-ft container (not to exceed 18,000 lbs) or will ship up to 5,000 lbs and store the remainder in long-term storage not to exceed 18,000 lbs combined total for shipment and storage. Air shipment may be provided but is limited to 500 lbs per staff member and 250 lbs for each IRS dependent and such shipment will count against the 18,000 lbs limit.

Regulatory Guidance: FAR 31.205-35 (1); FTR 302-7.2, 302-8.200, 300-8.203 – Maximum weight allowance that may be stored or shipped by government is 18,000 lbs. Extended storage of household goods is allowable if unable to use at location. Time limit: duration of assignment plus 30 days prior to beginning of assignment and 60 days after assignment ends.

(f) Temporary Living Expenses

(1) *Prior to Departure to foreign location and prior to arrival back to U.S. –*

Temporary living accommodations for staff member and IRS dependents will be provided for up to seven days prior to departure at established per diem rates for lodging, meals and incidental expenses.

Regulatory Guidance: Dept. of State 120 – Temporary Quarters – for a period not to exceed 30 days immediately preceding final departure from the post subsequent to the necessary vacating of residence quarters.

(2) *After Arriving in Country –* Temporary living accommodations for staff member and IRS dependents will be provided prior to moving into permanent housing for up to 30 days at 100% of per diem rates but only if the Living Allowance or off-setting ITER monthly secondment allowance has not started.

Regulatory Guidance: Dept. of State 120 – “Temporary quarters subsistence allowance” means an allowance granted to an employee for the reasonable cost of temporary quarters, meals and laundry expenses incurred by the employee and/or family members: for a period not to exceed 90 days after first arrival at a

new post in a foreign area or a period ending with the occupation of residence (permanent) quarters, if earlier.”

- (3) *Returning to Home Country* – Temporary living accommodations for staff members and IRS dependence will be provided for up to 60 days (minus any pre-departure days) based on local area per diem, unless home organization provides other arrangements.

Regulatory Guidance: FTR 302-6.104 – Up to 60 consecutive days or when moved to permanent residence, whichever occurs first.

(g) Travels to and from New Location

U.S. ITER will reimburse actual and reasonable direct routing travel expenses incurred while traveling to and from an overseas assignment for the staff member and spouse plus all claimed IRS dependents. Direct economy class airfare and meals at local per diem rate will be reimbursed. If travel time, time spent in transit, exceeds 14 hours, business class travel is authorized.

Regulatory Guidance: FAR 31.205, see 31.205-46; FTR 302-3, Table B, 302-4 – Transportation and per diem for employee and immediate family.

(h) Home Selling Assistance in U.S.

If the staff member is currently a homeowner, home selling expenses may be reimbursed up to 14 percent of the sales price for a primary residence within one year of departure from the U.S. for the following selling costs: express mail, brokerage fee (limited to 7 percent of sales price or prevailing rate for the area, whichever is less), notary, document preparation, attorney’s fees, closing fees, inspections that sellers are required to pay for (termite, radon, structural, well, septic, and furnace, etc.), and escrow or conveyance fees, including mortgage transfer fees; advertising expenses, if no broker fee incurred; documentary tax stamps; recording discharge of mortgage; transfer taxes; abstract of title insurance; tax search; and survey expenses.

Costs normally paid by a buyer are not reimbursable.

Regulatory Guidance: FAR 31.205-35(a)(3), FTR 302-11-1 – must have been homeowner or under contract to purchase a home at time of offer of employment.

(i) Home Buyers Assistance in U.S. Upon Return

If the staff member was a homeowner prior to taking the assignment in the foreign location and sold that home due to the assignment, home buying expenses may be reimbursed up to 5 percent of the purchase price for a primary residence purchased in the U.S. within one year of arrival to U.S. and may include the following reasonable and normal actual costs: documentation, express mail, recording, Veteran Affairs funding, appraisals and mortgage approval and credit rating fees; mortgage tax; examination of title fee or title insurance premium (if in effect on previous home); attorney fees or attorney’s fees included in bank service fees; survey expenses; transfer tax; origination fees (limited to 1 percent – prevailing rate for the area); escrow or conveyance fees, including mortgage transfer fee; and

inspection fees that a buyer normally pays (termite, radon, structural, well, septic, and furnace).

Mortgage discount fees (normally paid by the buyer) are not reimbursable. Also, costs normally paid by the seller are not reimbursable.

Regulatory Guidance: FAR 31.205-35(a)(6); - Must have been homeowner at time of transfer or offer of employment.

(j) Home Leave Travel/Vacation/Holidays

Vacation accrual will be according to the vacation policy of the staff member's company in the home country.

Every time the duration of the assignment extends beyond 12 months and the international assignment will continue an additional 6 months, U.S. ITER will pay for international staff member's travel time for home leave. U.S. ITER typically will reimburse economy/coach round trip air transportation costs for the international staff member and IRS dependents by the most direct route from host country to the home country and return. If the international staff member chooses to take Home Leave to a location other than the home country, equivalent expenses incurred by the international staff member may be reimbursed, up to what would have been the direct transportation costs to the home country.

Home leave travel time, time spent in transit, will be charged as regular business travel time and is to be calculated on the basis of commercial airline schedules.

Staff Members will observe the holiday schedule of ITER.

Regulatory Guidance: FTR 301-11.23 (c) – Periodic return travel home is justified incident to an extended temporary assignment.

(k) Emergency Home Travel to U.S.

In the event of serious illness or death of the staff member or spouse or an IRS dependent of the staff member or spouse, the company will provide direct economy/coach-class round-trip airfare to the home country for the staff member and/or spouse and IRS dependents as deemed appropriate by the U.S. ITER Business Manager.

Any other emergency situations should be discussed with the U.S. ITER Project Manager for exceptions.

Regulatory Guidance: FTR 302-3.511; 303-70 (et seq)

(l) Relocation Allowance

A Relocation Allowance of \$5,000 will be provided (unreceipted) to cover incidental moving expenses such as rental deposits, utilities, computer set up fees, telephone deposits and other miscellaneous expenses.

Regulatory Guidance: FAR 31.205-35(b)(5) – Misc. expenses for establishing a residence at new location. Maximum lump sum allowed by FAR is \$5,000 in lieu of actual cost. The FAR reads: "Other necessary and reasonable expenses normally

incident to relocation, such as disconnecting and connecting household appliances; automobile registration; driver's license and use taxes; cutting and fitting rugs, draperies, and curtains; forfeited utility fees and deposits; and purchase of insurance against damage to or loss of personal property while in transit."

(m) Education Allowance for IRS Dependent Children through Secondary Education

An Education Allowance will be provided, if approved in advance and receipted for expenses in accordance with State Department guidelines. Such allowance will be paid for IRS dependent children for elementary and secondary education for each school year only if no suitable local option is available, and generally for tuition, books and fees only. (Annual expenses for the local school in Aix en Provence include tuition of approximately \$10,000; fees up to \$2,000; books up to \$2,000 and transportation up to \$1,000).

Regulatory Guidance: Dept. of State, 270 – to assist an employee in meeting extraordinary and necessary expenses in providing adequate elementary and secondary education for dependent children. Use the State Department Table of Allowances, Education Allowances using location of foreign assignment to determine rates from kindergarten through grade 12.

(n) Tax Adjustments and Consultation

U.S. ITER's income adjustment policy has three major objectives: to ensure that the staff member's net income after taxes will not exceed his or her stay-at-home tax liability (that is, what the staff member's tax liability would have been in the absence of the foreign assignment); to ensure good corporate citizenship regarding the staff member's tax compliance in every foreign location and to eliminate the risk of nonconformance with local law, tax regulations, and exchange rate controls; and, where appropriate and permissible, to adjust U.S. income in a manner that has a neutral effect on the employee but minimizes total domestic and foreign tax costs ("tax equalization").

The basic principle is that the staff member's actual U.S. income and other federal tax obligations (e.g., FICA) on salary, fringe benefits, bonuses, and foreign living allowances should not exceed the U.S. income and other tax obligations on salary, fringe benefits and bonuses if the staff members remained in the U.S. This means that supplemental payments may be required with regard to foreign living allowances.

In addition, the staff member's income should be increased by the amount of any excess foreign income and payroll taxes he or she must pay, plus an appropriate supplemental amount as may be necessary to preclude a negative impact on net income due to taxes on the increased income. "Excess foreign income and payroll taxes" means the amount of any taxes the staff member is obligated to pay to a foreign government after a deduction for any credit for taxes paid to the U.S. under a tax treaty.

Because living overseas can greatly complicate both U.S. and foreign tax obligations in ways most taxpayers never encounter or have occasion to learn about, U.S. ITER will provide staff members with access to a contracted international tax expert.

Regulatory Guidance: Although State Department regulations are silent, most international business assigning people to work in foreign countries routinely provide tax equalization and U.S. tax preparation consultation and assistance.

(o) Lease Termination to and from Foreign Location

U.S. ITER will provide Lease Termination Assistance if applicable for a primary residence only if the staff member is required by U.S. ITER to move on short notice.

Regulatory Guidance: FTR 302-11.6, 302-11-7; FAR 31.205-35(a)(9) – If occupying residence at time of offer or transfer, may be eligible for settlement of an unexpired lease at your official station or when assigned to foreign duty location.

(p) Foreign Service Premium

U.S. ITER will pay a ten (10) percent incentive and retention premium added to the staff member's base salary for long term assignments paid monthly to start the first day staff member arrives in country and to be paid as long as the staff member is residing in the foreign location.

Regulatory Guidance: Foreign Service Premium is a standard benefit to attract and retain employees to work in foreign assignment locations; this benefit was benchmarked against other DOE laboratories and international businesses who pay this and all U.S. ITER Secondees are paid Foreign Service Premium.

(q) Relocation Agreement

All staff members assigned to a foreign location will sign a relocation agreement form prior to relocating and again prior to their return to the U.S. The Relocation Agreement Form states if the staff member voluntary terminates employment for any reason within their control within one year from date of commencement of work in the foreign location or one year within their return to the U.S., the employee will promptly reimburse the company all relocation monies. If the employee is terminated for cause or otherwise removed from the project at the request of the ITER Organization within one year from date of commencement of work in the foreign location they will promptly reimburse the company all relocation monies paid to or for them based on one-twelfth of the total amount for each full month not worked in that year.

Regulatory Guidance: FTR 302-2.12, FTR 302-2.13, FTR 302-2.14 – A service agreement is a written agreement between you and your agency, signed by you and an agency representative, stating that you will remain in the service of the Government for a period of time as specified in 302-2.13 after you have relocated. You are required to sign a service agreement when transferring within or outside the continental United States or performing renewal agreement travel. FTR 302-2.17 – If you fail to sign a service agreement, your agency will not pay for your relocation expenses.”

Modification No. 119
Contract No. DE-AC02-09CH11466
Section J – Appendix A