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SECTION I - INTRODUCTION

- (a) This Advance Understanding is intended to document the principles and measures for evaluation of the Contractor's Human Resource 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) LLNL CHRM programs will comply with applicable Federal Acquisition Regulation (FAR) cost principles and FAR contract clauses, as supplemented by the Department of Energy Acquisition Regulation (DEAR), for all Human Resources (HR) programs, including but not limited to Compensation, Health and Welfare Benefits, Pension Plans, Training and Development, Employee Morale, Professional Society Memberships, Employee and Labor Relations, Diversity/Equal Employment Opportunity/Affirmative Action, Recruitment and Relocation. The Contractor shall use effective management review procedures and internal controls to assure compliance with the FAR, DEAR and this contract.
- (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. Parties hereto agree to negotiate in good faith concerning any requested revision. Revisions to this Appendix A shall be accomplished by executing a Contract Modification.
- (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. Such Laboratory Director exceptions must be approved in advance by the Contracting Officer and included as a modification to this Appendix A prior to Contractor implementation.
- (e) The Laboratory Director, or designated representative, shall promptly furnish all reports and information required or otherwise indicated herein to the Contracting Officer. The Contractor recognizes that the Contracting Officer may make other data requests from time to time and the Contractor agrees to cooperate in meeting such requests.

SECTION II - HUMAN RESOURCES STRATEGY, BUSINESS PLANNING AND PERFORMANCE MANAGEMENT

- (a) The Contractor shall review its HR strategy to support the Laboratory mission with NNSA representatives at least annually. The Contractor shall use the Contractor Assurance System under Contract Clause H-4 in managing CHRM and improving the performance of CHRM functions and activities. Contract performance objectives and measures will be developed and revised annually in partnership with DOE/NNSA.

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- (b) CHRM performance objectives, incentives, measures 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; be reviewed periodically to target key strategic objectives and results; and include outcomes that result in cost effective management of Contractor human resources to support accomplishment of DOE/NNSA and Laboratory mission, strategy and objectives.

SECTION III – COMPENSATION (Mod 196)

- (a) (1) Compensation Standards. The Contractor and NNSA agree that the elements below will be included in Contractor compensation systems and will be the basis upon which NNSA will evaluate the Contractor’s self-assessment required under the Contract’s Section H Clause entitled “Workforce Transition, Contractor Compensation, Benefits and Pension.” The elements are:
 - (i) philosophy and strategy for all pay delivery programs;
 - (ii) method for establishing the internal value of jobs;
 - (iii) method for relating the internal value of jobs to the external market;
 - (iv) system that links individual and/or group performance to compensation decisions;
 - (v) method for planning and monitoring the expenditure of funds;
 - (vi) method for ensuring compliance with applicable laws and regulations;
 - (vii) system for communicating the program to employees; and
 - (viii) system for internal controls and self-assessment.
- (2) Compensation for Key Personnel. The Contractor shall include in the Contractor’s employment contract with each of its Key Personnel the following:
 - (i) a requirement that the key person’s employment is for a term of not less than two years, (ii) a condition that provides for incentives for longevity of service as a key person, and (iii) a condition that provides for disincentives for early departure.
- (b) Salary increases.
 - (1) Any combination of salary increases for an individual in a single calendar 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

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increase shall require prior approval by the Laboratory Director. Salary increases that exceed 15% shall be reported annually (March 15th) to the Contracting Officer.

- (2) Annual funding for promotions shall be included in the Compensation Increase Plan (CIP) request as a discrete line item.
- (3) Administrative stipend for temporary assignments. An administrative stipend may be paid to an employee who is temporarily assigned responsibilities of a higher level position or other significant duties within the Laboratory 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) Step increases which are part of the normal salary progression in the 0600, 0700 0800 and 0900 series shall not be charged to the annual CIP approved amount.

(c) Compensation Increase Plan.

- (1) The Contractor shall submit a Compensation Increase Plan (CIP) proposal to the Contracting Officer 90 days prior to the beginning of the succeeding calendar year.
- (2) In order to pay "on-market-on-average," in the calculation of market position, Contractor salary data shall be matched to survey data as of July 1st, the midpoint of the calendar year.
- (3) The CIP shall be expressed as a percentage of the projected December 30th base payroll.
- (4) Unless otherwise approved by the Contracting Officer, CIP funding will be requested and authorized for expenditure as justified for each employee group structure in the supporting market analysis.

SECTION IV - ANCILLARY PAY COMPONENTS (Mod M034, 196, 726)

- (a) Modified work week. The Laboratory Director may designate a work week of less than five days within a pay week for selected employees, or groups of employees, when warranted.

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(b) Extended work week.

- (1) An extended work week is an established work week which exceeds 40 hours each week for a period which it is anticipated will extend beyond four consecutive weeks.
- (2) 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.
- (3) An exempt employee assigned to an extended work week may be paid supplemental pay calculated at a prorated percentage of the base salary.

(c) Shift differential.

- (1) A shift differential shall be paid to each nonexempt employee who is required by management to work an assigned swing or owl shift in the amount of 7.5% for swing shift and 15% for owl shift. During all leaves with pay and holidays, eligible employees are paid at the shift differential rate applicable to the shifts they would otherwise have been scheduled to work. Overtime hours worked by a nonexempt employee on a swing or owl shift are paid at the applicable shift differential rate times one and one-half.
- (2) Exempt employees are not normally eligible for shift differentials; however, the Laboratory Director may approve a shift differential for an exempt employee when programmatic requirements necessitate a regular shift assignment for an extended period.
- (3) The shift differential shall be included in payments for all types of paid leave, provided that the nonexempt employee would have been expected to work that shift or shifts were the nonexempt employee not on paid leave.

(d) Call-in pay. A nonexempt employee called in for emergency work outside of his/her regularly scheduled hours shall be paid for all hours actually worked at one and one-half times the straight time rate or for a minimum of three hours at one and one-half times the straight time rate, whichever is greater.

(e) On-call pay.

- (1) On-call is time during which an employee is not required to be at the work location or at the employee's residence but is required to restrict activities so as to be readily contacted and be available for return to work if called.
- (2) Non-exempt employees assigned to on-call duty shall be paid an amount not to exceed 14% of their hourly base rate for each on-call duty hour.

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- (3) Exempt employees who are assigned to on-call duty shall be paid a flat rate amount not to exceed \$80 for each 24 hour period and must be on-call for a minimum of 15 hours (or 13 hours for eligible employees on a four-day, ten hour alternate work schedule or 14 hours for eligible employees on the nine hour day of their nine-day 9/80 work schedule) within a 24 hour period during the employee's normal workweek. Any increase shall be approved by the Contracting Officer prior to implementation.
 - (4) Duty officers are Contractor employees required to remain on site outside of normally scheduled working hours so as to be promptly available. Exempt employees assigned as on-site duty officers shall be paid \$115.00 for each 24-hour weekend or holiday shift worked.
- (f) Special allowances.
- (1) Uniform allowance. To be eligible for a uniform allowance or allocation, an employee must be required to wear a uniform authorized for use in an official capacity only.
 - (a) Permanent, full-time employees who has completed one year of service in the Police or Protective Services classifications may receive a uniform allowance. A full-time employee who has completed less than 12 months of service, a full-time employee who has worn a uniform less than full time, or a part-time employee may receive an allowance prorated on the basis of the percent of time worked in uniform. The uniform requirements are subject to departmental directives, direction, and funding. The uniform allowance shall be reimbursable to the employee. Any request for uniform advance payments to employees shall be submitted for Contracting Officer approval 45 days before initiating the advance payment. Advance payments without Contracting Officer approval may be deemed unallowable.
 - (2) Isolation allowance. The Laboratory Director may designate an isolation allowance up to a maximum of 25% of the employee's basic salary or monthly equivalent for work performed in remote geographical areas. Extended work weeks for isolation duty posts may be established in accordance with pertinent sections of this Appendix.
 - (3) Change-of-Station allowance. Contractor employees may be assigned to temporary duty at other locations on a change-of-station (COS) basis. Based on a cost benefit analysis and with the approval of the Laboratory Director, COS are allowed under the following conditions: a) up to a maximum of 36 months, b) payment of up to 55% of the applicable per diem rate which includes lodging, meals, incidentals expenses such as utilities and parking and a tax gross up on the per diem rate received; and, c) a cost of living adjustment based upon accepted

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industry standards and approved Contractor policy to be paid as a supplement to base salary (not part of salary base). The Contractor shall provide a semiannual report to the Contracting Officer with the assignment details, terms and total cost for each COS.

- (4) Nevada Test Site (NTS) allowance.
- (a) Employees whose permanent work assignment is at the Mercury location shall be paid, in addition to their regular pay, a daily allowance of \$5.00 for each day worked at Mercury.
 - (b) Employees whose permanent work assignment is other than Mercury but within NTS shall be paid, in addition to their regular pay, a daily allowance of \$7.50 for each day worked at the assigned work place.
 - (c) In addition to the daily allowance prescribed above in this paragraph, an overnight allowance of \$6.25 shall be allowed for each day worked for individuals whose work schedule requires them to remain overnight at NTS.
 - (d) Employees assigned to duty at the NTS on a temporary basis shall be compensated in accordance with the Section entitled “Travel & Relocation”; however, they shall not be entitled to the allowances described in subparagraph (f)(4)(a) to (c) above.
- (g) 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.
- (h) Inconvenience Pay - Site 300
- (1) Provides a \$5/day, non-base inconvenience pay allowance for eligible employees working at Site 300 in accordance to applicable guidance.
 - (2) The Laboratory will fund the program through the CIP Adjustments/Promotions and/or Merit Annual Authorization until such time a recurring non-base incentive authorization is approved.
- (i) Certified and Senior Certified Fissile Handler & Plutonium Facility Operator
- (1) Provides \$400/\$650 per month, non-base pay allowance for eligible certified employees.

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- (2) The Laboratory will fund the program through the CIP Adjustments/Promotions and/or Merit Annual Authorization until such time a recurring non–base incentive authorization is approved.
- (j) B332 Plutonium Facility (Superblock) Pay Supplement
- (1) Provides a \$10/day, non-base pay supplement for eligible employees working at Site 332 Plutonium Facility.
 - (2) The Laboratory will fund the program through the CIP Adjustments/Promotions and/or Merit Annual Authorization until such time a recurring non–base incentive authorization is approved.
- (k) Radioactive & Hazardous Waste Management (RHWM) Certified Technician Allowance
- (1) Provides \$400 per month, non-base pay allowance for eligible certified employees.
 - (2) The Laboratory will fund the program through the CIP Adjustments/Promotions and/or Merit Annual Authorization until such time a recurring non–base incentive authorization is approved.
- (l) Chem Agent Allowance
- (1) Provides \$500 per month, non-base pay allowance for eligible certified employees.
 - (2) The Laboratory will fund the program through the CIP Adjustments/Promotions and/or Merit Annual Authorization until such time a recurring non–base incentive authorization is approved.

SECTION V - PAYMENTS ON SEPARATION

- (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 to the extent permitted by law. Accumulated vacation credit is also paid.
 - (2) Severance pay benefit. The severance payment shall be made in an amount equal to one week's pay for each year of continuous full-time equivalent service (a fractional year of full-time equivalent service of six months or more is counted as one year of service) not to exceed a total of 26 weeks pay.

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(b) Payments upon termination other than RIF.

- (1) Pay in lieu of notice of termination. When approved by the Laboratory Director, up to 15 calendar days' pay may be paid in lieu of notice.
- (2) Sick leave. Accumulated sick leave is not payable upon termination and may not be used beyond a predetermined date of termination.
- (3) Vacation. Accumulated vacation is payable at termination or upon extended military leave at the rate in effect as of the date of termination, including any shift differential.
- (4) Termination upon death. Upon the death of an employee who has been employed for at least six months or more at 50% time or more, a sum equal to the normal salary of the deceased for one month shall be paid to the surviving spouse, or if there is no surviving spouse, to the deceased's eligible dependent(s), or if there is neither a surviving spouse nor eligible dependent(s), to the beneficiary designated in the deceased's Contractor-paid life insurance. If there is no Contractor-paid life insurance policy or no designated beneficiary of any such policy, the death payment shall be made to the estate of the deceased.

SECTION VI - LABOR RELATIONS (Mod 196)

(a) Collective bargaining. Costs of fringe benefits consistent with approved plans and wages paid to employees, and all other costs and expenses pursuant to applicable collective bargaining agreements and revisions thereto, are allowable. The Contractor shall adhere to the requirements specified in Contract's Section H Clause entitled "Workforce Transition, Compensation, Benefits and Pension." The following collective bargaining agreements are incorporated by reference:

- (1) Security Police Officers Association (SPOA), and
- (2) Skilled Trades Bargaining Unit Employees/Society of Professionals, Scientists and Engineers (SPSE) – University Professional and Technical Employees (UPTE), Communication Workers of America (CWA).

(b) Grievance and complaint costs.

- (1) 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.
- (2) The Contractor may pay as an allowable cost the entire costs or some portion thereof for services rendered by a non-Contractor hearing officer.

SECTION VII - WORKERS' COMPENSATION AND INJURY LEAVE (Mod 196)

(a) General.

- (1) An employee suffering a job-incurred injury or disability may be paid the straight-time hourly rate or monthly pay rate during the waiting period before workers' compensation begins, or the difference between the workers' compensation payment and such rate if the employee later becomes eligible for workers' compensation during the waiting period.
- (2) An employee entitled to receive workers' compensation may be paid injury leave, which is the difference between the workers' compensation payments and the straight-time hourly rate or monthly pay rate for the period such compensation is payable, not to exceed a period of 26 weeks. The total amount of all payments received shall not exceed 80% of the employee's regular rate of pay for the period such compensation is payable.
- (3) Injury leave constitutes an advance against permanent disability payments.

SECTION VIII - MILITARY LEAVE

Military leave and associated pay and benefits are authorized in accordance with NNSA Policy. Contractor policies not addressed in NNSA Policy are authorized as approved by the Contracting Officer.

SECTION IX - SECURITY LEAVE

Wages or salaries paid to employees when access authorization is suspended by DOE/NNSA will be allowable costs under the following conditions:

- (1) If a position which does not require access authorization is not available, the Laboratory Director or designee may place the employee on leave with pay at his or her base compensation until final disposition of the case.
- (2) Leave with pay requires the Contracting Officer's concurrence that no position is available to which the employee might reasonably be transferred.

SECTION X - TRAINING AND EDUCATION (Mod M034, 196,674)

- (a) The Contracting Officer may request information providing the number of employees participating in training and education programs and the dollars spent and/or budgeted.
- (b) Professional research or teaching leave when the primary purpose is the employee's professional development and/or to update or gain additional science and technical

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knowledge. The Laboratory Director may grant partially subsidized leave, as described below, to a limited number of exempt employees. Such leave, may be spent at appropriate institutions (e.g., universities and research laboratories) within the United States or abroad.

- (1) The period of leave may not exceed twelve months. Exceptions must be approved by the Laboratory Director and Contracting Officer.
- (2) Salary payments to an employee on professional research or teaching leave may not exceed the following schedule:

<u>Years of Service, or Years Since Last PR, or T Leave</u>	<u>PR or T Leave Up to Six months</u>	<u>PR or T Leave 6-12 Months</u>
4 years	.89 salary	.44 salary
4 1/2 years	Regular salary	.50 salary
5 years		.56 salary
5 1/2 years		.61 salary
6 years		.67 salary
7 years		.78 salary
8 years		.89 salary
9 years		Regular salary

- (3) Commuting costs are unallowable. Relocation and other travel costs may be paid by the sponsoring organization/institution either directly to the employee or through the Contractor at full cost recovery in accordance with Contractor approved policy.
 - (4) Vacation and sick leave shall be accrued at a reduced rate based upon the Contractor salary subsidy while the individual is on subsidized professional research or teaching leave.
- (c) Professional research or teaching assignment when the primary purpose is to benefit another institution/entity by providing technical knowledge and/or skills. The Laboratory Director may grant leave to exempt employees when a sponsoring organization or institution will reimburse the Contractor for the employee’s services at full cost recovery. Such leave may be spent at appropriate institutions (e.g., universities and research laboratories) within the United States or abroad.
- (1) The period of reimbursed leave may not exceed 48 months. Exceptions must be approved by the Laboratory Director and the Contracting Officer.
 - (2) Vacation and sick leave shall be accrued in accordance to the Contractor’s approved policy, while the employee is on reimbursed (at full cost recovery) professional research and teaching leave. Full cost recovery rates will include amounts for applicable vacation and sick time accruals.

- (3) Commuting costs are unallowable. Relocation and other travel costs may be paid by the sponsoring organization/institution either directly to the employee or through the Contractor at full cost recovery in accordance with Contractor approved policy.

SECTION XI - EMPLOYEE PROGRAMS (Mod 196, 674)

- (a) Service and retirement awards. The Contractor may recognize employees' service and retirement. The cost of awards for this Contractor program is not to exceed \$150,000 per fiscal year. An amount in excess of this allocation requires Contracting Officer advance approval.
- (b) Performance award programs.
 - (1) 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 or gift cards. Additionally, noteworthy achievements and special efforts may be recognized by the presentation of plaques, certificates, and memorabilia.
 - (2) Up to 0.15%, of the total salary base may be spent to fund performance award programs. Costs in excess of the authorized amounts shall require Contracting Officer advance approval. The Contractor shall provide the Contracting Officer with appropriate reports on the individual award program expenditures upon request.
- (c) Employee Referral and Hire-on Incentive Program. The Laboratory Director is authorized to implement an Employee Referral and Hire-on Incentive Program. Contracting Officer approval is required for initial program implementation and all changes to policy impacting bonus maximums. The Contractor may be requested by the Contracting Officer addressing cost and program effectiveness.
- (d) Other.
 - (1) Employee morale activities. The Contractor may develop, administer, and support a variety of employee programs that will enhance employee morale. These programs may include athletic, cultural, and family activities. The level of Contractor financial support for this program is not to exceed \$16 per employee (full-time or part-time), per fiscal year. Expenditures under this program shall require the approval of the Laboratory Director.
 - (2) The Contractor may provide reasonable support for the operation of employee programs. This may include administrative oversight and support. Appropriate facilities, utilities, and maintenance may be provided by the Contractor.

SECTION XII - COSTS OF RECRUITING PERSONNEL (Mod 450, 674, 697)

The Contractor may incur costs for the recruitment of personnel, as follows:

- (a) 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.
- (b) Costs associated with pre-employment screening shall be allowable.

SECTION XIII – TRAVEL, RELOCATION, AND SUBSISTENCE (Mod 450)

- (a) Travel and subsistence for interviewee, interviewer, and recruiting contact shall be reimbursed in accordance with this Appendix, Section XIII- Travel, Relocation, and Substance, paragraph (c).
- (b) New employees, or transferees, shall be reimbursed for costs of travel and shipment of household goods in accordance this Appendix, Section XIII- Travel, Relocation, and Substance, paragraphs (c) and (d). A relocation service provider may be used to assist with the transition.
- (c) Travel costs shall be allowable to the extent they are incurred in accordance with DEAR 970.3102-05-46 and FAR 31.205-46. Travel-related costs and travel costs associated with relocation for lodging, meals, and incidental expenses shall be reasonable and allowable to the extent they do not exceed the maximum per diem rates in effect at the time of travel set forth in the Federal Travel Regulations, prescribed by the General Services Administration.
- (d) Relocation expenses shall be incurred in accordance with the provisions, limitations and exclusions of FAR 31.205-35.
- (e) Subsistence expenses specified in Section XIV – Special Programs, paragraph (a)- Academic Cooperation Program of this Appendix shall be allowable up to the standard CONUS rate for meals.

SECTION XIV - SPECIAL PROGRAMS (Mod M025, 196)

- (a) Academic cooperation program. The Laboratory Director may approve the assignment of certain selected individuals at the graduate or undergraduate level, who are currently enrolled in recognized colleges or universities, to projects proposed by the college or university and approved by the Contractor. Such assignments are to be made primarily to further the individual's training, experience and education. The training the individual receives will be credited by the academic institution. Individuals approved by the

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Laboratory Director under this program may be reimbursed a daily subsistence allowance in accordance with this Appendix, Section XIII for each day of Laboratory attendance.

- (b) Special employment programs. A description of these programs and their costs shall be provided to the Contracting Officer in advance for approval. The Laboratory Director may authorize the administration of special employment programs for students at the postgraduate, graduate, undergraduate, and pre-college levels. The Laboratory Director may also authorize the administration of special employment programs for school teachers to advance science curriculum development in the schools. Allowable costs associated with these special employment programs are limited to salaries, transportation, relocation, and internship or membership fees associated with nationally recognized programs that are paid to other institutions in support of these programs.
- (c) Fellowship programs. A description of these programs and their costs shall be provided to the Contracting Officer in advance for approval. The Contractor may incur costs associated with participation in programs (e.g., consortium arrangements such as the National Physical Sciences Consortium for Graduate Degrees for Minorities and Women and the National Consortium for Graduate Degrees for Minorities in Engineering, DOE/NNSA/Contractor academy/leadership programs, Contractor science education initiatives) to provide graduate fellowships to students in science and engineering. Allowable costs associated with students employed at the Laboratory are limited to salaries, transportation, and relocation.
- (d) Lectures - Honoraria. The Laboratory Director may approve an honorarium and costs of travel in accordance with Section XIII, paragraph (a), for a person chosen to give a lecture to or discuss problems of interest associated with the Statement of Work with Contractor employees. An honorarium in excess of \$1,500 shall require the Laboratory Director's approval.
- (e) Service academy research program. The Contractor may participate in a cooperative summer program with Military Academic Research Associates (MARA). MARA may provide cadets, midshipmen, and military faculty members, majoring in the sciences (including social sciences) and engineering, hands-on research assignments or tours of duty. The specific work scope will be established annually by the Contractor. The Contractor may reimburse cadets, midshipmen, and military faculty members cost of transportation to and from their duty station to the Laboratory, cost of local lodging as determined by the Contractor, and per diem up to the maximum allowed in the Contractor's travel policy during their period of assignment at the Laboratory. Salary for cadets, midshipmen, and military faculty members will not be reimbursed by the Contractor, but will continue to be an obligation of the respective military academy. This subsection does not include Reserve Officers' Training Corps (ROTC) members and personnel.