

MANAGEMENT AND OPERATING CONTRACTOR SERVICE CREDIT RECOGNITION



**NATIONAL NUCLEAR SECURITY ADMINISTRATION
Office of Acquisition & Supply Management**

MANAGEMENT AND OPERATING CONTRACTOR SERVICE CREDIT RECOGNITION

1. **PURPOSE.** The objective of this Supplemental Directive is to address Management and Operating (M&O) contractor service credit recognition for employees transferring to a M&O contractor directly from its Parent Organization(s). The term “Parent Organization(s)” means the organizations (or companies) that comprise the contractor entity under contract with DOE or NNSA for the management and operation of an NNSA site or the corporate organizations/companies, as identified in the individual contract.
2. **CANCELLATIONS.** None.
3. **APPLICABILITY.**
 - a. **NNSA Personnel.** Except for the exclusion in paragraph 3c, this Supplemental Directive applies to all NNSA personnel.
 - b. **NNSA Contractors.** All NNSA Management and Operating (M&O) Contractors. Contractor requirements are contained in Attachment 1.
 - c. **Exclusions.** This Supplemental Directive does not apply to the Naval Reactors Program in accordance with the responsibilities and authorities assigned by Executive Order 12344, codified at 50 USC sections 2406, 2511 and to ensure consistency throughout the joint Navy/DOE Naval Nuclear Propulsion Program, the Deputy Administrator for Naval Reactors (Director) will implement and oversee requirements and practices pertaining to this supplemental directive for activities under the Director's cognizance, as deemed appropriate.
4. **BACKGROUND.** Contract language typically allowed the recognition of service with Parent Organizations when determining eligibility for benefits. The Office of Inspector General conducted an audit and found the NNSA methodology and philosophy employed to determine the allowability of contractor post-retirement health benefit costs was not consistently applied. In addition, the increased attention and costs associated with benefits at DOE or NNSA contractor sites requires the NNSA to consider the allocability, reasonableness and allowability of service credit recognition for all benefits.

Costs associated with M&O employees are subject to the cost principles at Federal Acquisition Regulation (FAR) 31.205-6, “Compensation for Personal Services,” and the Department of Energy Acquisition Regulation (DEAR) 970.3102-05-6, “Compensation for Personal Services.”
5. **REQUIREMENTS.**
 - a. For contractor employees who do not have prior accrued service under a DOE or NNSA M&O or facility management contract and transfer their employment to an NNSA M&O contract, NNSA will reimburse M&O contract costs associated with the

recognition of the employees' Parent Organization accrued service, for the purpose of determining eligibility for and the accrual rate for vacation paid time off. Under normal circumstances, service credit for any other purpose will not be recognized for contractor employees who do not have prior accrued service under a DOE or NNSA M&O or facility management contract.

- b. In addition, NNSA will reimburse reasonable and allocable costs associated with the recognition of Parent Organization service for contractor employees who do have prior accrued service under a DOE or NNSA M&O or facility management contract for contractor employees transferring employment to a NNSA M&O contract for the purposes of determining:
- (1) Severance pay associated with service for which severance has not already been paid;
 - (2) Eligibility for retiree medical, dental and life insurance benefits. Reimbursement of post-retirement health benefits is limited to employees who, prior to retirement, worked at least the 5 previous years under DOE or NNSA M&O or facilities management cost reimbursement contracts;
 - (3) Eligibility for and accrual rate for sick leave and other leaves of absence;
 - (4) Eligibility for vesting and employer contributions to market-based retirement plans, but not for determination of benefit; and/or,
 - (5) Eligibility and/or determination of benefit for long- and short-term disability.
- c. The following table summarizes the information above for ease of use:

<u>BENEFIT AVAILABLE</u>	Recognition for Service with Parent Organization not under DOE or NNSA M&O or Site Management Control	Recognition for Service with Parent Organization under DOE or NNSA M&O or Site Management Contract
Eligibility for and accrual rate for vacation benefit	YES	YES
Eligibility for and accrual rate for sick leave and other leaves of absence	NO	YES
Eligibility for vesting and receipt of benefit for market-based retirement	NO	YES

plans, but not for determination of benefit		
Computing pension benefit in defined benefit pension plan	NO	NO
Determination of severance benefits	NO	YES
Eligibility for retiree medical, dental and life insurance benefits	NO	YES
Eligibility and/or determination of benefit for long- and short-term disability	NO	YES

The Contracting Officer may approve, on a case-by-case basis, with the concurrence of the Headquarters Head of Contracting Activity (HCA) the reimbursement of costs associated with benefits extended to other Parent Organization employees who transfer employment to a NNSA M&O contract that have not accrued service under another DOE or NNSA M&O or facility management contract. In extending such approval, Contracting Officers must weigh the benefits to the contract of attracting and retaining the specific employee against the incremental cost associated with the benefits to be extended; such factors include whether the specific employee possesses critical skills that are not otherwise available without extending such benefits and whether that individual is essential to contract success. The Contracting Office must provide written justification supporting such approval.

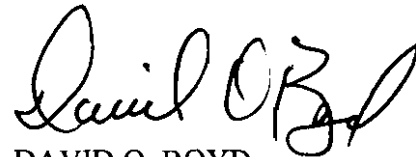
6. RESPONSIBILITIES.

- a. The NNSA Senior Procurement Executive is responsible for ensuring that this Supplemental Directive is incorporated by NNSA M&O contract Source Evaluation Boards and compliance with its requirements is consistently implemented by NNSA M&O Contracting Officers.
- b. The NNSA Head of Contracting Activity is responsible for approving contractor requests for service credit that set a precedent for NNSA or have policy implications beyond the specific, instant, request.
- c. Site Office Managers are responsible for ensuring NNSA M&O contractors develop and implement policies, procedures, and practices consistent with requirements of this Supplemental Directive.
- d. Office of Business Services, Contractor Human Resources Division is responsible for providing policy advice to the NNSA Senior Procurement Executive and for providing

advice to Site Office Managers/Contracting Officers on disposition of M&O contractor requests for recognition of contractor employee service credit.

- e. Site Office Contracting Officers are responsible for:
- (1) Administering implementation of this Supplemental Directive in the M&O contract.
 - (2) Coordinating establishment of and evaluations of contractor policies, procedures, and practices with the applicable NNSA Service Center to ensure consistency with this Supplemental Directive.
 - (3) Approving M&O contractor proposals.
7. CONTACT. Deputy Director, Office of Acquisition and Supply Management (NA-63), 202-586-6681.

BY ORDER OF THE SENIOR PROCUREMENT EXECUTIVE:



DAVID O. BOYD
Senior Procurement Executive

CONTRACTOR REQUIREMENTS DOCUMENT

1. NNSA M&O Contractors shall establish the limits described below in seeking reimbursement for service credit provided to employees who transfer from one of the Contractor's Parent Organizations:
 - a. For contractor employees who do not have prior accrued service under a DOE or NNSA M&O or facility management contract and transfer their employment to an NNSA M&O contract, NNSA will reimburse M&O contract costs associated with the recognition of the employees' Parent Organization accrued service, for the purpose of determining eligibility for and the accrual rate for vacation paid time off. Under normal circumstances, service credit for any other purpose will not be recognized for contractor employees who do not have prior accrued service under a DOE or NNSA M&O or facility management contract.
 - b. In addition, NNSA will reimburse reasonable and allocable costs associated with the recognition of Parent Organization service for contractor employees who do have prior accrued service under a DOE or NNSA M&O or facility management contract for contractor employees transferring employment to a NNSA M&O contract for the purposes of determining:
 - i. Severance pay associated with service for which severance has not already been paid;
 - ii. Eligibility for retiree medical, dental and life insurance benefits. Reimbursement of post-retirement health benefits is limited to employees who, prior to retirement, worked at least the 5 previous years under DOE or NNSA M&O or facilities management cost reimbursement contracts;
 - iii. Eligibility for and accrual rate for sick leave and other leaves of absence;
 - iv. Eligibility for vesting and employer contributions to market-based retirement plans, but not for determination of benefit; and/or,
 - v. Eligibility and/or determination of benefit for long- and short-term disability.
 - c. The following table summarizes the information above for ease of use:

<u>BENEFIT AVAILABLE</u>	Recognition for Service with Parent Organization not under DOE or NNSA M&O or Site Management Control	Recognition for Service with Parent Organization under DOE or NNSA M&O or Site Management Contract
Eligibility for and accrual rate for vacation benefit	YES	YES
Eligibility for and accrual rate for sick leave and other leaves of absence	NO	YES
Eligibility for vesting and receipt of benefit for market-based retirement plans, but not for determination of benefit	NO	YES
Computing pension benefit in defined benefit pension plan	NO	NO
Determination of severance benefits	NO	YES
Eligibility for retiree medical, dental and life insurance benefits	NO	YES
Eligibility and/or determination of benefit for long- and short-term disability	NO	YES

2. The Contractor shall request Contracting Officer approval, as it determines appropriate on a case-by-case basis, for reimbursement of costs associated with recognizing Parent Organization service credit for benefits extended to employees who transfer from a Parent Organization of the contractor to employment under an NNSA M&O contract when such service credit exceeds the limits specified in the table above. In requesting approval, the Contractor shall demonstrate efforts to obtain qualified personnel and provide information on the benefits to the contract of attracting and retaining the specific employee against the incremental cost associated with the benefits to be extended; including such factors as whether the specific employee possesses critical skills that are not otherwise available and are essential to contract performance. It is incumbent upon the Contractor to satisfactorily demonstrate the necessity for the specific employee, failure to do so will result in a denial of the request.