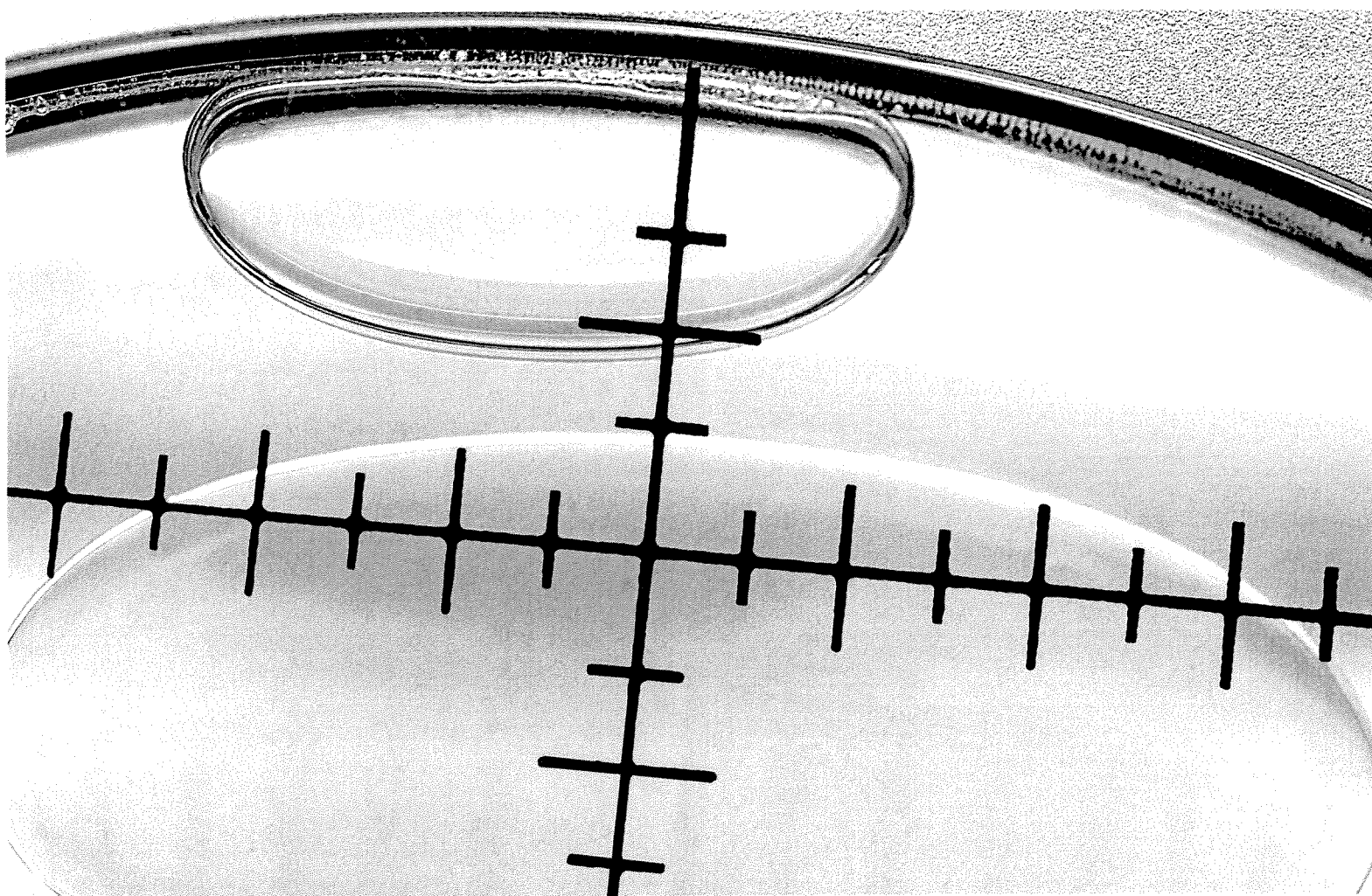


U.S. Impact of Economic Conditions on 2008/2009 Compensation Spending—December Update



U.S. Impact of Economic Conditions on 2008/2009 Compensation Spending— December Update

December 2008

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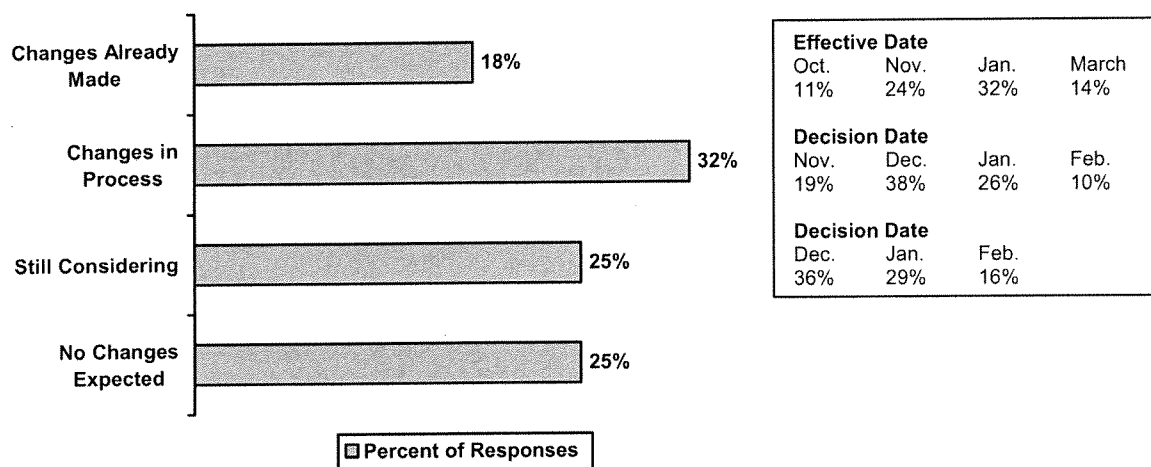
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Survey Highlights and Insights

This report presents the results of the Second Economic Impact Survey conducted by Hewitt Associates LLC (Hewitt). The first survey was conducted and results reported back in the month of October. This survey requested additional information on overall changes in employee compensation due to recent economic conditions for the calendar year 2008 and on current projections for 2009. Information was collected from 640 organizations. Participants include 351 service organizations, 281 manufacturing organizations, and 8 multi-industry organizations.

Where Things Stand—Overall



This U.S.-based pulse survey was conducted from November to December 2008 amidst the backdrop of the conclusion of the Presidential election, a country still waging war overseas, a highly volatile stock market, and debate over a second major economic bailout package. In light of all these factors, half (50%) of the 640 participants in this study told us they plan to change their position on salary increases or variable pay. The net effect of considering both those who have made changes and those who remain steadfast in their original position is a decrease of slightly less than 1 percent in salary increase spending—or a drop from 3.8 percent originally to 3.0 percent currently.

Organizations who have decided to revise their spending levels have significantly reduced their budgets—generally resulting in more than a 1 percent decrease from original projections set just a few months ago. Most appropriately, spending on variable pay is also being decreased significantly. Few companies are implementing salary freezes, and virtually none are cutting salaries. Holding the line on base salaries—one of the largest categories of fixed cost for most organizations—is not unexpected given today's economic conditions. The responses we are seeing to this economic downturn—with salary increase budgets dipping below the 3 percent level—are far more significant than the responses companies were pursuing in October 2001 just following the events of September 11.

Many organizations have no choice but to reduce their near-term fixed spending and to look for ways to reduce the future cost burdens associated with compensation expenses. These decisions should be entered into knowing that there could be longer-term consequences—especially with top performers and high potentials. Now is the time to find creative ways to send the right messages to the most critical and valued employees through monetary and non-monetary recognition vehicles. It is also the time to ensure that ongoing reward programs are calibrated to compensate when performance is strong and to avoid perpetuating an entitlement mentality when performance is lacking.

Clearly many organizations and even some industries are being strongly impacted by the economy and some short-term adjustments may be required to survive. The growth in variable pay arrangements adopted by nearly 90 percent of Corporate America will help organizations weather these difficult times as they allow employers to more effectively manage fixed costs, focus on key business objectives, and motivate and reward employees when they attain performance goals. The variable cost attributes of these plans should take some pressure off companies who are reluctant to reduce employees' salaries—especially given the current rate of inflation.

The complete report of survey results follow. Information appears in summary and detail based on industry and geographic location. A minimum of ten organizations responding was required to report any single data point.

Overview of Survey Results

Overview of Survey Results

Average Salary Increase Budgets—Including Zero Percents

| | 2009 Projected Overall Salary Increase Budgets | | | | | |
|----------------|--|-------|-----------------|--------------------|-----------------|------------|
| | Executive | | Salaried Exempt | Salaried Nonexempt | Nonunion Hourly | Union |
| Initial | 3.8% | (565) | 3.8% (594) | 3.7% (521) | 3.6% (469) | 3.2% (162) |
| Current | 2.9% | (525) | 3.0% (550) | 3.1% (484) | 3.1% (439) | 2.8% (158) |

| | 2009 Projected Salary Structure Increases | | | | | |
|----------------|---|-------|-----------------|--------------------|-----------------|-----------|
| | Executive | | Salaried Exempt | Salaried Nonexempt | Nonunion Hourly | Union |
| Initial | 2.6% | (322) | 2.7% (376) | 2.6% (327) | 2.6% (279) | 2.5% (91) |
| Current | 2.2% | (305) | 2.3% (353) | 2.3% (311) | 2.3% (262) | 2.2% (84) |

Note: Throughout this report, all numbers in parentheses indicate the number of organizations represented by each data point. Unless specifically indicated otherwise, averages represent all reported data, including zero percent increase budgets.

Average Overall Salary Increase Budgets—Including Zero Percents

The tables below display results for organization that are ...

Planning Changes

| | 2009 Projected Overall Salary Increase Budgets | | | | | | | |
|---------|--|-------|-----------------|-------|--------------------|-------|-----------------|-------|
| | Executive | | Salaried Exempt | | Salaried Nonexempt | | Nonunion Hourly | |
| Initial | 3.8% | (184) | 3.8% | (192) | 3.7% | (171) | 3.7% | (153) |
| Current | 2.3% | (172) | 2.7% | (178) | 2.8% | (159) | 2.7% | (143) |

Changing

| | 2009 Projected Overall Salary Increase Budgets | | | | | | | |
|---------|--|-------|-----------------|-------|--------------------|-------|-----------------|------|
| | Executive | | Salaried Exempt | | Salaried Nonexempt | | Nonunion Hourly | |
| Initial | 3.8% | (122) | 3.8% | (131) | 3.7% | (112) | 3.7% | (99) |
| Current | 2.1% | (121) | 2.4% | (129) | 2.4% | (110) | 2.5% | (97) |

Not Making Changes

| | 2009 Projected Overall Salary Increase Budgets | | | | | | | |
|---------|--|-------|-----------------|-------|--------------------|-------|-----------------|-------|
| | Executive | | Salaried Exempt | | Salaried Nonexempt | | Nonunion Hourly | |
| Initial | 3.8% | (148) | 3.7% | (157) | 3.7% | (135) | 3.6% | (127) |
| Current | 3.8% | (148) | 3.7% | (157) | 3.7% | (135) | 3.6% | (127) |

Still Deciding

| | 2009 Projected Overall Salary Increase Budgets | | | | | | | |
|---------|--|-------|-----------------|-------|--------------------|-------|-----------------|------|
| | Executive | | Salaried Exempt | | Salaried Nonexempt | | Nonunion Hourly | |
| Initial | 3.8% | (111) | 3.8% | (116) | 3.8% | (103) | 3.5% | (80) |
| Current | 3.5% | (84) | 3.6% | (88) | 3.6% | (80) | 3.4% | (72) |

Note: Throughout this report, all numbers in parentheses indicate the number of organizations represented by each data point. Unless specifically indicated otherwise, averages represent all reported data, including zero percent increase budgets.

2009 Overall Salary Increase Budgets and Salary Structure Increases by Industry

Executive Group

2009 Projected Budgets

| | Overall Salary Increase Budget | | Salary Structure Movement | |
|--|--------------------------------|-------------------|---------------------------|-------------------|
| | Initial | Current | Initial | Current |
| Manufacturing | | | | |
| Aerospace | 3.9% (9) | 3.6% (7) | 3.2% (5) | 3.2% (5) |
| Automotive/Vehicle Manufacturing | 4.0% (11) | 1.3% (8) | 2.4% (7) | 1.7% (5) |
| Chemicals (not Pharmaceutical) | 3.8% (24) | 3.0% (22) | 2.4% (20) | 2.2% (19) |
| Computers and Related Products | 3.7% (18) | 2.5% (13) | 2.5% (8) | 2.0% (6) |
| Consumer Products - Durable Goods | 3.7% (25) | 3.0% (26) | 2.8% (15) | 2.5% (16) |
| Consumer Products - Nondurable Goods | 3.6% (22) | 2.6% (20) | 2.7% (12) | 2.5% (11) |
| Electronics/Electrical | 3.8% (10) | 3.2% (7) | — (2) | — (2) |
| Energy (Oil/Gas) | 4.9% (20) | 3.8% (18) | 3.4% (10) | 3.3% (10) |
| Food/Beverage/Tobacco | 3.7% (27) | 3.2% (25) | 2.4% (15) | 2.0% (14) |
| Forest & Paper Products/Packaging | 3.2% (9) | 2.0% (9) | — (4) | — (4) |
| Pharmaceutical | 4.0% (15) | 3.9% (15) | 2.9% (9) | 2.6% (9) |
| Other Manufacturing | 3.6% (20) | 2.6% (18) | 3.0% (13) | 2.5% (13) |
| All Manufacturing | 3.8% (243) | 3.0% (219) | 2.7% (138) | 2.5% (130) |
| Service | | | | |
| Banking/Finance | 3.7% (43) | 2.4% (44) | 2.5% (30) | 1.8% (28) |
| Business/Computer Services | 4.4% (15) | 3.3% (14) | 2.7% (9) | 2.3% (8) |
| Construction/Engineering | 4.7% (10) | 4.1% (10) | 3.3% (8) | 2.6% (9) |
| Education | 3.8% (13) | 1.9% (12) | — (2) | — (3) |
| Energy (Power/Gas) | 3.8% (38) | 3.5% (37) | 2.9% (22) | 2.7% (20) |
| Entertainment/Communications/Publication | 3.8% (7) | 3.4% (6) | 2.7% (5) | — (4) |
| Health Care/Medical Services | 3.8% (29) | 2.8% (25) | 2.6% (22) | 1.8% (23) |
| Insurance - Life & Health | 3.9% (22) | 3.0% (20) | 2.9% (12) | 2.3% (12) |
| Insurance - Property & Casualty | 3.8% (18) | 3.2% (18) | 2.9% (7) | 2.5% (6) |
| Research/Development | 4.0% (11) | 4.0% (10) | 2.8% (7) | 2.8% (7) |
| Retail (incl. Wholesale & Distribution) | 3.5% (39) | 2.1% (37) | 2.7% (26) | 2.1% (24) |
| Telecommunications | 3.7% (12) | 2.7% (12) | — (4) | — (4) |
| Transportation Services | 3.5% (9) | 2.7% (8) | 2.1% (6) | 2.5% (5) |
| Other Service | 3.5% (14) | 2.9% (14) | — (2) | — (2) |
| All Service | 3.8% (314) | 2.8% (300) | 2.6% (179) | 2.1% (173) |
| All Companies | 3.8% (565) | 2.9% (525) | 2.6% (322) | 2.2% (305) |

Salaried Exempt

2009 Projected Budgets

| | Overall Salary Increase Budget | | | | Salary Structure Movement | | | |
|--|--------------------------------|--------------|-------------|--------------|---------------------------|--------------|-------------|--------------|
| | Initial | | Current | | Initial | | Current | |
| Manufacturing | | | | | | | | |
| Aerospace | 3.9% | (10) | 3.6% | (9) | 3.0% | (5) | 3.3% | (6) |
| Automotive/Vehicle Manufacturing | 3.5% | (14) | 1.4% | (11) | 2.9% | (8) | 1.8% | (6) |
| Chemicals (not Pharmaceutical) | 3.8% | (24) | 3.0% | (22) | 2.5% | (20) | 2.3% | (19) |
| Computers and Related Products | 3.9% | (17) | 2.9% | (12) | 3.0% | (9) | 2.3% | (7) |
| Consumer Products - Durable Goods | 3.7% | (29) | 3.1% | (29) | 2.8% | (16) | 2.4% | (17) |
| Consumer Products - Nondurable Goods | 3.5% | (23) | 2.8% | (21) | 2.6% | (13) | 2.4% | (11) |
| Electronics/Electrical | 3.9% | (12) | 3.6% | (9) | — | (3) | — | (3) |
| Energy (Oil/Gas) | 4.7% | (21) | 3.8% | (20) | 3.4% | (14) | 3.2% | (14) |
| Food/Beverage/Tobacco | 3.7% | (28) | 3.4% | (26) | 3.0% | (17) | 2.2% | (16) |
| Forest & Paper Products/Packaging | 3.1% | (10) | 2.0% | (10) | 2.1% | (6) | 2.1% | (6) |
| Pharmaceutical | 4.1% | (16) | 3.9% | (16) | 2.4% | (10) | 2.3% | (10) |
| Other Manufacturing | 3.6% | (21) | 2.8% | (19) | 2.9% | (14) | 2.4% | (14) |
| All Manufacturing | 3.8% | (260) | 3.1% | (237) | 2.8% | (159) | 2.5% | (150) |
| Service | | | | | | | | |
| Banking/Finance | 3.9% | (45) | 2.9% | (45) | 2.4% | (31) | 2.0% | (29) |
| Business/Computer Services | 4.4% | (15) | 3.6% | (14) | 2.6% | (9) | 2.3% | (8) |
| Construction/Engineering | 5.0% | (11) | 4.2% | (11) | 3.5% | (9) | 3.0% | (10) |
| Education | 3.5% | (14) | 2.3% | (13) | 2.5% | (7) | 1.6% | (7) |
| Energy (Power/Gas) | 3.8% | (40) | 3.4% | (38) | 2.9% | (26) | 2.8% | (24) |
| Entertainment/Communications/Publication | 3.8% | (8) | 3.4% | (7) | 2.5% | (6) | 2.0% | (5) |
| Health Care/Medical Services | 3.7% | (31) | 3.2% | (27) | 2.5% | (27) | 1.9% | (26) |
| Insurance - Life & Health | 3.8% | (21) | 3.0% | (19) | 2.7% | (13) | 2.2% | (13) |
| Insurance - Property & Casualty | 3.7% | (19) | 3.2% | (18) | 3.2% | (10) | 2.6% | (9) |
| Research/Development | 4.2% | (12) | 4.0% | (11) | 2.5% | (8) | 2.3% | (8) |
| Retail (incl. Wholesale & Distribution) | 3.4% | (40) | 2.5% | (38) | 2.6% | (29) | 2.2% | (27) |
| Telecommunications | 3.6% | (13) | 2.8% | (12) | 2.5% | (6) | 2.0% | (5) |
| Transportation Services | 3.5% | (9) | 2.7% | (8) | 2.1% | (8) | 2.3% | (6) |
| Other Service | 3.6% | (14) | 3.0% | (13) | 2.2% | (5) | 2.0% | (5) |
| All Service | 3.8% | (326) | 3.1% | (307) | 2.6% | (212) | 2.2% | (201) |
| All Companies | 3.8% | (594) | 3.0% | (550) | 2.7% | (376) | 2.3% | (353) |

Salaried Nonexempt

2009 Projected Budgets

| | Overall Salary Increase Budget | | Salary Structure Movement | |
|--|--------------------------------|-------------------|---------------------------|-------------------|
| | Initial | Current | Initial | Current |
| Manufacturing | | | | |
| Aerospace | 3.8% (10) | 3.6% (9) | 2.8% (5) | 3.1% (6) |
| Automotive/Vehicle Manufacturing | 3.5% (14) | 1.4% (11) | 2.6% (8) | 1.8% (6) |
| Chemicals (not Pharmaceutical) | 3.8% (23) | 3.2% (20) | 2.6% (20) | 2.5% (19) |
| Computers and Related Products | 3.9% (16) | 3.1% (11) | 3.1% (8) | 2.6% (6) |
| Consumer Products - Durable Goods | 3.6% (28) | 3.1% (28) | 2.8% (16) | 2.4% (17) |
| Consumer Products - Nondurable Goods | 3.6% (21) | 2.9% (19) | 2.6% (12) | 2.3% (10) |
| Electronics/Electrical | 3.7% (9) | 3.2% (6) | — (3) | — (3) |
| Energy (Oil/Gas) | 4.7% (21) | 3.8% (20) | 3.5% (14) | 3.3% (14) |
| Food/Beverage/Tobacco | 3.7% (27) | 3.5% (25) | 2.3% (16) | 1.9% (15) |
| Forest & Paper Products/Packaging | 3.1% (10) | 2.0% (10) | 2.1% (6) | 2.1% (6) |
| Pharmaceutical | 3.9% (11) | 3.6% (11) | 2.2% (7) | 2.1% (7) |
| Other Manufacturing | 3.6% (19) | 2.9% (17) | 2.8% (12) | 2.5% (12) |
| All Manufacturing | 3.8% (238) | 3.1% (215) | 2.7% (147) | 2.5% (139) |
| Service | | | | |
| Banking/Finance | 3.9% (41) | 3.0% (41) | 2.3% (27) | 1.8% (26) |
| Business/Computer Services | 3.8% (12) | 3.3% (11) | 2.9% (8) | 2.6% (7) |
| Construction/Engineering | 5.0% (10) | 4.2% (10) | 3.5% (8) | 3.4% (9) |
| Education | 3.5% (11) | 2.9% (11) | 2.7% (5) | 1.8% (6) |
| Energy (Power/Gas) | 3.8% (33) | 3.4% (32) | 2.9% (21) | 2.8% (18) |
| Entertainment/Communications/Publication | 3.8% (8) | 3.4% (7) | 2.5% (6) | 2.0% (5) |
| Health Care/Medical Services | 3.6% (21) | 3.1% (18) | 2.5% (17) | 1.8% (18) |
| Insurance - Life & Health | 3.9% (18) | 3.2% (17) | 2.7% (13) | 2.4% (13) |
| Insurance - Property & Casualty | 3.6% (15) | 3.2% (15) | 3.3% (7) | 2.9% (7) |
| Research/Development | 4.2% (10) | 4.0% (10) | 2.2% (7) | 2.1% (7) |
| Retail (incl. Wholesale & Distribution) | 3.4% (33) | 2.6% (31) | 2.5% (25) | 2.1% (23) |
| Telecommunications | 3.6% (12) | 2.7% (11) | 2.2% (5) | — (4) |
| Transportation Services | 3.5% (8) | 3.0% (7) | 2.0% (7) | 2.3% (6) |
| Other Service | 3.6% (14) | 3.0% (13) | 2.2% (5) | 2.0% (5) |
| All Service | 3.7% (276) | 3.1% (263) | 2.6% (176) | 2.2% (170) |
| All Companies | 3.7% (521) | 3.1% (484) | 2.6% (327) | 2.3% (311) |

Nonunion Hourly

2009 Projected Budgets

| | Overall Salary Increase Budget | | Salary Structure Movement | |
|--|--------------------------------|-------------------|---------------------------|-------------------|
| | Initial | Current | Initial | Current |
| Manufacturing | | | | |
| Aerospace | 3.8% (7) | 3.5% (7) | — (3) | — (3) |
| Automotive/Vehicle Manufacturing | 2.8% (11) | 1.1% (9) | 2.0% (6) | 1.4% (5) |
| Chemicals (not Pharmaceutical) | 3.6% (19) | 3.1% (16) | 2.4% (14) | 2.4% (13) |
| Computers and Related Products | 4.3% (11) | 2.7% (8) | 3.1% (7) | 2.4% (5) |
| Consumer Products - Durable Goods | 3.3% (24) | 2.9% (24) | 2.8% (13) | 2.4% (14) |
| Consumer Products - Nondurable Goods | 3.4% (21) | 2.7% (19) | 2.4% (12) | 2.2% (10) |
| Electronics/Electrical | 3.6% (10) | 3.5% (8) | — (2) | — (2) |
| Energy (Oil/Gas) | 4.6% (19) | 3.7% (18) | 3.4% (12) | 3.1% (12) |
| Food/Beverage/Tobacco | 3.5% (21) | 3.2% (21) | 1.9% (7) | 1.4% (7) |
| Forest & Paper Products/Packaging | 3.1% (8) | 2.0% (8) | — (3) | — (3) |
| Pharmaceutical | 4.1% (14) | 4.0% (14) | 2.5% (8) | 2.4% (8) |
| Other Manufacturing | 3.4% (18) | 2.9% (16) | 2.5% (10) | 2.3% (10) |
| All Manufacturing | 3.6% (210) | 3.0% (192) | 2.7% (113) | 2.4% (105) |
| Service | | | | |
| Banking/Finance | 3.7% (29) | 3.0% (30) | 2.3% (21) | 2.1% (20) |
| Business/Computer Services | 3.8% (11) | 3.2% (10) | 2.8% (9) | 2.5% (8) |
| Construction/Engineering | 4.8% (9) | 4.0% (9) | 3.2% (7) | 3.2% (8) |
| Education | 3.6% (12) | 2.8% (11) | 2.5% (6) | 1.7% (6) |
| Energy (Power/Gas) | 3.7% (33) | 3.4% (33) | 2.9% (22) | 2.8% (20) |
| Entertainment/Communications/Publication | 3.7% (6) | 3.3% (5) | 2.7% (5) | — (4) |
| Health Care/Medical Services | 3.7% (29) | 3.3% (27) | 2.4% (25) | 2.0% (25) |
| Insurance - Life & Health | 3.8% (11) | 3.3% (9) | 2.6% (7) | 2.1% (7) |
| Insurance - Property & Casualty | 3.7% (12) | 3.2% (12) | 2.8% (7) | 1.9% (6) |
| Research/Development | 4.2% (7) | 4.1% (6) | 2.5% (5) | 2.4% (5) |
| Retail (incl. Wholesale & Distribution) | 3.4% (37) | 2.6% (36) | 2.6% (28) | 2.1% (26) |
| Telecommunications | 3.5% (11) | 2.8% (11) | — (4) | — (4) |
| Transportation Services | 3.2% (7) | 2.8% (6) | 1.6% (5) | — (4) |
| Other Service | 3.5% (13) | 3.0% (12) | — (4) | — (4) |
| All Service | 3.7% (252) | 3.1% (242) | 2.5% (163) | 2.2% (156) |
| All Companies | 3.6% (469) | 3.1% (439) | 2.6% (279) | 2.3% (262) |

Salary Increase Budgets and Salary Structure Increases by Geographic Region

All Organizations

2009 Projected Budgets

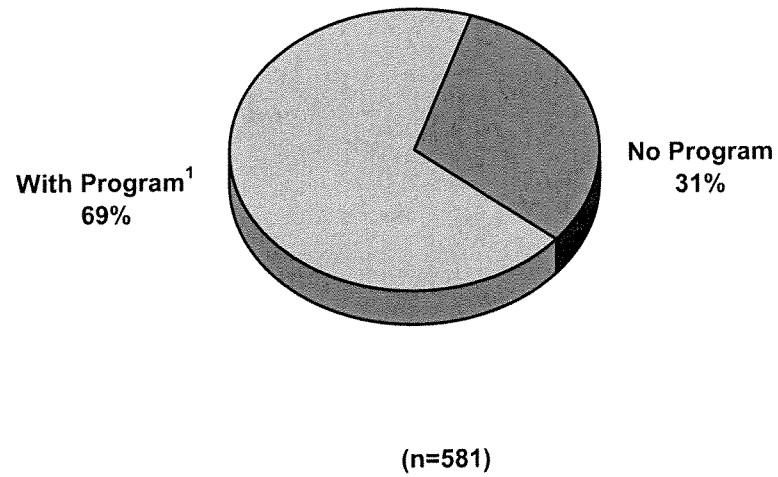
| Geographic Region | Overall Salary Increase Budget | | Salary Structure Movement | |
|--------------------|--------------------------------|------------|---------------------------|------------|
| | Initial | Current | Initial | Current |
| East | | | | |
| Executive Group | 3.7% (160) | 2.8% (150) | 2.7% (77) | 2.3% (75) |
| Salaried Exempt | 3.8% (170) | 3.1% (157) | 2.7% (97) | 2.4% (91) |
| Salaried Nonexempt | 3.7% (151) | 3.1% (142) | 2.7% (87) | 2.4% (83) |
| Nonunion Hourly | 3.7% (129) | 3.1% (120) | 2.6% (72) | 2.3% (67) |
| Union | 3.2% (43) | 2.8% (44) | 2.4% (20) | 2.3% (19) |
| Midwest | | | | |
| Executive Group | 3.8% (191) | 2.9% (180) | 2.6% (124) | 2.1% (116) |
| Salaried Exempt | 3.7% (205) | 3.0% (192) | 2.6% (140) | 2.2% (130) |
| Salaried Nonexempt | 3.7% (174) | 3.0% (163) | 2.6% (116) | 2.2% (109) |
| Nonunion Hourly | 3.6% (167) | 3.1% (158) | 2.5% (103) | 2.1% (95) |
| Union | 3.1% (68) | 2.8% (65) | 2.5% (34) | 1.9% (31) |
| South | | | | |
| Executive Group | 3.8% (106) | 2.9% (98) | 2.7% (58) | 2.4% (55) |
| Salaried Exempt | 3.8% (108) | 3.1% (100) | 2.9% (66) | 2.7% (62) |
| Salaried Nonexempt | 3.9% (100) | 3.2% (92) | 2.8% (59) | 2.7% (57) |
| Nonunion Hourly | 3.7% (87) | 3.0% (83) | 2.7% (52) | 2.7% (52) |
| Union | 3.2% (28) | 2.9% (29) | 2.4% (19) | 2.2% (18) |
| West | | | | |
| Executive Group | 3.8% (74) | 2.9% (66) | 2.8% (38) | 2.4% (35) |
| Salaried Exempt | 3.8% (76) | 3.1% (67) | 2.7% (45) | 2.3% (42) |
| Salaried Nonexempt | 3.7% (65) | 3.1% (57) | 2.6% (39) | 2.1% (36) |
| Nonunion Hourly | 3.7% (56) | 3.1% (49) | 2.8% (33) | 2.4% (30) |
| Union | 3.3% (12) | 3.1% (10) | 3.1% (9) | 3.0% (8) |

2009 -

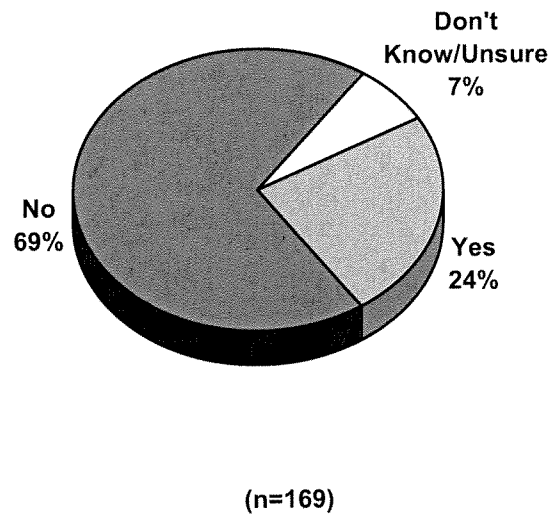
Broad-Based Rewards

Broad-Based Rewards

Prevalence of Broad-Based Rewards



Of those organizations currently with no program, 24 percent plan to introduce a program in 2009.



¹ Where eligibility extends beyond executive level and sales employees.

Organization Spending on Broad-Based Variable Pay Awards

Spending is calculated by the amount of all variable pay awards divided by the amount of payroll (total cash compensation) of the eligible employee group.

2008 Average Spending as a Percent of Payroll

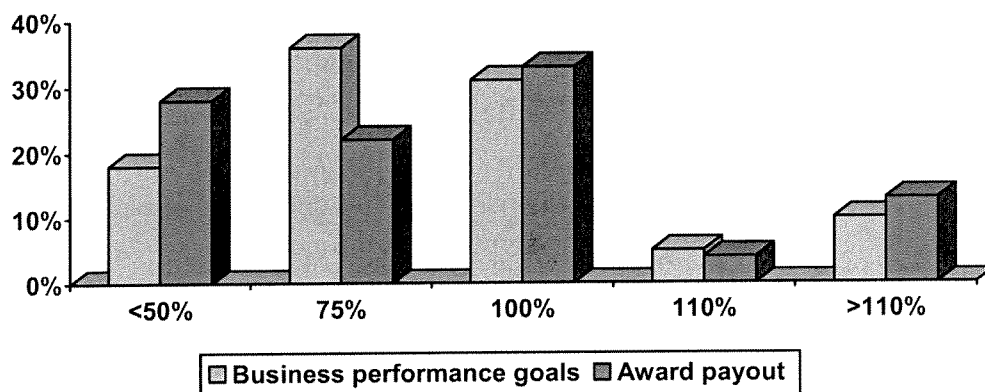
| Employee Group | Initial | | Current | |
|--------------------|---------|-------|---------|-------|
| Salaried exempt | 12.2% | (251) | 11.5% | (251) |
| Salaried nonexempt | 6.3% | (189) | 6.0% | (189) |
| Nonunion hourly | 4.9% | (150) | 4.5% | (150) |
| Union | 2.5% | (71) | 2.3% | (71) |

2009 Projected Average Spending as a Percent of Payroll

| Employee Group | Initial | | Current | |
|--------------------|---------|-------|---------|-------|
| Salaried exempt | 12.1% | (246) | 11.1% | (232) |
| Salaried nonexempt | 6.1% | (183) | 5.7% | (174) |
| Nonunion hourly | 4.7% | (144) | 4.1% | (141) |
| Union | 2.2% | (67) | 2.2% | (67) |

2008 Business Performance Goals/Typical Award Payout

Over half (54%) of the responding organizations indicated that their organization will not meet 100 percent of business performance goals.

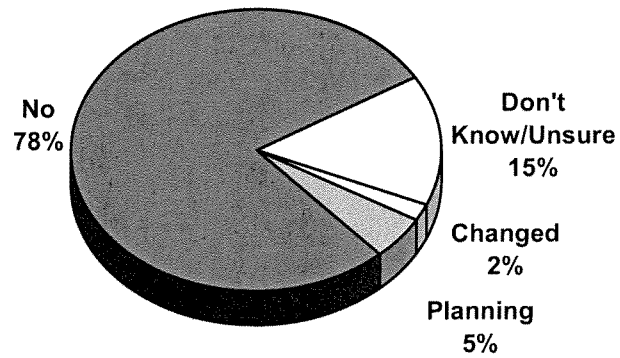


Expected Changes to 2009 Variable Pay Plans

| | Decrease | Maintain | Increase |
|----------------------------------|----------|----------|----------|
| Performance goals | 7% | 78% | 15% |
| Funding | 15% | 81% | 4% |
| Eligibility | 3% | 94% | 3% |
| Payout targets | 8% | 87% | 5% |
| Individual performance component | 6% | 87% | 7% |

Changes to Largest Plan Design Type

Less than 10 percent of the organizations plan to make changes to their variable pay plans going forward.



(n=503)

The tables following display variable pay spending for 2008 and 2009 projections broken out by industry.

Salaried Exempt

Variable Pay Spending

| | 2008 | | | | 2009 Projected | | | |
|--|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|
| | Initial | | Current | | Initial | | Current | |
| Manufacturing | | | | | | | | |
| Aerospace | — | (4) | — | (4) | — | (4) | — | (3) |
| Automotive/Vehicle Manufacturing | 10.6% | (7) | 8.4% | (8) | 9.1% | (7) | 6.0% | (7) |
| Chemicals (not Pharmaceutical) | 12.0% | (13) | 12.5% | (12) | 12.8% | (11) | 13.8% | (9) |
| Computers and Related Products | 9.5% | (8) | 8.6% | (6) | 9.6% | (8) | 8.8% | (6) |
| Consumer Products - Durable Goods | 12.3% | (15) | 10.4% | (15) | 12.3% | (15) | 10.9% | (14) |
| Consumer Products - Nondurable Goods | 15.1% | (5) | 13.6% | (6) | 14.5% | (5) | 13.5% | (5) |
| Electronics/Electrical | 9.6% | (7) | 9.7% | (7) | 10.4% | (6) | 10.2% | (6) |
| Energy (Oil/Gas) | 14.8% | (9) | 15.5% | (9) | 14.8% | (8) | 15.2% | (8) |
| Food/Beverage/Tobacco | 17.9% | (16) | 17.9% | (15) | 18.8% | (16) | 17.5% | (15) |
| Forest & Paper Products/Packaging | 10.7% | (5) | 8.1% | (5) | 11.6% | (5) | 11.6% | (5) |
| Pharmaceutical | 18.3% | (8) | 17.3% | (9) | 16.9% | (9) | 15.8% | (10) |
| Other Manufacturing | 10.4% | (8) | 10.2% | (8) | 9.8% | (8) | 8.4% | (8) |
| All Manufacturing | 12.9% | (118) | 12.2% | (117) | 13.0% | (115) | 12.1% | (110) |
| Service | | | | | | | | |
| Banking/Finance | 11.7% | (19) | 10.7% | (20) | 11.3% | (17) | 10.4% | (15) |
| Business/Computer Services | 10.6% | (6) | 9.6% | (5) | 10.1% | (6) | 8.9% | (5) |
| Construction/Engineering | 15.2% | (6) | 14.7% | (6) | 10.6% | (5) | 10.6% | (5) |
| Education | — | (1) | — | (1) | — | (1) | — | (1) |
| Energy (Power/Gas) | 11.9% | (21) | 11.2% | (20) | 12.1% | (19) | 12.3% | (17) |
| Entertainment/Communications/Publication | — | (4) | — | (4) | — | (4) | — | (3) |
| Health Care/Medical Services | 7.9% | (8) | 6.6% | (8) | 7.5% | (8) | 6.3% | (7) |
| Insurance - Life & Health | 8.1% | (10) | 8.9% | (10) | 8.5% | (10) | 7.0% | (10) |
| Insurance - Property & Casualty | 17.3% | (9) | 15.3% | (9) | 16.7% | (10) | 15.9% | (10) |
| Research/Development | 4.0% | (7) | 4.1% | (7) | 4.2% | (7) | 6.2% | (7) |
| Retail (incl. Wholesale & Distribution) | 11.1% | (15) | 10.1% | (16) | 10.8% | (17) | 8.4% | (17) |
| Telecommunications | 7.8% | (5) | — | (4) | — | (4) | — | (4) |
| Transportation Services | 13.2% | (5) | 13.7% | (5) | 12.9% | (5) | — | (4) |
| Other Service | — | (2) | — | (2) | — | (2) | — | (2) |
| All Service | 11.6% | (130) | 10.8% | (131) | 11.4% | (128) | 10.1% | (119) |
| All Companies | 12.2% | (251) | 11.5% | (251) | 12.1% | (246) | 11.1% | (232) |

Salaried Nonexempt

Variable Pay Spending

| | 2008 | | 2009 Projected | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Initial | Current | Initial | Current |
| Manufacturing | | | | |
| Aerospace | — (3) | — (3) | — (3) | — (3) |
| Automotive/Vehicle Manufacturing | 3.9% (7) | 1.9% (7) | 2.6% (7) | 1.3% (6) |
| Chemicals (not Pharmaceutical) | 5.0% (12) | 4.8% (11) | 5.0% (11) | 4.6% (9) |
| Computers and Related Products | 5.6% (5) | — (4) | 4.7% (5) | 4.6% (5) |
| Consumer Products - Durable Goods | 7.7% (10) | 6.0% (10) | 7.6% (10) | 5.3% (9) |
| Consumer Products - Nondurable Goods | 6.4% (5) | 4.2% (6) | — (4) | — (4) |
| Electronics/Electrical | 5.4% (5) | 5.6% (5) | 5.4% (5) | 5.2% (5) |
| Energy (Oil/Gas) | 5.9% (8) | 6.3% (8) | 5.6% (7) | 5.9% (7) |
| Food/Beverage/Tobacco | 10.7% (10) | 12.0% (10) | 10.6% (10) | 9.6% (10) |
| Forest & Paper Products/Packaging | 6.0% (5) | 4.8% (5) | 7.5% (5) | 7.5% (5) |
| Pharmaceutical | 6.8% (5) | 6.8% (5) | 6.5% (6) | 6.5% (6) |
| Other Manufacturing | 6.3% (6) | 6.3% (6) | 7.0% (6) | 7.0% (6) |
| All Manufacturing | 6.3% (97) | 5.9% (89) | 6.2% (87) | 5.7% (83) |
| Service | | | | |
| Banking/Finance | 7.3% (14) | 6.7% (15) | 7.0% (13) | 6.9% (12) |
| Business/Computer Services | — (2) | — (2) | — (3) | — (2) |
| Construction/Engineering | — (3) | — (3) | — (3) | — (3) |
| Education | — (1) | — (1) | — (1) | — (1) |
| Energy (Power/Gas) | 8.3% (18) | 8.0% (17) | 8.5% (16) | 8.8% (14) |
| Entertainment/Communications/Publication | — (4) | — (4) | — (4) | — (3) |
| Health Care/Medical Services | 3.7% (8) | 2.7% (8) | 3.4% (8) | 3.1% (7) |
| Insurance - Life & Health | 4.5% (7) | 4.9% (7) | 4.5% (7) | 3.8% (7) |
| Insurance - Property & Casualty | 10.8% (6) | 10.5% (6) | 9.6% (7) | 9.1% (7) |
| Research/Development | 2.7% (6) | 2.7% (6) | 2.9% (6) | 2.8% (6) |
| Retail (incl. Wholesale & Distribution) | 4.3% (9) | 5.9% (10) | 3.2% (9) | 5.2% (11) |
| Telecommunications | — (4) | — (3) | — (3) | — (3) |
| Transportation Services | — (4) | — (4) | — (4) | — (3) |
| Other Service | — (1) | — (1) | — (1) | — (1) |
| All Service | 6.3% (97) | 6.0% (99) | 6.1% (95) | 5.6% (90) |
| All Companies | 6.3% (189) | 6.0% (189) | 6.1% (183) | 5.7% (174) |

Nonunion Hourly

Variable Pay Spending

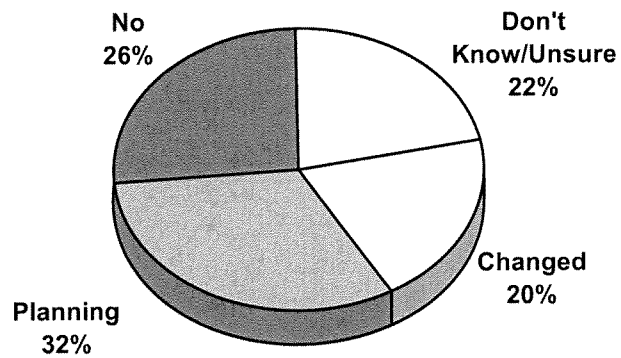
| | 2008 | | | | 2009 Projected | | | |
|--|-------------|--------------|-------------|--------------|----------------|--------------|-------------|--------------|
| | Initial | | Current | | Initial | | Current | |
| Manufacturing | | | | | | | | |
| Aerospace | — | (2) | — | (2) | — | (2) | — | (2) |
| Automotive/Vehicle Manufacturing | 0.6% | (5) | 0.6% | (5) | — | (4) | — | (4) |
| Chemicals (not Pharmaceutical) | 4.7% | (10) | 4.5% | (9) | 4.7% | (9) | 4.2% | (7) |
| Computers and Related Products | — | (3) | — | (3) | — | (2) | — | (2) |
| Consumer Products - Durable Goods | 5.4% | (8) | 2.8% | (8) | 5.4% | (8) | 3.8% | (8) |
| Consumer Products - Nondurable Goods | — | (4) | 3.0% | (5) | — | (3) | — | (3) |
| Electronics/Electrical | — | (4) | — | (4) | — | (3) | — | (3) |
| Energy (Oil/Gas) | 5.6% | (8) | 5.6% | (8) | 5.1% | (7) | 4.9% | (7) |
| Food/Beverage/Tobacco | 4.6% | (7) | 5.2% | (7) | 3.8% | (6) | 3.8% | (6) |
| Forest & Paper Products/Packaging | — | (2) | — | (2) | — | (2) | — | (2) |
| Pharmaceutical | 6.7% | (6) | 7.0% | (6) | 6.2% | (6) | 6.2% | (6) |
| Other Manufacturing | 6.7% | (8) | 6.7% | (8) | 7.2% | (8) | 5.8% | (8) |
| All Manufacturing | 4.7% | (75) | 4.3% | (75) | 4.6% | (68) | 4.0% | (66) |
| Service | | | | | | | | |
| Banking/Finance | 7.5% | (9) | 7.4% | (10) | 6.9% | (9) | 5.9% | (10) |
| Business/Computer Services | — | (2) | — | (2) | — | (3) | — | (2) |
| Construction/Engineering | — | (3) | — | (3) | — | (3) | — | (3) |
| Education | — | (1) | — | (1) | — | (1) | — | (1) |
| Energy (Power/Gas) | 7.3% | (19) | 6.6% | (18) | 7.3% | (17) | 7.5% | (16) |
| Entertainment/Communications/Publication | — | (1) | — | (1) | — | (1) | — | (1) |
| Health Care/Medical Services | 3.8% | (7) | 2.7% | (7) | 3.4% | (7) | 3.2% | (6) |
| Insurance - Life & Health | — | (3) | — | (3) | — | (3) | — | (3) |
| Insurance - Property & Casualty | 5.1% | (5) | 4.9% | (5) | 5.6% | (5) | 4.9% | (5) |
| Research/Development | — | (3) | — | (3) | — | (4) | — | (4) |
| Retail (incl. Wholesale & Distribution) | 0.3% | (7) | 0.7% | (8) | 0.6% | (8) | 0.7% | (9) |
| Telecommunications | — | (3) | — | (3) | — | (3) | — | (3) |
| Transportation Services | — | (3) | — | (3) | — | (3) | — | (3) |
| Other Service | — | (1) | — | (1) | — | (1) | — | (1) |
| All Service | 5.1% | (73) | 4.8% | (75) | 4.8% | (74) | 4.2% | (73) |
| All Companies | 4.9% | (150) | 4.5% | (152) | 4.7% | (144) | 4.1% | (141) |

Additional Insights

Additional Insights

Organizations Planning Changes to Overall 2009 Base Salary Budgets

Over half (52%) of the responding organizations are either planning or in the process of making changes to overall base salary budgets.



(n=640)

Extending Timing of Salary Increases

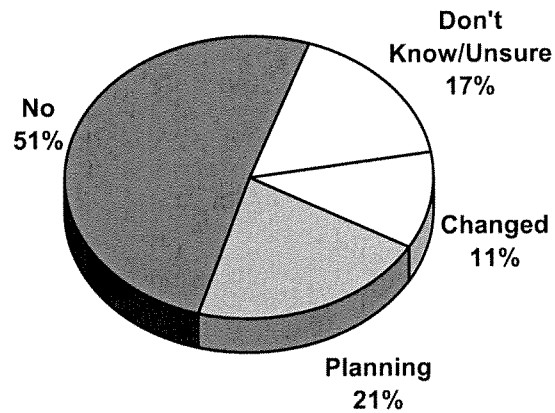
Only 10 percent of the survey organizations are planning/considering extending timing of salary increases for employees. Of those, the most prevalent extension period planned is for three to four months.

| | Percentage of Organizations |
|-----------------------|-----------------------------|
| 3-4 months | 49% |
| 6 months | 25% |
| 9 months | 3% |
| Other (e.g., 1 month) | 23% |

(n=73)

Organizations Planning Changes to Overall 2009 Salary Structure Movements

Less than half (32%) of the responding organizations have changed or are planning to change their salary structures.



(n=622)

Reward and Retention of High-Performing Employees

The majority of responding organizations have existing approaches in place for retention of high-performing employees.

| | Percentage of Organizations |
|--|-----------------------------|
| None | 27% |
| Reserve portion of salary increase budget | 33% |
| Provide additional learning and development opportunities | 28% |
| Grant discretionary restricted stock and/or stock options | 21% |
| Create supplemental, discretionary incentive pool | 20% |
| Offer retention bonuses for specified period of employment | 18% |
| Other | 14% |

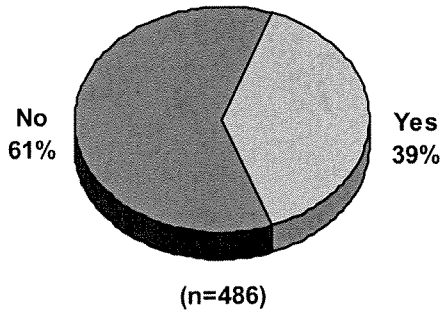
(n=603)

Note: Percentage will total more than 100 percent since more than one response was provided by some participants. Any bonus or incentive plans intended only for executive, management and/or sales populations have been excluded from these calculations.

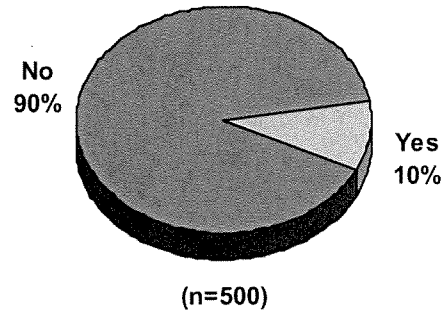
Other Economic Impacts

Other economic impacts planned by the responding organizations are displayed in the following tables.

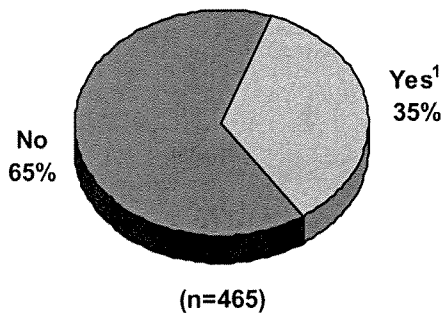
Hiring Freeze



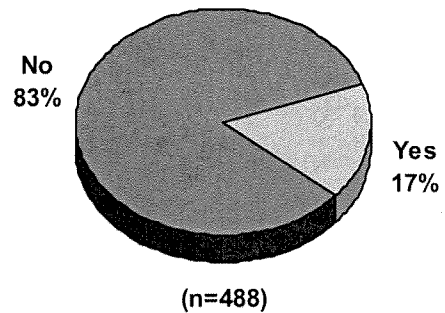
Pay Freeze



Layoffs/Reduction in Staff

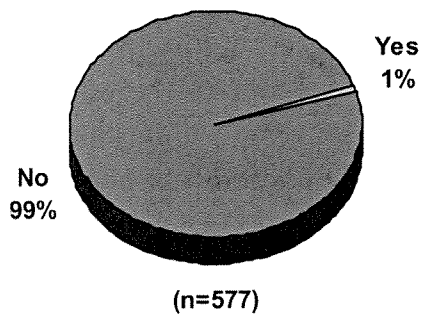


Reducing Promotions

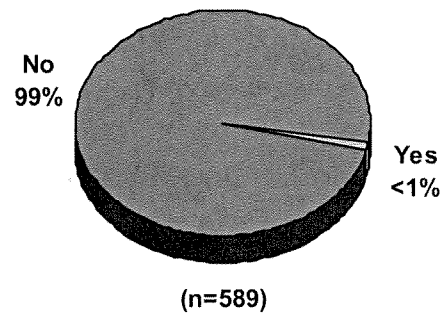


¹On average, 7.5% of U.S. workforce

Salary Cuts for Executives

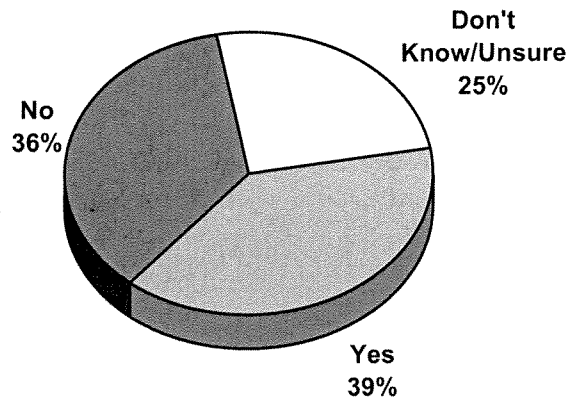


Salary Cuts for All Employees



Employee Communication

Only 39 percent of the responding organizations plan to communicate changes to base salary budgets or variable pay programs to employees.



(n=613)

Methods

The two most prevalent methods of communication for changes are written message from leadership and/or leadership presentation.

| Methods | % of Organizations |
|---------------------------------|--------------------|
| Written message from leadership | 73% |
| Leadership presentation | 50% |
| Group meetings | 42% |
| E-mail | 41% |
| Individual meetings | 27% |
| Letter | 14% |
| Other (e.g., intranet) | 7% |

(n=243)

Note: Percentage will total more than 100 percent since more than one response was provided by some participants. Any bonus or incentive plans intended only for executive, management and/or sales populations have been excluded from these calculations.

Primary Reasons

The most prevalent primary reason shared with employees is changes are needed due to business results.

| | % of Organizations |
|---|-----------------------|
| Change needed due to business results | 73% |
| Competitive practice within industry | 32% |
| Change will save jobs | 25% |
| Other (e.g., overall economic conditions) | 22% |
| (n=244) | |

Note: Percentage will total more than 100 percent since more than one response was provided by some participants. Any bonus or incentive plans intended only for executive, management and/or sales populations have been excluded from these calculations.

Expectation of Employee Feedback

The majority of organizations responded employees will understand due to the present economy.

| | % of Organizations |
|--|-----------------------|
| None at the moment, employees are too worried and the job market is not good, but might increase turnover in the longer term | 53% |
| None, employees will understand given the business condition organization faces | 46% |
| Turnover is expected as a result in the short-term | 6% |
| Other | 7% |
| (n=237) | |

Participant Information

Participant Information

Participant Demographics by Industry

Manufacturing

| | |
|-------------------------------------|----|
| Aerospace | 15 |
| Agriculture | 5 |
| Automotive/Vehicle Manufacturing | 15 |
| Building Materials | 7 |
| Chemicals (not Pharmaceutical) | 26 |
| Computers and Related Products | 20 |
| Consumer Products-Durable Goods | 30 |
| Consumer Products-Nondurable Goods | 23 |
| Electronics/Electrical | 12 |
| Energy (Oil/Gas) | 24 |
| Food/Beverage/Tobacco | 30 |
| Forest and Paper Products/Packaging | 10 |
| Industrial Machinery/Equipment | 6 |
| Medical Devices/Products | 6 |
| Metal Fabrication | 2 |
| Metals | 5 |
| Mining/Milling/Smelting | 2 |
| Pharmaceutical | 18 |
| Printing | 1 |
| Rubber/Plastics/Glass | 2 |
| Manufacturing-Other | 22 |

Multi-Industry

| | |
|---------------------------|---|
| Diversified/Multi-Company | 8 |
|---------------------------|---|

Service

| | |
|--|----|
| Accounting/Consulting/Legal | 5 |
| Banking/Finance | 46 |
| Business/Computer Services | 16 |
| Construction/Engineering | 13 |
| Education | 16 |
| Energy (Power/Gas) | 43 |
| Entertainment/Communications/Publication | 10 |
| Government | 3 |
| Health Care/Medical Services | 33 |
| Hospitality/Restaurants | 8 |
| Insurance-Life & Health | 22 |
| Insurance-Property & Casualty | 19 |
| Insurance-Other | 9 |
| Not-for-profit | 7 |
| Real Estate | 5 |
| Research/Development | 12 |
| Retail (incl. Wholesale & Distribution) | 45 |
| Telecommunications | 14 |
| Transportation Services | 10 |
| Services-Other | 15 |

Participant Demographics by Geographic Region

East

| | |
|----------------------|----|
| Connecticut | 19 |
| Delaware | 4 |
| District of Columbia | 12 |
| Maine | 4 |
| Maryland | 7 |
| Massachusetts | 31 |
| New Jersey | 24 |
| New York | 41 |
| Pennsylvania | 28 |
| Rhode Island | 1 |
| Virginia | 15 |

West

| | |
|------------|----|
| Alaska | 1 |
| Arizona | 4 |
| California | 44 |
| Colorado | 10 |
| Hawaii | 2 |
| Idaho | 1 |
| Nevada | 1 |
| Oregon | 6 |
| Utah | 4 |
| Washington | 10 |

South

| | |
|----------------|----|
| Alabama | 1 |
| Arkansas | 2 |
| Florida | 11 |
| Georgia | 18 |
| Kentucky | 3 |
| Louisiana | 1 |
| Mississippi | 2 |
| North Carolina | 15 |
| Oklahoma | 2 |
| South Carolina | 1 |
| Tennessee | 11 |
| Texas | 47 |

Midwest

| | |
|--------------|----|
| Illinois | 56 |
| Indiana | 10 |
| Iowa | 8 |
| Kansas | 4 |
| Michigan | 21 |
| Minnesota | 33 |
| Missouri | 18 |
| Nebraska | 5 |
| Ohio | 28 |
| South Dakota | 1 |
| Wisconsin | 32 |

Participant Demographics by Organization Size

| All Organizations | Median |
|-----------------------|---------------|
| Revenue | \$2.6 billion |
| Number of FTEs (U.S.) | 5,500 |

Participants List by Company Name

| | |
|---|---|
| 3Com | Andersen Corporation |
| 3M Company | The Andersons, Inc. |
| A. O. Smith Corporation | Anheuser-Busch Companies, Inc. |
| AAA Mid-Atlantic Inc. | AOL LLC |
| AAA Northern California, Nevada, Utah | Aon |
| ABB Inc. | Apache Corporation |
| Abbott | APL Limited |
| Abercrombie and Fitch | Apogee Enterprises, Inc. |
| ACCO Brands Corporation | Apple |
| Ace Hardware | Applebee's Services, Inc.—DineEquity |
| Acushnet Company | Applied Biosystems |
| Acxiom Corporation | Applied HR Strategies, Inc. |
| Adecco | ArcelorMittal USA |
| ADP | Argonne National Laboratory |
| AEGON Financial Partners | Arkema |
| AEP | Armstrong World Industries |
| Aera Energy Services Company | Arrowpoint Capital |
| Aerojet—GenCorp | Ash Grove Cement Company |
| AGL Resources | Ashland Inc. |
| AgriBank | ASME |
| Air Products and Chemicals, Inc. | Aspirus |
| AK Steel Corp. | AstraZeneca Pharmaceuticals LP |
| Aker Solutions | AT&T |
| Alaska Airlines | Aurora Health Care |
| Alcoa | Ausra, Inc. |
| Aleris International, Inc. | AutoNation, Inc. |
| Allegheny Energy | AutoZone, Inc. |
| Alliance Pipeline | Avant Energy, Inc. |
| Alliant Techsystems Inc. | Avista Corporation |
| Allstate Insurance Company | Aviva USA |
| Alltel Corporation | Avon Products, Inc. |
| Alpharma | Bacardi |
| Alstom Power | BAE Systems, Inc. |
| Altera Corporation | Ball Aerospace & Technologies Corp. |
| Alyeska Pipeline Service Company | The Bank of New York Mellon Corporation |
| AMC Entertainment Inc. | Banner Health |
| AMCORE Bank | Baptist Health System |
| American Chemical Society | Barnes Group Inc. |
| American Eagle Outfitters, Inc. | BASF Corporation |
| American Family Insurance | Baxter International |
| American Greetings Corporation | Bayer Corporation |
| American Honda Motor Company | BB&T |
| American International Group | BearingPoint |
| American Water Works Association | Bechtel Corporation |
| The AmeriHealth Mercy Family of Companies | Beckman Coulter, Inc. |
| Anadarko Petroleum Corporation | Belk, Inc. |
| Analog Devices | Bemis Co, Inc. |

Best Buy Co., Inc.
 Big Lots
 Biogen Idec
 Black & Veatch Corporation
 BloodCenter of Wisconsin
 Blue Cross and Blue Shield of Massachusetts
 Blue Cross Blue Shield of Michigan
 Blue Cross Blue Shield of Nebraska
 BMC Software
 BMW Financial Services
 BNSF Railway Company
 The Boeing Company
 Bon Ton Stores Inc.
 Booz Allen Hamilton
 Brady Corporation
 Brandeis University
 Bremer Financial
 Brightpoint
 Broadcast Music Inc. (BMI)
 Broadridge Financial Solutions
 Brookhaven National Laboratory
 Brown Shoe Company, Inc.
 Brown University
 Bunge Limited
 CA, Inc.
 Cadence Design Systems
 Callaway Golf Company
 Campbell Soup Company
 Canada Bread Company Limited
 Cancer Treatment Centers of America, Inc.
 Canon USA, Inc.
 The Capital Group Companies
 Capital One Financial Corporation
 Cargill Inc.
 Carlson Companies
 Carrier Corporation
 Cash America International, Inc.
 Caterpillar Financial Services Corporation
 Caterpillar, Inc.
 CB&I
 CDI Corp.
 CDM
 Celanese
 Celgene
 Centene
 CenterPoint Energy, Inc.
 Cerner Corporation
 CGGVERITAS

CGI Technologies and Solutions Inc.
 Chemtura Corporation
 Chicago Board Options Exchange
 Children's Hospital—Omaha
 Children's Hospital & Health System
 Chiquita Brands International Inc.
 Choice Hotels International
 Chrysler LLC
 Chubb Insurance Company
 Cisco Systems
 CIT Group, Inc.
 Citrix systems
 City of Austin
 City of Charlotte
 Clarian Health Partners
 Clarins USA
 Classic Residence by Hyatt
 The Clorox Company
 CNA Financial
 The Coca-Cola Company
 Colgate-Palmolive Company
 Columbia St. Marys
 CommScope
 ConAgra Foods
 Conseco Services, LLC
 Constellation Brands Inc.
 Constellation Energy
 Cooper Industries
 Cooper Standard Automotive
 Copano Energy
 Corn Products International
 Coty Inc.
 Covance, Inc.
 Covanta Energy
 Coventry Health Care, Inc.
 Crosstex Energy
 CSC
 Cummins
 CUNA Mutual Group
 Daiichi Sankyo
 Daimler Financial Services
 Daimler Trucks North America
 Dal-Tile
 Dawn Food Products
 DCP Midstream
 Deere & Company
 Deloitte & Touche
 Devon Energy

DFS Group LP
 Diageo
 DIRECTV
 DMV USA LP
 Dollar General Corporation
 The Dow Chemical Company
 Downey Savings & Loan Association
 DRS Technologies
 DST Systems, Inc.
 DTE Energy
 DTS, Inc.
 Duke Energy
 Duke Realty Corporation
 DuPont
 E & J Gallo Winery
 E.ON U.S.
 Eastman Chemical Company
 Eastman Kodak Company
 Eaton Corporation
 Ecolab Inc.
 Edison Mission Group
 Edward Jones
 El Paso Corporation
 Electric Power Research Institute
 Elsevier, Inc.
 Embark Corporation
 Enbridge Energy
 EnCana Oil & Gas (USA) Inc.
 EnerTech
 Entergy Corporation
 Enterprise Products (EPCO, Inc.)
 EPCO, Inc.
 Epson America, Inc.
 Equity Office Management, L.L.C.
 ERCOT, Inc.
 Erie Insurance Group
 Essilor of America
 Eugene Water & Electric Board
 Exterran
 FANUC Robotics
 Farmer Mac
 Federal Reserve Bank of Atlanta
 Federal Reserve Bank of Cleveland
 Federal-Mogul Corporation
 FedEx Corporation
 Fellowes Inc.
 Fermi National Accelerator Laboratory
 FHLB Boston

Fidelity Investments
 Financial Industry Regulatory Authority (FINRA)
 First Citizens Bank
 FirstEnergy Corp.
 Fiserv
 Fiskars Brands, Inc.
 Flowserve Corporation
 Fluor Corporation
 Ford Motor Company
 Foresters
 Fortune Brands, Inc.
 FPL Group
 Fraser Papers Inc.
 Fresenius Medical Care North America
 Gap, Inc.
 GATX Corporation
 GDF SUEZ North America
 GE Rail Services
 GEICO
 General Atomics
 General Dynamics Land Systems
 General Dynamics-Advanced Information
 Systems
 General Mills
 General Motors Corporation
 General Reinsurance
 Genworth Financial
 Genzyme Corp
 Georgetown University
 Getty Images
 Gevity HR
 Giant Food Stores, LLC
 GlaxoSmithKline
 Global Crossing
 Goodman Mfg Company L.P.
 The Goodyear Tire & Rubber Co
 Graco Inc.
 Grange Mutual Casualty Company
 Graphic Packaging International, Inc.
 The Great Atlantic & Pacific Tea Company, Inc.
 Great River Energy
 Green Tree Servicing
 Greyhound Lines, Inc.
 Guidestone Financial Resources of the Southern
 Baptist Convention
 Gundersen Lutheran Medical Center
 H&R Block
 H.B. Fuller Company

Hallmark Cards
 The Hanover Insurance Group, Inc.
 Hanesbrands Inc.
 The Hartford
 Harvard University
 Harvard Vanguard Medical Associates
 Hastings Mutual Insurance Company
 HD Supply, Inc.
 Health Care Service Corp
 HealthONE
 HealthPartners
 Herman Miller, Inc.
 The Hershey Company
 Hess Corporate
 Hewlett Packard (excluding EDS)
 Hexion Specialty Chemicals
 Hilcorp Energy Company
 The Hillman Company
 Hines
 Hitachi America, Ltd.
 HJ Heinz
 The Home Depot
 Hormel Foods Corp
 Hospira, Inc.
 HP Hood LLC
 HPC Healthcare, Inc.
 HSBC-North America
 Hughes Network Systems
 HydraForce, Inc.
 IBM Corp.
 Idaho National Laboratory
 IDG
 IMS Health
 InfoPrint Solutions Company, LLC
 Information Resources, Inc.
 ING Americas
 Ingersoll Rand Co, Ltd
 Integrys Energy Services, Inc.
 Intel
 InterContinental Hotels Group
 Intermountain Healthcare
 International Asset Systems
 International Paper
 International Rescue Committee
 Intertek
 Invensys Controls
 Iroquois Pipeline Operating Company
 ISO New England

Itochu International Inc.
 J. Paul Getty Trust
 J.R. Simplot Company
 James Campbell Company LLC
 James Hardie Building Products
 John Hancock
 The Johns Hopkins University/Applied Physics
 Laboratory
 John Wiley & Sons, Inc.
 Johnson & Johnson
 Johnson Controls Inc.
 JohnsonDiversey, Inc.
 Jordan's Furniture
 Kaiser Foundation Health Plan, Inc.
 Kaiser Permanente—Northern California Region
 Kaman Corporation
 Kaman Industrial Technologies
 KBR
 Kellogg Company
 Kerry Ingredients & Flavors
 Kimberly-Clark Corporation
 Kinder Morgan
 Knolls Atomic Power Laboratory
 Kohler Co.
 Kraft Foods, Inc.
 Kronos Incorporated
 L.L.Bean
 Larson Juhl
 LeapFrog Enterprises
 Lehigh Hanson
 Liberty Mutual Group
 Life Technologies (formerly Invitrogen)
 Lifetouch Inc.
 Limited Brands
 The Linde Group
 Link-Belt Construction Equipment
 Lockheed Martin Corporation
 LORD Corporation
 L'Oreal USA, Inc.
 The Lubrizol Corporation
 Luxottica Retail
 M&T Bank
 Macy's, Inc.
 Malcolm Pirnie
 Manitwoc Company, Inc.
 Maritz Holdings Inc.
 Marquette Financial Companies
 Marriott International

Mars North America
 Marshall & Ilsley Corporation
 Mary Free Bed Rehabilitation Hospital
 Masco Corporation
 MassMutual Financial Group
 MassMutual Life Insurance Company
 MasterCard
 McCormick & Co., Inc.
 McDermott International
 The McGraw-Hill Companies
 McKesson Corporation
 MeadWestvaco
 Medco Health Solutions, Inc.
 Medical Mutual of Ohio
 Medtronic, Inc.
 Memorial Health System, Inc.
 Merrill Corporation
 Metal One America, Inc.
 Methanex Corporation
 Michaels Stores Inc.
 Microsoft
 MidAmerican Energy Holdings Company
 The Midland Company
 Midwest ISO
 MILLERCOORS
 Millipore Corp
 Mirant Corporation
 MITRE Corporation
 Mitsubishi Motors North America
 Mohawk Industries
 Molson Coors
 Montefiore Medical Center
 Moog Inc.
 Morrison & Foerster, LLP
 Mphasis an EDS Company
 Mutual Trust Financial Group
 MWV Corporation
 Nalco
 The NASDAQ Stock Market
 National Grid
 National Semiconductor
 Navistar Inc.
 Navy Federal Credit Union
 NCCI Holdings, Inc.
 NCH Corporation
 NCR Corporation
 Neenah Paper Inc.
 Nestle USA

NewPage Corp
 The New York Public Library
 Nicor Gas
 The Nielsen Company
 Nike, Inc.
 NiSource
 NJR Service Corporation
 Nordstrom
 Nortel
 Northrop Grumman Corporation
 Northrop Grumman Shipbuilding-Gulf Coast
 Northwestern Mutual
 Northwestern University
 Novo Nordisk, Inc.
 NRG Energy, Inc.
 NRUCFC
 Nycomed US Inc.
 Oak Ridge National Laboratory
 Oce North America
 Ocean Spray Cranberries, Inc.
 The Ohio State University
 Olympus Corporation of the Americas
 Omaha Public Power District
 OneAmerica Financial Partners, Inc.
 ONEOK, Inc.
 Orbitz Worldwide
 OSG Tap & Die, Inc.
 Owens Corning
 Oxford Industries Inc.
 Pacific Life Insurance Company
 Pactiv
 The Pampered Chef
 Panasonic Automotive Systems Company of America
 Panasonic of North America
 Parker Hannifin Corporation
 Pella Corporation
 People's United Bank
 Pepco Holdings, Inc.
 PepsiCo Inc.
 Perot Systems
 PetSmart
 Pinnacle West Capital Corporation
 Pioneer Hi-Bred International, Inc., A DuPont Company
 Pioneer Natural Resources
 Pitney Bowes, Inc.
 PJM Interconnection

PMC Sierra
 Polaris Industries
 PotashCorp
 PPG Industries Inc.
 Pratt & Whitney
 Praxair Inc.
 PreVisor
 Principal Financial Group
 The Progressive Corporation
 Prudential Financial
 Public Service Enterprise Group Inc.
 Qualcomm
 QVC, Inc.
 Qwest Communications
 Raley's
 Ray Associates, Inc.
 Rayonier
 Realogy
 Recreational Equipment, Inc.
 Reebok International, Ltd.
 Regal Beloit Corporation
 RehabCare Group Inc.
 Rexel, Inc.
 Rexnord Industries
 Reynolds American Inc.
 Rich Products Corporation
 Ricoh Electronics, Inc.
 Rio Tinto
 Robert Bosch LLC
 Robert Bosch Tool Corporation
 Roche Molecular Systems, Inc.
 Rochester Institute of Technology
 Rockwell Collins Inc.
 Rollins, Inc.
 RR Donnelley
 Ryerson Inc.
 S. C. Johnson & Son, Inc.
 Sabre Holdings
 Safety-Kleen Systems, Inc.
 SAIF Corporation
 Saint Thomas Health Services
 Saks Fifth Avenue
 Sallie Mae
 Sappi Fine Paper North America
 Sara Lee Corporation
 Sauer-Danfoss
 SCA Americas Inc.
 SCANA Corporation

Schering-Plough Corporation
 Schneider Electric
 Schreiber Foods
 Schwan Food Company
 Schweitzer-Mauduit International, Inc.
 SCL Health System, Inc.
 Scottsdale Healthcare
 Scripps Networks Interactive, Inc.
 Sears Holdings Corporation
 Securian Financial Group
 Sentara Healthcare
 Severn Trent Services
 Shaughnessy
 The Sherwin-Williams Company
 Shure Incorporated
 Simpson Investment Company
 Sisters of Mercy Health System
 Snapon Incorporated
 Solutia Inc.
 Southern Company
 Southern States Coop
 Sovereign Bank
 Spectra Energy
 Spectrum Health
 Speedway SuperAmerica LLC
 SRA International
 St. Cloud Hospital
 Starbucks Coffee Company
 Starwood Hotels & Resorts Worldwide, Inc.
 State of Colorado
 Stepan Company
 STERIS Corporation
 Sterling Chemicals, Inc.
 STIHL Inc.
 Sub-Zero Wolf, Inc.
 Sunoco, Inc.
 SUPERVALU
 Swiss Re
 Symantec Corporation
 Syngenta
 Synovus Financial Services
 Takeda Pharmaceuticals North America, Inc.
 Target
 Target Corporation
 TCF Financial Corp.
 TD AMERITRADE
 Tech Data Corporation
 Tecumseh Products Company

Texas Industries, Inc.
Texas Mutual Insurance Company
The Timberland Company
The Timken Company
The TJX Companies
The Trustmark Companies
Thomson Reuters
TIAA-CREF
T-Mobile USA
Toshiba America Information Systems, Inc.
Toyota Motor Sales, U.S.A., Inc.
Travelers Insurance Company
TRW Automotive
TTX Company
Tufts University
Tupperware Brands
Tyco Electronics
U.S. Foodservice
ULTA Salon, Cosmetics & Fragrances, Inc.
Underwriters Laboratories
Unilever
Union Tank Car Company
Unisys Corp
United Airlines
United Stationers
United Technologies Corporation
UnitedHealth Group
University of Georgia
University of Pennsylvania
University of Rochester
University of Southern California
US Oncology
USG Corporation
USIS
USU Space Dynamics Laboratory

Utica National Insurance Group
Valassis Communications Inc.
Vanderbilt University and Medical Center
Vectren Corporation
The Venetian/The Palazzo
Verizon Communications
Verizon Wireless
Vermeer Corporation
Vestas American Wind Technology
VF Corporation
VisionShare Inc.
Visteon Corporation
Volvo Group North America
Vulcan Materials Company
W. R. Grace & Co.
W.W. Grainger Inc.
Walgreens
Washington Division of URS Corporation
Washington University
Waters Corporation
Weil, Gotshal & Manges, LLP
The Weitz Company
WellPoint, Inc.
West Marine
Western Union
Westinghouse Electric Company LLC
Wheaton Franciscan Healthcare
White Castle
Wisconsin Lift Truck Corp.
WL Gore & Associates
Wm. Wrigley Jr. Company
Wright Express Corp.
Yale University
Yum! Brands
Zebra Technologies Corp

Appendix

Definition of Terms

The following are brief definitions of some of the concepts that are used throughout this report.

Salary Increases

Overall Salary Increase Budget

The total amount of all increases merit increases plus general salary increases. This amount excludes any separate promotional and/or any special adjustments budgets.

Structure Movement

The amount by which the established midpoints of a formal salary range/band (or wage rate) are adjusted to reflect movements in the marketplace.

Employee Groups

Executive Group

Individuals considered top and/or senior management.

Salaried Exempt

All nonexecutive salaried employees for whom overtime pay is not required by the Fair Labor Standards Act (FLSA).

Salaried Nonexempt

Salaried employees for whom overtime pay is required by the FLSA.

Nonunion Hourly

Nonunion employees who are paid on an hourly basis (e.g., skilled trades, production employees).

Union

Employees who are a part of a labor union.

High Potentials

An elite group of employees who are seen as being capable of contributing to the organization in a role with greater complexity, impact, scope, and scale than their current roles. They have the versatility to play a number of roles in the organization, demonstrate the ability to see things from new perspectives, quickly adapts, consistently delivers strong results, and would be difficult to replace due to the value that they bring to the organization.

Top Performers

A group of employees who clearly and consistently demonstrate extraordinary and exceptional accomplishments in all major areas of responsibility. Performance of this caliber is rarely equaled by others who hold positions of comparable responsibility. **Note:** *A top performer is not automatically a high potential.*

Broad-Based Rewards

Variable compensation plans for employee groups beyond executives and the sales population. Broad-based plans may include executives or sales personnel, but plans that are exclusive to those constituencies are excluded from this analysis.

- These are performance-related awards that does not affect an employee's base pay and must be re-earned each year;
- Such awards cover a cross-section of employees below the executive level; and
- May be in cash, or for special recognition, or equity based awards.

Short-Term Incentive Programs

Business Incentives

Awards based on combined financial and/or operating measures for organization, business unit, department, plant, and/or individual performance.

Cash Profit Sharing Awards

Equal payment (as a flat dollar amount or percent of salary) to all or most employees based on a percent of organizational profitability.

Gain Sharing/Productivity Awards

Plans designed to share a percent of cost savings of a group, unit, or organization. The gains are typically shared uniformly among all participants.

Individual Performance Awards

Payment based solely on individual performance criteria. Payout amount typically varies from one individual to another.

Team Awards

Provided to individuals on a project or work team.

Special One-Time Awards

Special Recognition Awards

Recognition for individual or group achievements in the form of cash, merchandise, or travel.

Long-Term Incentive Programs

Nonexecutive Equity Awards

Grant of stock options as a reward (*not* for retirement) (e.g., stock options, restricted stock, phantom stock, performance shares/units).