Methodology/Disclaimer

Introduction & Summary

ERI Salary Surveys and **Abbott, Langer Association Surveys (ALAS)** are operated under license from **ERI Economic Research Institute, Inc. (ERI)**, including license for use of Patent No. 6,862,596, the "system and method for retrieving and displaying data, such as economic data relating to salaries, cost of living and employee benefits." **ERI Salary Surveys** survey reports for the most recent year contain all participant data, including **ALAS**, while **Abbott, Langer Association Surveys** contain only **ALAS** data, many specific to only that gathered from members of a sponsoring association. Each participant data analysis is complemented by two of four distinct salary survey data collections for either management or non-management families. The result is up to three survey analyses for a job for this year's report and two survey sources for Archival Surveys. The most recent surveys' four data sources essentially have a fifth participant source added to make a survey report with five surveys in one. Participant data is that contributed by survey participants during the present and prior year (with no data incorporated less than 90 days old, per FTC/DOJ Regulations). Hardcopy reports show all four or five source datasets. SalariesReview FindPay, the Archival Survey PC program, illustrates combined results of the former four sources; not incorporating participant data, it provides the ability to review source materials in most cases. Rates of error are either calculated from illustrated data or are reported from the leased or non-copyrighted sources. Population counts directly correlate with graphic distributions and represent real data. Names of organizations and the actual position titles used are presented if this data is in the public domain, as are participating organizations' identities. Due to formating constraints, up to 811 participating organizations may be listed per report. **ERI Salary Surveys** and **ALAS**' participant inputted data are not keyed at entry to personal names or addresses, and participants are assured of confidentiality by this survey construct. **ERI Salary Surveys** and **ALAS** reports are available in a PDF and hardcopy; the PC program format is only available on www.salariesreview.com.

With the exception of the **ALAS** benefits surveys, the most recent year's survey report is a one job per front/back page presentation and is most likely used for salary planning. Archival Surveys condense data to eight jobs per two-sided page and are provided to assist in litigation, research, and for ERI **Assessor Series** subscribers who wish to document source data norms for prior years. Archival surveys are only available for past years (not the present) regardless of the year. For example, 2002 data is shown and updated to the 30 June 200x date because no more recent data for that organization exists. If a year such as 2002 is selected, then data reported for only that year only is included. Users needing present day data as of 30 June 200x should subscribe to either the **ERI Salary Surveys** or **ALAS** series, with their five sources, or ERI's **Assessor Series**, representing thousands of sources. The latter is by far the more robust analysis, but may not satisfy some governmental regulations' definition of a "survey." That said, over ten thousand
organizations use ERI's **Assessor Series** analyses annually to plan salaries.

This survey's averages, deciles, medians, etc., are calculated and may vary remarkably from time to time because organizations included in any particular survey population may change. This is different from ERI's **Assessor Series** that presents the results of year-to-year consistent polynomial regression analyses for any position based on the analysis of thousands of surveys and data sources for many years, with some jobs going back to 1977. These **ERI Salary Surveys** and **ALAS** surveys can be considered single *pure surveys* developed from **ERI SalariesReview**, **Assessor Series**, and **Abbott, Langer Association Surveys** databases for any particular year, along with their complementing participant-only data lines. They are created for use by those who must see *real data*, when survey participants and sources must be disclosed, where data and survey reports need to be archived, and where lower cost, non-analytic extracts are required. These surveys are not subscriptions that expire, but rather a purchase of modules or hard copy reports that can sit on a shelf or within a computer directory indefinitely.

The four (or five) distinct data sources are:

1. Compensation data for executives in tax-exempt/public organizations

Information is from public domain IRS Form 990 EOs/EZs/PFs and is obtained by ERI's optical character recognition (OCR) or digitization of these forms. Over 2.5 million observations are added each year, and there are now compensation amounts for over 26 million nonprofit employees/directors in the **SalariesReview** database. Data is, in part, also leased for perpetual use from the Urban Institute and GuideStar and may contain industry assignment and other errors. Standard errors are calculated from the distribution of the data and may be reproduced by observation. Survey populations are counts of actual data points, all of which may not always be shown on graphic presentations as some outliers may be "off the chart." The full dataset is available with the purchase of any ERI **Nonprofit Comparables Assessor & Tax-Exempt Survey (CA+)** subscription. This software enables many powerful analyses as it contains a wide range of management jobs, years 1992 to the present, for all US geographic areas/addresses,

and with all available information categorized by industry, size, year, and geographic location. Used by various State Attorney General Offices, with dozens of subscriptions from the national IRS TEE Office, extracts of this data can suffice as an "independent survey" as defined in IRC 4958 Intermediate Sanctions. One might consider **CA+** to be more a 100% census rather than a survey of all available executive compensation information. **CA+** includes round dots where a cursor click will retrieve for-profit source documents, just as clicking on square dots will retrieve nonprofit source documents.

2. Compensation data for executives in publicly-traded or for-profit companies

Information is digitized from US SEC 10-K, proxies, and 8-K filings. Canadian data is provided under agreement from SEDAR; UK/EU data is digitized manually from publicly available annual reports; and other financial data is leased. ERI, ERI Salary Surveys, and ALAS have no control over any third-party data errors and further note that digitization is not a perfect science. Survey populations, rates of statistical errors, and source documents are calculable and available for review with an Internet connection. The full dataset for all industries is available with the purchase of any ERI **Executive Compensation Assessor & Survey** subscription, with many powerful analysis capabilities, years 1994 to the present, and all geographic areas/addresses for the for-profit sector. The **Executive Compensation Assessor & Survey** dataset and program have been used by the US IRS National Appeals Office since the 1980s and is often used in Federal Tax Court in reasonable compensation cases.

3. Compensation data for non-executive jobs in tax-exempt/public organizations

Information is principally from government and nonprofit organizations, using composite results of the US OES Occupational Employment and Wage Survey. The word *composite* refers to ERI's reporting data from 2000 to 2005 using 620 US metropolitan and state OES areas. In 2006, all states, except for Delaware, saw their geographic areas altered as a result of the 2000 US Census. Reported with the OES' relative standard error and job family populations, ERI parses the family data into specific jobs using three eDOT Skills Project methodologies developed for its **Occupational Assessor** (Disability Determination Module) and graphically displays a probable distribution. Relative salaries by position within a job family are profiled based upon competitive ranking for these jobs found within ERI's **Salary Assessor**. The full dataset for all industries, all jobs, and all areas is available from PAQ's Salary Expert **Global Salary Calculator**. The latter includes data leased from Statistics Canada and the UK National Statistics Office, covering 190 countries in all. US data is used for H-1B visa applications related to immigration, visas, and work permits and is updated in the late spring quarter of every year.

4. Compensation data for non-executive jobs in publicly-traded or for-profit companies

This information on primarily for-profit company employees is from **SalariesReview** patented online, interactive salary surveys and **Assessor Series** databases. In the past, only individual **SalariesReview** report pages could be purchased or were provided on a complimentary basis to a survey contributor. This survey has been collecting data since the late 1990s from online participants, with over 1.3 million entries to date. With the acquisition of **PAQ Services, Inc. (PAQ)** in 2004, **SalariesReview** started incorporating data from over one million field job analyses, many of which included salary survey information. In addition, salary data by postal code is collected in the PAQ **eDOT Skills Project** from 300,000 web visitors per month. **SalariesReview** also includes web services data from loan and employment interview applications, where veracity of input is tested. **SalariesReview** assigns a size and industry designation, matching employers found in ERI's **Occupational Assessor's** Potential Employer database. **SalariesReview** also collects job and task descriptions, counts of jobs identified, related physical and mental capacity requirements, and posted starting salaries or ranges from a review of job boards as allowed. Over 1.5 million job postings are collected and archived each month, 19.8% containing salary data. Web service tests contribute data to the ERI SalariesReview survey database; job board data is still being tested and is not now included. These millions of line entries are only surpassed by nonprofit incumbent data, with some twenty million jobs' data being leased from GuideStar alone. While errors in assignments may exist, they should be random, allowing the Central Limit Theory to apply. Data from leased third-party surveys may also be incorporated. Population counts pertain to individual data contributed from all these sources. Standard deviations are calculated from this collected data. Like nonprofit data in the public domain, standard deviations may be graphically profiled and disclosed in the case of job board postings as and if allowed by those job boards' Terms of Use or under specific agreement with PAQ, BTA, and ERI. The majority of this information reflects private sector employees' pay. Beginning in 2007, **ALAS** data has been incorporated in the **SalariesReview** databases.

5. Survey participant data from ERI Salary Surveys and Abbott, Langer Association Surveys traditional online and hardcopy survey questionnaires

This survey information is prepared the old-fashioned way with questionnaires sent out to past or requesting

participants via the mail. Online input is also available, as is the downloading of a PDF for printing and manual input. Purchased in 2007 by **ERI** and included in this family of survey input variations (OCR, digitizing, web-service verification, job board data mining, PAQ field job analysts, Internet visitors, etc.), **Abbott, Langer Association Surveys** has been collecting and reporting data since 1967. If a survey has been purchased through the ALAS site (www.abbott-langer.com), a third source line will be shown for both executive and non-executive jobs representing this fifth source of survey data. Long a leader in providing nonprofit and association surveys, **ALAS** data is traditionally evenly divided between tax-exempt and for-profit participants.

Comparison of for-profit and nonprofit data will reveal a wide variance in pay. Charities have long been recognized as lower paying, government entities often focus on and favor both their health benefit and qualified retirement plans (not shown in this survey) over cash pay, and the US OES job family approach skews medians toward the lower end. Conversely, **ERI Salary Surveys** finds that input from Internet visitors and job boards leads to values that are higher than **Assessor Series** norms, which **ERI Salary Surveys** believes to be the best representation of competitive pay, for the for-profit sector. Even with the exclusion of outliers, which **ERI Salary Surveys** calculates based on a +/- 2.0 standard deviation test, real compensation norms derived from for-profit and nonprofit domains may differ remarkably. To protect against extremes in hard copy/PDF presentations where for-profit data higher than ERI's **Salary Assessor & Survey's** norms are calculated, reported data is that of the latter, though incumbent population counts and rates of error may reflect the former.

ERI has provided competitive compensation data since 1987, BTA since 1980, PAQ since 1974, and ALAS since 1967. The combined **ERI SalariesReview** databases have grown to include input for over 50,000,000 jobs, over 14,000 publicly-traded or reporting companies, thousands of salary and executive compensation surveys, all presently reporting UK and European publicly-traded companies (~2,300), Canadian SEDAR data (~1,400 companies), and over 20,000,000 Forms 990/PF/EZ returns from 1994 to the present. Used by professionals for over twenty years, some 10,000 subscribers depend on ERI **Assessor Series** analyses as one of their survey sources. This survey provides raw number analyses and its results will most likely differ from either those found in the **Salary Assessor & Survey**, **Executive Compensation Assessor & Survey**, and/or **Nonprofit Comparables Assessor & Tax-Exempt Survey**. Again, this is a survey report that adds and averages numbers; it is not a polynomial analysis of long streams of data like that found in the **Assessor Series**.

This survey report utilizes licensed technologies and data as part of the **ERI Economic Research Institute, Inc.** family of affiliate salary surveys. ERI is an Authorized User of selected Statistics Canada data under Agreement Number 6184; SEDAR data leased under Copyright, HER MAJESTY THE QUEEN IN RIGHT OF CANADA, as represented by the Minister of Industry, Statistics Canada. UK data may be in part from New Earnings Survey; National Statistics Descriptions are Crown copyright material and reproduced with the permission of the Controller of HMSO. Other data may be leased from Philanthropic Research, Inc. (www.guidestar.org). ERI's intellectual property rights include Patent No. 6,862,596, "system and method for retrieving and displaying data, such as economic data relating to salaries, cost of living and employee benefits" leased to Abbott, Langer Association Surveys and ERI Salary Surveys respectively.

To summarize: These **ERI Salary Surveys** and **Abbott, Langer Association Surveys** reports are not *analyses* like those provided to ERI **Assessor Series** subscribers. Rather, they are reports of actual data points collected and calculations of simple averages, percentiles, counts, and rates of error with options to review the data, in many cases, on a graph and with access to the source documents, if in the electronic form with an Internet connection available. Results will differ from quarter to quarter as the composition of survey participants will vary and **SalariesReview** adds hundreds of thousands of data points each month to its survey databases. No attempt is made to alter the data as collected, reported, and/or graphically displayed other than to normalize collected compensation amounts to a common date using ERI's **Salary Increase Report** salary structure increase rates that vary by industry and job function. This is a compensation survey.

Definition of Terms

ERI Salary Surveys and **Abbott, Langer Association Surveys** combine four (or five) distinct salary survey data collections of *real data* in one direct compensation survey report. Not all sources have exactly the same definitions or constructs. For example, proxies report unique salary and bonus values for executives, while Form 990s report only direct compensation (the combination of the two). Where differences exist, they are described below:

Position Title

ERI Salary Surveys and **Abbott, Langer Association Surveys** utilize a file of 100,000 ERI job titles found in the US, Canada, UK, France, and Italy. Many of these are alternate titles where the PAQ eDOT number (a nine digit coding

system used in the US since 1939) is the same, for example, for CEO and Chief Executive Officer. Industry surveys will not show all of the ERI **Occupational Assessor** job titles since not all jobs exist in any one industry, nor has sufficient data been collected on all jobs to report valid averages or other measures. Typically, a hard copy report will show one to two hundred position titles and the PC program will show more. However, the Board of Director & Trustees Survey Report may show only three or four job titles. The executable PC program edition estimates additional values for ten times these numbers of position titles. Alternate titles are shown to assist HR managers who must deal with line managers who will not accept that a "Cost Accountant" is an alternate survey title to that of a "Budget Accountant."

In compliance with FTC regulations, the survey will not report data for non-executive positions with less than five repondents. For executive positions that come from square or round dots derived from IRS Form 990 EOs/EZs/PFs (nonprofit positions' square dots) or US SEC 10-K, proxy, and 8-K filings (for-profit positions' round dots), the source documents are part of the public record. Executive positions with under five incumbents will be displayed with that source data being retrievable via the Internet using SalariesReview FindPay, ERI Executive Compensation Assessor, and/or ERI Nonprofit Comparables Assessor software.

Pay Category

Pay category describes the compensation, element, or source used. In the hardcopy or PDF print editions, a direct compensation (base salary and incentive/bonus) report is sometimes called direct cash. It does not include health benefits, retirement, stock options, or other indirect pay or non-cash mechanisms or perquisites that can greatly influence total remuneration. In the executable program, more definition is available concerning salary, bonus, benefits, total compensation, and direct cash compensation.

Number of Incumbents

Up to two values will be shown: those profiled by the data from Tax-Exempt/Public Databases and those sourced to For-Profit Databases. Neither of these sources may be clearly identifiable as one or the other for non-executive positions. The number of incumbents is reported only from the source materials so that double counting does not occur. ALAS data is also a pure number count. Its participants also could be double or triple counted as they might also be found in the former two sources.

Mean

The mean or average is the result of dividing the sum of two or more quantities by the number of quantities. For example, (a + b + c)/3 = the average.

First Decile

The first decile represents one of nine points, which divides a series of ranked scores into ten equal parts from the lowest to the highest. Each part, therefore, represents one-tenth of the series. The first decile represents the bottom ten percent of the population, often termed the tenth percentile.

First Quartile

A quartile is a value in a ranked continuum that is divided into four parts. The first part is 25%, the second part is 50%, the third part is 75%, and the fourth part is 100%. The first would represent the range of population from zero to 25%, often termed the 25th percentile.

High

The High Range for compensation is found with government-supplied source data and refers to the 67th percentile.

Low

The Low Range for compensation is found with government-supplied source data and refers to the 17th percentile.

Median

Median compensation is the estimated 50th percentile of the distribution of remuneration. Fifty percent of incumbents in an occupation earn compensation below, and 50 percent earn compensation above the median earnings.

Third Quartile

A quartile is a value in a ranked continuum that is divided into four parts. The first part is 25%, the second part is 50%, the third part is 75%, and the fourth part is 100%. The third would represent the range of population from zero to 75%, often termed the 75th percentile.

Ninth Decile

The ninth decile represents one of nine points, which divides a series of ranked scores into ten equal parts from the lowest to the highest. Each part, therefore, represents one-tenth of the series. The ninth decile represents 90% of the population, often termed the 90th percentile.

Rate of Error

Each position will have rates of error displayed for three databases: Tax-Exempt/Public Databases, For-Profit Databases, and Survey Participants' Databases. Compensation levels paid may differ remarkably between these three categories. Rather than combine these databases, this survey provides each separately to allow the user to make his/her own determinations. Each database is reported with its own "n"; each has its own rate of error.

Tax-Exempt/Public Databases - Rate of Error

There are two types of rates of error within this general category.

1. **Executive Sources**

   Data is shown on the PC program using a power curve (polynomial regression analyses). A standard error is reported based upon the actual data shown in this survey data population.

2. **Non-Executive Sources**

   Information is principally from government and nonprofit organizations, using composite results of the US OES Occupational Employment and Wage Survey. This US Government survey reports a Relative Standard Error which is reproduced for the year, area, and job family requested.

For-Profit Databases - Rate of Error

There are two types of rates of error within this general category.

1. **Executive Sources**

   Data is shown on the PC program using a cubic spline curve through both observed and survey data. The standard error is calculated only from measurements of variance from predicted mean displayed.

2. **Non-Executive Sources**

   This information on primarily for-profit company employees is from **SalariesReview** patented online, interactive salary surveys, and **Assessor Series** databases. Because data is collected for individual jobs and not reported by either years of experience, level, or compared to an organizational size dimension (as is the case with **Assessor Series** presentations), the calculation provides a Standard Deviation measure.

Participant Supplied Data

Standard deviations are calculated via the traditional summing of variances, squaring, dividing by n-1, and taking the square root. This is a pure conventional standard deviation calculation.

A rate of error will not be shown where more than one source of data exists. The mixing of OES Relative Standard Error from nonprofit/public sources, regression derived Standard Errors, and SalariesReview's Standard Deviations does not allow the presentation of a meaningful, defensible statistical measure as it might combine three different types of error measure. If shown, the rate of error is derived as described above from the one data source reported.

Total (Direct) Annual Compensation

The Total (Direct) Annual Compensation is the sum of Annual Salary and Incentive/Variable Pay. For tax-exempt executive pay, it is the sum of Direct Compensation and Allowances and Benefits.

Annual Salary

The Annual Salary is the calculated wage and/or salary for a position divided by its weighted survey employment. Annual salaries are straight-time, gross pay, and are exclusive of premium pay. Included are base rate, cost-of-living allowances, guaranteed pay, hazardous-duty pay, on-call pay, but not incentive pay, including commissions and production bonuses or rewards from variable pay plans and/or retirement or benefit plan matches.

Incentive/Variable Pay

The annual Incentive/Variable Pay includes annual bonuses, commissions, and production bonuses or rewards from variable pay plans.

Direct Compensation

Direct Compensation includes salary, fees, bonuses, and severance payments paid, along with payments of amounts reportable as deferred compensation.

Allowances & Benefits

Allowances & Benefits include all welfare benefit plan payments, all other forms of deferred compensation and future severance payments, both taxable and nontaxable fringe benefits, expense allowances, and reimbursements that recipients must report as income.

Demographic Data

Selected Characteristics of Occupations or work measures are derived from **PAQ's eDOT Skills Project**, a cybernetic job analysis system utilizing, in part, **ERI's Occupational Assessor**. For more information, visit www.erieri.com or www.paq.com. This data is available only for US occupations.

Census Data

Estimated racial and gender makeup are derived from **ERI's Geographic Assessor** (Consultant Edition) and are available only for US profiles. For more information, see www.erieri.com.

Organization Size

The **ERI Salary Surveys/ALAS** databases of job titles adjust for two organization sizes in terms of revenue: small ($100,000 to $10,000,000) and large ($10,000,000 to $1 billion).

Summary for ERI Assessor Series Subscribers

Non-participant survey results in the top two sections in this survey are from ERI Economic Research Institute databases. They represent an "archive" of **Assessor Series** values (slight differences will exist because ERI databases are constantly updated and these survey reports are generated in "real time.")

Executive data is drawn from ERI's for-profit SEC digitizing of 10-Ks, 8-Ks and proxies, SEDAR-leased Canadian data, and UK/EU Annual Reports. Results will differ from ERI's **Executive Compensation Assessor & Survey** in that the latter are studies of 500 executive job titles over time and include other sources, such as web-services and other licensed databases and surveys. This survey cuts a power curve, or regression line, through the data shown for the size, industry, and geographic area's grouping of data points, which are displayed as dots. Nonprofit analyses represent power curves through Form 990/EZ/PF data digitized by ERI or leased from GuideStar. Neither is a study of a job function over time; both illustrate regression curves through real data. Data from 14,000 for-profit and 485,000 tax-exempt organizations has been digitized, making these survey databases the largest ever for executive compensation surveys. Purchase the complementary **SalariesReview FindPay** software to retrieve the raw data and reference documents that were digitized to create any data point or dot. This survey report's results are reflections of practices in only one of 1,400 industries found in ERI's **Nonprofit Comparables Assessor &**

Tax-Exempt Survey. Both the **Executive Compensation** and **Nonprofit Comparables Assessors** allow for city area, rather than state-wide analyses, for data planning dates other than 31 March, and unlimited industry sub-sector analyses.

Non-management data is drawn in a similar fashion for for-profit entities from ERI's **Salary Assessor & Survey** and its 4,000 job titles. It is also a study of jobs over time so that no single year's data collection is allowed to distort results, typically created by a vagary in a survey sample population. Nonprofit and public pay levels are derived from data leased from national statistics offices, such as National Statistics in the UK and Statistics Canada; US nonprofit and public data is from the non-copyrighted OES area wage surveys. This latter survey's data typically run 10-15% higher than private industry norms.

Participant data, whether from Abbott, Langer Association Surveys' approximate 130,000 annual incumbent measures or SalariesReview's 1,300,000 inputs, "is what it is." Data inputs greater than three standard deviations are eliminated before averages, deciles, and other statistics are computed.

Combined Survey Sources & Survey Producer

This survey has been produced by **Abbott, Langer Association Surveys** and/or **ERI Salary Surveys**. The former provides data for 38 industry and job family groups, the latter for 78 groupings.

Data related to position titles and descriptions have been provided under license from **PAQ Services, Inc.**

Use of the patented online interactive survey methodology, access to executive and non-executive databases, and audit checks via the **Assessor Series** have been provided under license from **ERI Economic Research Institute, Inc**. ERI primarily serves private industry, while the public sector, the IRS, and libraries comprise approximately 20% of our subscribers. ERI salary structure analyses have been in use since 1974, the PC software to extract competitive wage and salary rates since 1987, and our cost-of-living analyses since 1989. ERI does not provide consulting services. FEIN 33-0356443, Duns # 60977744, CAGE code 0XP39, FedLink ER.

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