

ERI UPDATE

Quarterly Notes For ERI Subscribers

Executive Compensation Assessor

ERI's capture of nonprofit executive pay from public records contains data from over 100,000/year unique organizations; a similar effort is underway for UK/EU corporations. Interestingly, the number of publicly-traded US corporations (where dots are linked to SEC proxy & 10-K data) has decreased (from over 10,000 to ~9,400) as Sarbanes-Oxley concerns appear to be driving down the number of publicly-traded US corporations.

News from the IRS

The IRS Tax Exempt & Government Entities Division recently subscribed to 30 copies of ERI's **Executive Compensation Assessor® & Survey (XA)** software (the National Appeals Office has used XA since the late 1980s). The New York State Attorney General's Charities Bureau also subscribed for 2005.

News from the SEC

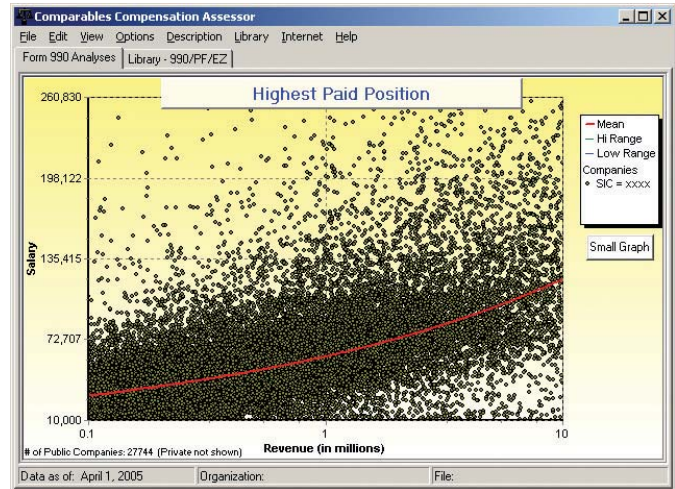
If you consult, see the SEC speech www.sec.gov/news/speech/spch120304cs.htm. "Should there be fiduciary obligations on compensation consultants that advise the board of directors with respect to compensation?" (Also see footnote 14.) The NYSE "[Webb Report](#)" can be downloaded from the **Board Compensation Committee Tools** page at www.erieri.com.

eDOT Update

PAQ Services, Inc. has informed ERI that they will be using a product sequence similar to that of ERI's **Assessor Series®: DOT, eDOT, eDOT+**, with the latter (disability determination editions) being available only to subscribers who agree to hold PAQ and ERI harmless (by signing a License Rider Agreement) for any part in identifying the obvious fact that work in the US has changed in form and content. PAQ's concern is understandable:

The primary use of the DOT is in the Disability Determination Process (DDP). In the US, 10 million people receive monthly checks from a Social Security program that is "underemployment insurance" in design. Each year, an additional 5 million potential claimants apply. When refused, lawyers earn \$5,300/win for each SSDI claimant for whom they prove that alternative jobs do not exist (DDP's Step 4) or if they do exist, that they do not exist in sufficient numbers (Step 5), all the while using the Federal Government's 1991 DOT (really 1977) to prove SSA incorrect.

eDOT now identifies job sequences (Fast Food Worker 1, 2, & 3 where the old DOT had only SVP = 2), captures evidence that jobs are physically less demanding (no longer constantly lifting 100 pounds), adds new jobs identified by the **eDOT Skills Project**, and creates millions of new identifiable alternative jobs. The old DOT does not identify these jobs. SSDI lawyers receive \$0 when they lose a case at DDP's Step 4 or 5 (i.e., SSA's ruling is found correct). The fact that SSA, lawyers, and ALJs today use a DOT last fully updated in 1977 is a Charles Dickens story.



OFCCP

ERI's single focus is that of "external competitiveness." So it is only with some interest that we read: *Office of Federal Contract Compliance Programs; Guidelines for Self-Evaluation of Compensation Practices for Compliance with Nondiscrimination Requirements of Executive Order 11246 with Respect to Systemic Compensation Discrimination, Notice [11/16/2004]* but it is well worth reviewing if your organization does any work with the Federal Government. 11246's Section E's describing compensation analyses done under "attorney client privilege or attorney work product doctrine" is a sign of the times. For more information, we refer you to www.paq.com's web site. (One needs job groupings identified in a defensible manner. O*NET, which groups paraprofessionals, professionals, and first line supervisors into a single job family is no answer. PAQ scored job analyses are.)

News from California

A not-well-publicized concern of benefit planners has been the State of California's Division of Workers Comp, where ~1/2 of America's workers' comp claims were paid in 2003 (covering the 12 months necessary before one can file for SSDI, thus creating a huge pool of potential California LTD applicants). Now Labor Code Section 4660 has been revised to: 1) take into account "diminished future earning capacity" as opposed to "diminished ability to compete" and 2) base earnings capacity on *empirical data of the average long term loss of earnings from each type of injury for similarly situated employees, including age and occupation.* [emphasis added] See a summary of California's Reforms at <http://www.dir.ca.gov/chswc/SB899summary.html>. "Occupation" equates to specific jobs, similarly situated implies location. Both the **Salary** and **Geographic Assessor** data should assist. California SA subscribers may also use the Lost Wage Analysis found under File | View on **ERI's Platform Library®**.

ERI'S NEW RESEARCH SERIES DESIGN

The Demo, Professional and Consultant Series Sequence

Five years ago, ERI embarked on an ambitious set of R&D projects. These projects include: 1) placing the GA/SA/XA construct of Canadian \$s to the north and US \$s to the south in similar UK/EU (Pounds/Euros) offerings; 2) capturing publicly reported executive compensation data practices (US, Canada, UK, and EU for-profit data, in addition to data from 2,000,000 Form 990/PF/EZs using OCR technology); 3) utilizing latent semantic analysis (LSA) in our research/job matching and work with job boards (Wall Street/CareerJournal, etc.); 4) saving the abandoned US *Dictionary of Occupational Titles* via the eDOT Skills Project; 5) counting the number of incumbents in specific jobs in America (no one else does); and 6) establishing inexpensive and time efficient (one-hour each) on-line courses for those new to compensation & benefits, the latter's focus being assisting our subscribers in training staff new to compensation & benefits. All of these efforts are now joined by several new research & development projects (see below). During this time, what has become clear is that there is a difference between "corporate planning" and "litigation & governance" data and applications. For 2006 subscriptions, ERI will begin to use a product release design of: demo - planning - expert witness support.

| 2006 ERI Research Product Configuration | | | |
|--|---|---|---|
| Assessor Series Editions <i>Assessor Software & Databases</i> | Free <i>- demonstration -</i> | Professional <i>- planning -</i> | Consultant <i>- governance -</i> |
| Full Assessor Series FAS | ERI's Platform Library | SA, GA, RA, and DOT | |
| Professional Assessor Series PAS | ERI's Platform Library | FAS plus eDOT, XA, CA, and UK/EU | |
| Consultant Assessor Series CAS | ERI's Platform Library | | PAS plus XA+, SA+, GA+, CA+, RA+, and UK/EU+ |
| Salary Assessor | Illustration copy gives you research access to position titles beginning with the letters "Ca-Ch" and eSIC = 0000 or 3080. | Provides base salary, wage, incentive, and total comp levels for 5,200 non-executive position titles in the US, Canada, UK, and/or Europe. Analyses based on input by organization location, industry, size, and salary planning date. (7,600 areas profiled if run with the Geographic Assessor .) Supplemented by job descriptions, salaries by level, geographic lists configured to benchmark rates, and/or cost-of-living norms. A <i>Benchmark List</i> assesses an organization's competitive position. | All Professional Edition data/features, plus data for ~400 executive job titles (these positions had previously been found only in the Executive Compensation Assessor). An enhanced <i>Researcher's Analyses</i> screen provides access to the raw salary data or profiles incorporated in these analyses. A Lost Wage calculator is included in this edition (see note re. California new Regs). Reliability statistics (standard error and # observations) for US Federal Court Daubert Challenges. |
| SA & SA+ | | | |
| Geographic Assessor | Illustration copy provides you access to city areas beginning with the letters "A" & "B" and US, UK and Canadian National Averages. | Two-city salary and wage comparisons by earnings level for branch-office salary planning in over 7,600 U.S./Canada areas, also UK and EU cities available. Supplemented by graphic illustrations and a salary comparison table (base city compared to multiple other locations). Used by 1,000s of organizations to define branch office salary structures. | All Professional Edition data, plus prevailing wage data for use in immigration applications (new values effective 03/08/05) and bids for government contracts. 1990 - 2000 Census data, trending to present data and adjusting for state groupings and redefinitions. Provides baseline reference data for affirmative action reports and new OFCCP 11246 Regulation analyses. |
| GA & GA+ | | | |
| Relocation Assessor | Illustration copy provides cost-of-living comparisons between city areas that start with the letters "A" & "B." | Create two-city cost-of-living reports between 10,000 areas worldwide. Reports are based on input of employee's earnings level, family size, home size (owned or rented), and automobiles (number, value, and distances driven). Provides per diem rates with data derived from www.salariesreview.com . | All Professional Edition data, plus ERI's county analysis of 1990 - 2000 Census data, trending to present data and adjusting for county redefinitions. Combined with ERI's Job Availability Survey and Salary and Geographic Assessor compensation norms, it provides a plant/office relocation/transfer/opening assessment. |
| RA & RA+ | | | |
| Compensation Comparables Assessor (Both taxable and/or tax-exempt analyses for thirty key executive positions/functions) | Illustration US & UK copies provide access to position titles beginning with the letters "Ca-Ch" with National Norms with eSIC = 7300. Tax Exempt is NTEE = S40. | Provides ERI research of US tax exempt competitive salary, variable pay, and total compensation levels by industry, location/area, date, and organization size. Utilizes data gathered by OCR reading of Form 990/PF/EZs. US Nonprofit data only. Links to 2 million Form 990s, 990EZs and 990PFs, years 2000 - present. | All Professional Edition features, with access to publicly traded US and UK Executive Compensation Assessor & Survey data for key executive positions and functions. Used for litigation support, Intermediate Sanctions rebuttable presumption preparation, and Sarbanes-Oxley taxable and tax-exempt combined comparable analyses. |
| CA & CA+ | | | |
| Executive Compensation Assessor (2 databases: US Proxy/10-K, UK/EU Annual Reports) | Illustration US & UK copies provide access to position titles beginning with the letters "Ca-Ch" with National Norms with eSIC = 7300. Tax Exempt is NTEE = S40. | For-profit analyses to use in SOX and reasonable compensation analyses. Access raw data utilized since 1994, including over 10,000 US corporations' proxies and 10-K's from mid-1990s to present. Presents Daubert statistics (standard error & # observations) and reasonable compensation estimates. Captures data by function, 230 major US cities, most recent data only. | All Professional Edition features, plus historic raw datasets and UK and EU Annual Report tables. Additional analyses tabs include: Used for Sarbanes-Oxley analyses and Board level planning of direct cash (salary levels and incentives), long term incentives, stock appreciation rights, SERPs, benefits, stock options and other executive allowances. |
| XA & XA+ | | | |
| Remuneration Series | SA & GA demonstration copies give you research access to position titles beginning with the letters "Ca-Ch" and the location of "United Kingdom Average." | Both the Geographic and Salary Assessors described above with UK/EU city areas (Germany & France not yet added, but scheduled for 2005). Pounds to north, Euros to south much like Canada/US \$s design. | All Professional Edition data/features, plus the Executive Compensation Assessor , which contains UK data (annual reports) and other EU corporate remuneration (as other countries in addition to the UK are now beginning to report executive compensation data). |
| EU & EU+ | | | |
| PAQ's enhanced Dictionary of Occupational Titles | Full free access to the Archive DOT edition (all titles, areas and industries in last US 1991 revised DOT), along with population estimates of pre-1991 job titles and standard deviations for pre-1992 measures from PAQ 1972 - 1991 scores. Also serves as an eDOT demo for jobs starting with the letters "A" & "B" for: United States Average; Atlanta, GA; & Boston, MA. | Provides access to 3 editions of the enhanced Dictionary of Occupational Titles : Archive DOT, Career Interest, and FLSA Overtime. Explore alternative careers with similar GOE interests; apply job analyses approaches used by any of the 54 "states" including WA's field job analyses and OH's skill-based pay Transitional Grant initiative. Determine the US FLSA exempt-status of difficult-to-classify positions under new 541 Regs. Review the archived U.S. 1991 DOT job titles, job descriptions, and worker characteristics in an easy-to-search format, comparing those measures and descriptions with PAQ's eDOT Skills Project updates. | Provides all eDOT editions, plus grants users access to the enhanced Dictionary of Occupational Titles four disability editions with their advanced job analysis filters. Unique to the eDOT+ are the Custom, Transferable Skills, Vocational Rehab, Workers' Comp, and Administrative Law editions, all reflecting different disability determination processes. Directly access job analyses that created the work characteristics. Review calculation of standard deviations and range of measures from PAQ's eDOT Skills Project. Use of eDOT+ in 2006 is conditioned on Subscriber agreeing to and signing an End User License Agreement Rider. |
| DOT, eDOT, & eDOT+ | | | |

Geographic Assessor's Prevailing Wage Calculations Changed as of March 8th

New ETA 9089 rules call for governmental surveys to provide a least 4 levels of 2005 wages. The **Geographic Assessor** Immigration Analysis tab has been altered to "create 2 intermediate levels by dividing by 3 the difference between the two levels offered"

ERI PRODUCT ORDER SHEET

www.erieri.com
800.627.3697

ASSESSOR SERIES® software databases (single annual subscriptions, updated quarterly, most recent data)

- Salary Assessor® & Survey Professional Edition SA** \$ 889. \$ _____
 Consultant Edition (with added executive/director titles) SA+ \$ 1,479.
- Geographic Assessor® & Pay Survey Professional Edition GA** \$ 889. \$ _____
 Consultant Edition (with immigration/census/OES data) GA+ \$ 1,479.
- Relocation Assessor® & COL Survey Professional Edition RA** \$ 889. \$ _____
 Consultant Edition (with demographic/census/map data) RA+ \$ 1,479.
- Executive Compensation Assessor® & Survey Professional XA** \$ 2,389. \$ _____
 Consultant Edition (EU data in addition to US proxy/10-K) XA+ \$ 3,979.
- Compensation Comparables Assessor Professional CA** \$ 2,389. \$ _____
 Consultant Edition (XA taxable data in addition to 990) CA+ \$ 3,979.
- Remuneration Series Professional Edition UK/EU (GA & SA)** £ 889. \$ _____
 Consultant Edition (with UK Executive Comp data) UK/EU+ £ 1,479.
- PAQ's revised Dictionary of Occupational Titles DOT** -- free --
 Professional Edition (DOT with FLSA, Career editions) eDOT \$ 889. \$ _____
 Consultant Edition (disability determination editions) eDOT+ (License Rider required with eDOT+)
- ERI's Platform Library™ ERIPL** -- free --

COMBINED SERIES software databases (single annual subscriptions, updated quarterly)

- Full Assessor Series FAS = SA, GA, RA & eDOT** \$ 2,667. \$ _____
- Professional Assessor Series PAS = FAS & UK/EU, CA & XA** \$ 5,945. \$ _____
- Consultant Assessor Series CAS = SA+, GA+, RA+, CA+ eDOT, UK/EU+ & XA+** \$ 8,417. \$ _____

NETWORK SUBSCRIPTIONS (A separate license is required for each accessing PC.)

- Assessor Series Price** \$ _____ X the # of users _____ = \$ _____

OTHER RESEARCH PRODUCTS Single hardcopy edition

- Geographic Reference Report 2005 GREF** \$ 489. \$ _____

DISTANCE LEARNING CENTER Courses now at \$29/each; establish a tuition fund (password keyed) for those new to compensation & benefits. CE credits (full course package), available at www.eridlc.com \$ 1,489. \$ _____

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INSTALLATION GUIDELINES

(See: INSTALLCD.TXT)

NEW SUBSCRIBERS: ORDER AND INSTALL ERI'S SOFTWARE FROM THE INTERNET

For those who have access to the Internet, all of ERI's software products may be purchased, downloaded and installed from www.erieri.com.

1. From ERI's home page click "Subscribe/Order" (left-hand side, top).
2. Complete the required information and follow the instructions to download and install the applications.

ERI's Platform Library may also be downloaded and installed from the Internet (at no charge).

1. Go to www.erieri.com.
2. Click on the link at the left of the page for Demo Downloads.

CURRENT SUBSCRIBERS: UPDATE ERI'S SOFTWARE FROM THE INTERNET

1. Go to www.erieri.com.
2. Click "Subscriber Dataset Updates."
3. Scroll down the screen and click on the **Assessor Series** software product that you wish to update.
4. Follow the instructions as they appear.
(Note: It is not necessary to run an installation using a license code each quarter. If you have already installed a license code during the current subscription year, then you should utilize the "automatic update" for all the following quarters from the same personal computer.)

CURRENT SUBSCRIBERS: UPDATE ERI'S ASSESSOR SERIES SOFTWARE FROM THE CD-ROM

1. Run ERI's Platform Library/CD-ROM (see related instructions below).
2. You will be prompted automatically to update the **Assessor Series** software and databases to the new quarterly release. Follow the instructions as they appear on your screen. **Unless you change PCs during your subscription year, you will not need to re-enter a license code.**

If you are a new subscriber, please select "Install" from Options for New Users. If you are a returning subscriber, please click "Yes" to upgrade when prompted. If you have recently purchased an upgrade to your subscription and need to install using a new license code, go to the main screen and select the **To Install | Install Assessors Using License Code** menu.

HOW TO RUN ERI'S PLATFORM LIBRARY, PAQ's DOT & ERI'S DLC WIZARD CD-ROM

1. Check the date printed on the front of the CD-ROM to make sure that it is for the most recent Quarter.
2. Place the CD-ROM in your CD-ROM drive and shut the drive door.
3. The CD-ROM should auto-run. (After approximately 5 seconds, the CD-ROM drive light should start to blink and you should hear the CD-ROM running. After another 5 - 10 seconds, you should see **ERI's Platform Library** beginning to load on your screen.)

If after 30 seconds the CD-ROM does not auto-run, contact your organization's internal technical support department. Something may be wrong with your CD-ROM drive or device drivers. Try to run the CD on another computer or try using the following secondary procedure:

1) Click the Windows Start button, then click Run; 2) Type `d:\eri.exe` (assuming that d:\ is your CD-ROM drive); and then 3) Click "OK."

GENERAL INSTALLATION INFORMATION

ERI's software applications are designed to run on Windows NT, 2000, ME, and XP. Each Quarter, a CD-ROM is mailed to subscribers from which all software applications may be installed. In addition, all software applications may be downloaded and installed from the Internet. For more information on installation options, please select **Help | Topic Search** from any of ERI's software applications and search for related topics using the keyword "installation" or visit **ERI's Online Technical Support** (from www.erieri.com, click **Free Analyst Resources**, then click **Technical Support**). Better yet, sign up for an **Assessor Series Conference Call Symposia** (from www.erieri.com, click **Research Training**). Call any weekday between 5 AM and 6 PM PT: 800-627-3697. (www.erieri.co.uk, call +44 (0) 131 247 6827.)

The screenshot shows the ERI website interface. At the top, there is a navigation bar with links for Site Map, Free Analyst Resources, Research Training, eDOT Project, Symposia, Salary Planning Survey, Benefits & Compensation Training, British & European Data, Board Compensation Committee Tools, Subscriber Dataset Updates, and Tax Exempts. Below this is a header for 'ECONOMIC RESEARCH INSTITUTE' and 'Your Compensation & Benefits Research Outsource'. The main content area is titled 'Executive Compensation' and 'Competitive Base Salaries and Incentives Salary Survey Software'. A sidebar on the left contains links for 'Subscribe/Order', 'Geographic Salary Comparisons', 'Salary Survey Analyses', 'Cost of Living Comparisons', 'Executive Compensation', 'Reference Reports', 'eDOT', 'Demo Downloads', and 'Compensation Seminars'. The main content area features a 'Compensation Committee Certification (CCC)' course. It includes a 'Course Catalog' with options for 'Full Course Catalog' and 'Seminars', and a 'Course Credit' section listing 'CBP, CCP, GRP', 'Course Credit Map', 'CPA CPE Credit', 'JCA Credential', and 'PHR and SPHR'. There is also an 'HR Resources' section with links for 'Business Glossary', 'Compensation Textbook', 'Employment Law', 'HR Answers', 'HR Management Training', and 'Linking Sites'. The 'HR Software' section lists 'DLC Wizard', 'Executive Compensation', 'Job Descriptions', 'Relocation Allowances', 'Salary Comparisons', and 'Salary Survey'. The 'Two Tracks' section explains that users can choose to focus on for-profit or non-profit executive pay planning. The 'For-Profit Track Required Courses' section lists three courses: '12: IRS Responsible Executive Compensation', '21: Managerial and Executive Compensation', and '42: Accumulated Earnings and Deferred Compensation'. A 'Demo Download' button is highlighted with a green circle and the text 'Click Here'.

ERI Economic Research Institute, Inc.
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ERI's continuing mission is to provide consistently excellent market pricing information and research relating to compensation, cost-of-living, HR demographics, and benefit issues. ERI does not provide fee-for-service consulting.

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