

BERKSHIRE ASSOCIATES

COMPENSATION SOLUTIONS



BERKSHIRE ASSOCIATES INC.
Your Partner in Human Resources and Affirmative Action

Compensation Solutions

The impact of the Lilly Ledbetter Fair Pay Act

On January 29, 2009, President Obama signed the Lilly Ledbetter Fair Pay Act into law. The new amendment treats every discriminatory paycheck as an unlawful act and each paycheck starts a new statute of limitations. It also overturns the U.S. Supreme Court ruling that only intentional discriminatory pay decisions are unlawful. Under the Ledbetter Act unlawful employment practices occur when a discriminatory compensation practice or decision is adopted, which means companies are no longer better off not knowing if they have pay disparities. The Ledbetter Act and the pending Paycheck Fairness Act make companies far more vulnerable to pay-related lawsuits and claims.

We are uniquely positioned to close those areas of vulnerability by giving you an end-to-end solution to protect your company. Whether it's OFCCP and EEOC compliance or simply the right thing to do—we work with you to safeguard your company from costly lawsuits.

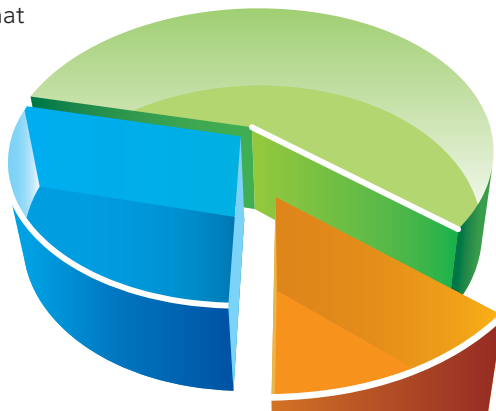
Every company should **know problem areas to mitigate potential risk.** **Berkshire** has a plan that **helps** with ongoing monitoring and management.

Our Specialty

Berkshire specializes in compensation services and software that prevent pay-related lawsuits and claims. This means we focus on preventative measures, including a compensation architecture designed with compliance, culture, and your compensation strategy in mind. Our services and software help you prepare for today's demanding compensation activities, while preventing costly lawsuits in the future.

The Ideal Choice for Compensation Services and Software

Whether identifying pay disparities, conducting market analyses, or providing support to remedy pay issues, companies choose Berkshire because we are especially qualified to handle a wide-range of compensation challenges. Compensation can be complex and complicated so we're here to provide expert interpretation of regulations or processes—and the tools to simplify the job. From the everyday pay practices to high-demand, complex regulatory situations, our certified consultants possess the know-how to successfully accomplish your objectives. We are the ideal choice, as demonstrated by the class of well-known and nationwide companies that have chosen us for their compensation solutions.



Value is What Makes us Different

Berkshire actually invests and reinvests in what gives our customers more value. We believe anyone can be different, but it takes real commitment to be better. We won't hide behind slick language masquerading as customer value. We spend our time, money, and resources on enhancing customer support, user-driven product improvements, professional education, research, customer training, and customer support materials.

The value we bring to customers

Center of Attention

- Customers are our center of attention. Customer satisfaction drives everything we do and is tied directly into our company and employee performance.
- We value being your trusted compensation advisor in both services and software. We believe the more our staff knows, the more our clients know. That's why we consider it our duty to stay abreast of regulation changes and best practices, so you can rely on us for expert advice when you need it.
- We value trust and reliability. We believe in openly communicating expectations on services, processes, costs, and deliverables.
- We value the power of partnership. We'll work as an extension of your new or existing department and together we'll succeed in achieving your objectives.

The Value of our Expertise

- Berkshire's consultants have a combined 75 years of experience working in various industries. As a result, our consultants see things from your unique perspective.
- Our compensation consultants have advanced degrees and are PHR, SPHR, or CCP certified professionals.
- Our consultants are highly respected in the industry. They have presented at national industry conferences and associations and are constantly in demand for speaking engagements.
- Berkshire has its own in-house product development team. Berkshire's programmers have a special talent for using innovative technologies to solve compensation challenges. They have identified and successfully created technical solutions for a host of companies.

Our Compensation Services and Software Clients

Our customer loyalty is strong and here's what supports our client relationships:

- We serve over 2,900 clients across the nation on compliance, human resources, and compensation.
- We have a 96% customer satisfaction rate and an 92% retention rate.
- We conduct over a dozen analyses on compensation for customers on a monthly basis.
- Our **BALANCEpay** software clients include some of the greatest company names in technology, telecommunications, higher education, utilities, healthcare, food service, and finance.
- Our compensation customers have as little as 30 employees and as many as 120,000.
- We train over 500 HR professionals annually at our HR training facility on topics such as pay equity, compensation, affirmative action, and paying for performance.

We respect the identity of our clients, especially since some compensation matters can be confidential or under attorney-client privilege. Client names and references are available only upon request.

Compensation Risks, Costs, and Reach Continue to Grow...and here's why—

Compensation demands additional and focused support because (1) it's the law, and (2) it's simply good business. Legal requirements can be daunting and often overlooked. Non-compliance can result in a host of monetary damages paid out by your company, and even worse, ruin your company's reputation. Government agencies like the Office of Federal Contract Compliance Programs (OFCCP) and the Equal Employment Opportunity Commission (EEOC) have committed a host of resources to enforcing fair pay laws. Last year, the agencies collected a combined \$340 million in damages. Failing to pay careful attention to personnel decisions can be costly. Using either Berkshire's services or **BALANCE**pay software, you can incorporate a system of continuous monitoring into your compensation program that reduces the chance of systemic or unintentional pay discrimination.

Building a compensation program with a **built-in system** of monitoring pay decisions is not only **smart**, but critical to **good business performance**.

Our solutions help you comply with the following legislation:

Title VII of the Civil Rights Act
Americans with Disabilities Act
Age Discrimination in Employment Act
Affirmative Action Regulation

Berkshire offers comprehensive services that start with evaluating your needs and creating a plan that meets your objectives. Our goal is to ensure you have a fair pay compensation model that's both compliant and easy to maintain. Berkshire gives you end-to-end solutions including:

- Initial consultation and information gathering session
- The development of a plan (scope of work) designed to address client needs; including a plan working under attorney-client privilege
- Preliminary pay equity analysis to identify possible problem areas
- A report with recommendations on how to address problem areas
- The development of a compensation architecture built to red flag pay inequities

Right Solutions, at the Right Time

Berkshire offers “right solutions, at the right time” services. Our solutions are set up so you can choose what you need based on your current business situation. Whether you’re a new company or one with an established compensation program, we can help you line up the right solutions, at the right time.

Your choice of services

Base Compensation Plan Development

Berkshire’s expert compensation consultants are available to design your compensation program using a combination of point-factor job evaluation and market analysis methodologies. Through our highly collaborative approach, we create an internally equitable and externally competitive base compensation plan specifically for you. Your customized pay grades are included in a Salary Administration Manual complete with procedures and electronic worksheets for ongoing administration of your plan.

Market Surveys

Using your job descriptions or job analysis data, Berkshire will gather compensation data from leading industry market surveys based on company size, annual revenue, location, and industry. We provide you with weighted aggregate results that enable you to establish competitive salary models for your industry and geographic region.

Job Descriptions

Job descriptions form the foundation for sound compensation, performance, and recruitment processes. Berkshire offers various data collection methods and can easily transform your job data into comprehensive job descriptions that include minimum qualifications and essential functions.

Salary Equity Analysis

Using our proprietary software, our experienced consultants examine your salary data using the most advanced statistical analyses accepted by the courts and other government agencies. Partnering with Berkshire has saved our clients hundreds of thousands of dollars.

A complete salary equity review can include the following analyses: Average and Median, Cohort, Multiple Regression, or Statistical Cohort.



Your software choice— BALANCE_{pay} with CompDesigner



Berkshire was the first company to create a software application that allowed HR professionals to easily run complex pay analyses. Since then, we've been setting the standard for what an effective compensation analysis tool should be—and we continue to raise the bar. BALANCE_{pay} with CompDesigner is the only compensation analysis tool on the market that conducts salary equity and factor-based pay analyses. It allows companies to get rid of cumbersome spreadsheets and enjoy the benefits of accurate and timely reporting. BALANCE_{pay} gives you more functionality and more value for your investment. It also helps companies easily conduct pay analyses within statistical and regulatory standards, so you can be confident you're adhering to government agency guidelines.

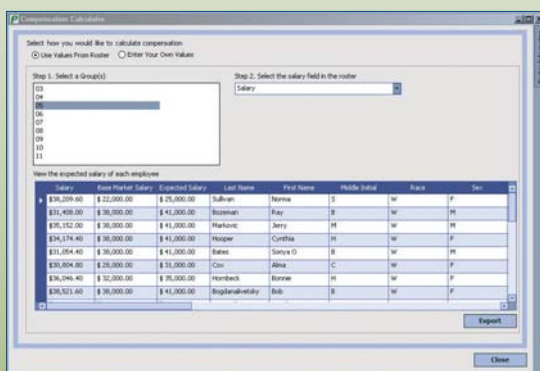
BALANCE_{pay}'s smart functionality make it the right move for guarding against the impact of the Ledbetter Act and the pending Paycheck Fairness Act

The CompDesigner Function in BALANCE_{pay}

When establishing pay, companies often look to what the market is paying, but are unsure how to value an individual's unique credentials. With the CompDesigner function in BALANCE_{pay}, you can develop your own customized model that determines pay based on factors that drive compensation in your company, like education and experience. CompDesigner is the perfect tool to automate the administration and monitoring of an internally and externally equitable compensation program.

With CompDesigner you can

- Establish an unlimited number of compensable factors that reflect how your company determines pay. Factors can be based on any data you provide to the system.
- Set up factor values as strict dollar amounts or percentages that can be manually-entered or auto-calculated within the software.
- Create factors for any group defined in your data set such as job families, grades, or—for more granular control—by job title.



BALANCE_{pay} has over 50 amazing features; most impressive is its flexibility. Not only can you choose to follow federal guidelines but you can create and work within your own company-defined standards. This is what makes **BALANCE_{pay}** ideal for both federal contractors and non-contractors alike. It goes beyond compliance to strengthening the performance of your overall compensation program. **BALANCE_{pay}** empowers HR and Compensation professionals to build, manage, and continuously monitor pay practices.

Key Benefits of **BALANCE_{pay}** with *CompDesigner*

- Develop the right foundation for compensation programs
- Align your pay practices with your compensation philosophy
- Assign values to compensable factors to determine pay
- Analyze base pay, variable pay, or both
- Continuous monitoring of pay practices
- Proactively identify pay disparities
- Uncover vulnerabilities and problematic patterns
- Duplicate the methodology and analyses conducted by the OFCCP and the courts
- Compare pay by gender, race, or any group you determine
- Run pay scenarios before making offers
- Compare internal pay to market pay
- Conduct peer-to-peer pay analyses
- Defend against a legal complaint

Duplicate the methodology
conducted by the **OFCCP**
and the courts.

Key Features of **BALANCE_{pay}** with *CompDesigner*

- Import data from Excel, Access, or an ASCII file
- Export to Excel, PDF, or HTML formats
- Automatic error checking so you know if there are problems with your data
- Preliminary Analysis red flags problem areas so you know where you need further analysis
- Regression Analysis identifies factors affecting pay
- *CompDesigner* ensures you are paying for what you value
- Run Desk Audit Analysis (Tipping Point Analysis) like the OFCCP when conducting an audit check
- Perform advanced statistical tests like *t*-tests, Fisher's Exact tests, and Rank Sum Analysis
- Commonly used analyses and reports such as:
 - Adverse Impact Analyses
 - Pooled Regression Analysis with Chow test
 - Compa-Ratio Analyses
 - What-if analyses (determines how much a person is predicted to make based on the regression)
 - Create breakout reports for multiple locations or entities

Description of Main Statistical Analyses

BALANCEpay's statistical functionality empowers HR and Compensation professionals to perform an array of analyses. The list below contains the main statistical functions. For details on all the features or for a full description of each analysis, please contact us at 800.882.8904 or bai@berkshireassociates.com.

Preliminary Analysis

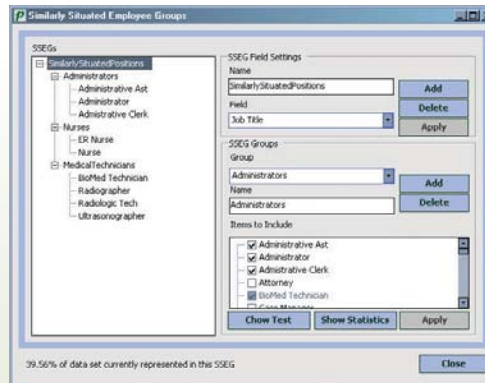
The first step in conducting a salary equity analysis is to see if the typical salaries for protected group members significantly differ from the typical salaries for non-protected group members.

Correlation Matrix

Correlation is a statistical procedure that allows you to determine the relationship between two variables. For example, you might want to know the relationship between salary and employee education levels.

Similarly Situated Employee Groups (SSEGs)

SSEGs can be defined within **BALANCEpay** based on any field in your records, and can then be used as a grouping for each analysis.



Growth Rate Analysis

BALANCEpay will allow you to determine whether or not protected group members' salaries are increased at a comparable rate to their non-protected group comparators.

Standard & Statistical Cohort Analysis

When there are few employees in a group, a standard cohort analysis is conducted. The standard cohort analysis compares similarly situated employees to determine if the salaries for some employees appear to be out of line with others. With larger groups, a statistical cohort analysis using Multiple Regression is conducted.

Multiple & Pooled Regression Analysis

Multiple Regression analysis is an advanced statistical technique used to determine the effect of several variables (time in company, performance, education, etc.) on salary. A Pooled Regression with Chow Test can be used when an organization's structure generates group sizes that are too small for a regression analysis to be statistically meaningful.

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Multiple Regression Analysis					
Grade: 07					
Observations	Merit R Square	Sig?	R Square	Sex Code	
150	0.03	No	0.05	Sig?	Yes
Independent Predictors			F-stat		
TIC			1.07		
YrsExp			0.42		
Grade: 08					
Observations	Merit R Square	Sig?	R Square	Sex Code	
32	0.14	No	0.04	Sig?	No
Independent Predictors			F-stat		
TIC			0.52		
YrsExp			2.09		
Grade: 09					
Observations	Merit R Square	Sig?	R Square	Sex Code	
194	0.03	No	0.03	Sig?	Yes
Independent Predictors			F-stat		
TIC			0.30		
YrsExp			1.30		



Compa-Ratio Analysis

The Compa-Ratio analysis allows you to set the benchmark by market data, or calculate it based on the midpoint of salaries in the job title, job group, EEO category, region, or any other grouping. The results will show how an individual or group's salary compares to your benchmark.

Market Data

Up to three Market Data* values can be entered for each variable in your data set, and then utilized in your analyses. Market Data can be especially useful as a benchmark for the Compa-Ratio analysis, indicating where your employees fall compared to similar employees outside of your company.

* No market salary data is included with *BALANCEpay*.

Adverse Impact Analysis

The Adverse Impact analysis is used to determine if a disproportionate number of employees of one class have higher than average salaries compared to another class.

Attorney-Client Work Product

Adverse Impact Analysis Summary Page 1 of 1

Summary of Salary and Incidents by Grade
Reporting Group - Sex

Grade	Selection Ratio				Stat Value				
	Selection Ratio	Adverse Impact?	Selection Ratio Swap	Adjusted Selection Ratio	Shortfall	Stat Value	Stat Value Significant?	Stat Value Swap	Adjusted Stat Value
03	0.47	Yes	2	0.84	2	1.92	No		
04	0.56	Yes	1	1.87	0	0.0007	No		
05	1.36	No			0		No		
06	0.00	Yes	1	0.83	1		N/A		
07	0.75	Yes	2	0.83	5	1.62	No		
08	0.78	Yes	1	1.00	1	0.71	No		
09	0.87	Yes	4	0.82	8	2.44	Yes	2	1.83
10	1.80	No			0		No		
11	Info	N/A			0		N/A		

Info: indicates that the denominator was swapped directly over.
 * Standard deviations of 2.00 or greater are generally regarded as statistically significant.
 * Indicates Fisher's Exact Test. ** numerical differences are generally regarded as statistically significant.
 * - indicates that the result could not be calculated.
 Swap numbers indicate the number of employees that must change from non-protected to protected class employees in order to achieve a minimum ratio of 80%.

Salary Estimator

The salary estimator allows you to enter a prospective new employee's merit variables (education, experience, etc.), and then compare them to existing salaries to calculate the expected salary.

Compliance Review and Desk Audit Analysis Report

BALANCEpay easily produces this summary compensation report in a fashion acceptable to the OFCCP. This provides annualized compensation data by salary range, rate, grade, or level, showing total number of employees by race and gender, and total compensation by race and gender.

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Desk Audit Analysis

Group Name	Men		Women		Difference	% Difference	Favored Group
	Count	Avg Salary	Count	Avg Salary			
04	20	19,671.60	13	18,502.40	1,169.20	6.32%	Men
05	5	26,777.92	3	23,316.80	3,461.12	14.84%	Men
06	5	31,740.80	11	32,548.22	-807.42	-2.48%	Women
07	5	33,928.40	2	29,681.00	4,247.40	14.31%	Men
08	68	36,164.27	82	36,466.20	1,698.07	4.66%	Men
09	16	44,624.56	16	43,703.31	921.25	2.11%	Men
10	130	44,256.13	64	42,452.52	1,802.61	4.25%	Men
11	3	43,755.33	5	43,207.20	548.13	1.27%	Acceptable difference *
11	1	57,678.40	1	70,012.80	-12,334.40	-17.62%	Women

Data Management

- Import market data to compare with your pay structure. **BALANCE_{pay}** allows up to three different market data points to be imported for each reference field
- Import data from **BALANCE_{aap}** either directly from the database or exported plan files
- Create your own groups or filter data by any column:
 - Adding and removing columns
 - Ignore columns of data errors
 - Modify data columns
- Create/refresh conversion and combination fields
- Import data using filters to further drill down your analyses

Usability

- Highly customizable settings
- Print and export any of the reports, or 'print all' reports in one click
- Customizable time stamp and footer on the reports
- View and print easy-to-understand graphs of your analyses for higher level management presentations
- Password protect your analyses with data for later viewing, sharing, or editing
- Install on your desktop or network to run and share the program from anywhere

Technical Support

Berkshire is a customer-driven organization that strives to provide superb customer support. Our technical specialists are available to assist you through unlimited, toll-free phone and email support during business hours. Most of the software updates and upgrades are free of charge with your active technical support agreement. One year of technical support for **BALANCE_{pay}** is included with your initial purchase and can be renewed annually at its prevailing rate.

System Requirements

Intel® Pentium® processor or compatible, 800 MHz or above
Windows® 2000 or later
150 MB available disk space
256 MB RAM
800 x 600 or higher display resolution
CD-Rom drive
Internet Explorer 6.0 or later

The Power of Partnership

Since 1983, Berkshire Associates has been committed to helping our clients find easy, cost-effective solutions to their human resource challenges. When you partner with Berkshire, together we have the power to successfully achieve your goals.

We reinforce our commitment to you by working tirelessly to develop solutions that streamline your processes. Through our innovative line of Applicant Management, Compensation Management, Affirmative Action, Workforce Planning, Adverse Impact, and Diversity products and services, we strive to make things more efficient for you. In addition, professional training is available for your continued development.

About Our Staff

Berkshire Associates' staff is comprised of certified human resources and compensation experts holding advanced degrees. They have diverse backgrounds and experience in industries such as government, banking, retail, healthcare, technology, and hospitality. Our in-house product development team produces software with unsurpassed functionality and enhanced reporting capability that allows us to remain the best in the market. Our proven track record as the fastest in the industry in response to government regulation changes is just one contributing factor to Berkshire's success.

Additional Berkshire Products & Services Available

Software

BALANCE^{aap}—Affirmative Action Plan Preparation

BALANCE^{trak}—Applicant Management System

BALANCE^{act}—Adverse Impact Analysis

Custom HR Solutions

Services

Affirmative Action Plan Preparation

Applicant Management Services

Workforce Diversity

Workforce Planning

Succession Planning

Training

Fundamentals of Affirmative Action Planning

Affirmative Action Plan Workshop

Diversity Training

Software Training

Customized Training

Online Training

For additional information please contact us at

800.882.8904 or visit our website at:

www.berkshireassociates.com

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