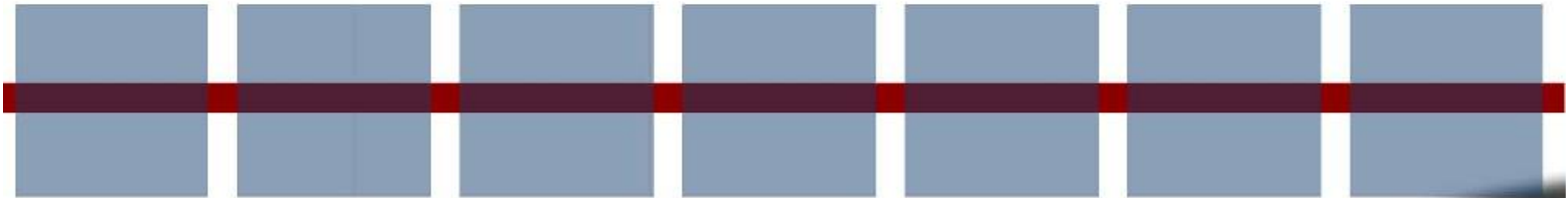


MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN



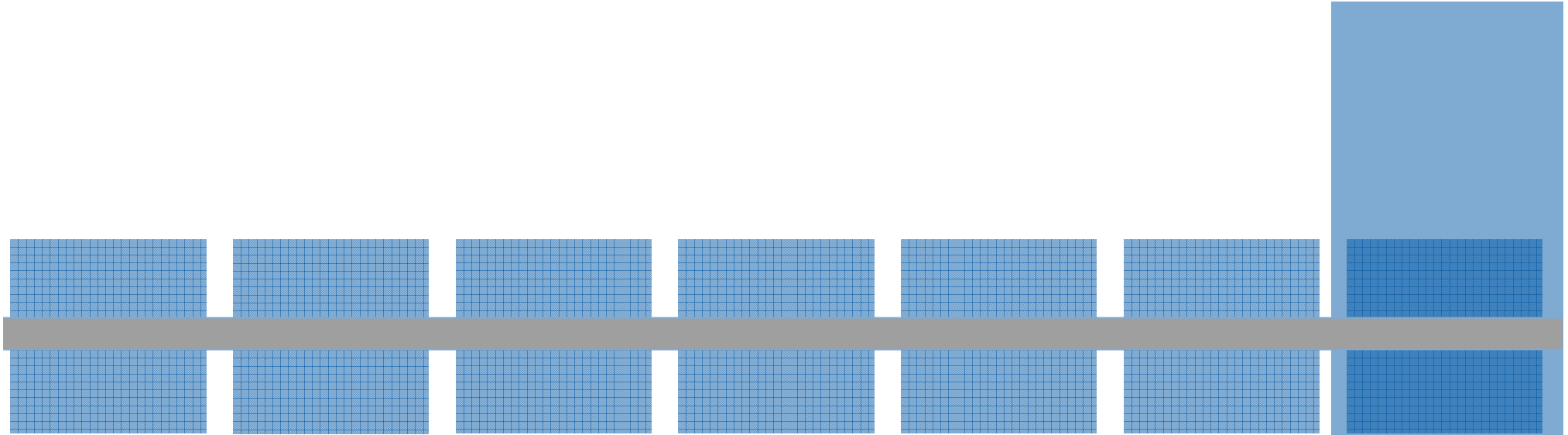
May 2008

JLARC/Commonwealth of Virginia Working Session: DRAFT Total Rewards Competitive Comparison and Assessment Binder 1

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Consulting. Outsourcing. Investments.



Background and Objectives



Project Background

- In November 2006, the JLARC directed its staff to conduct a total compensation study for the 70,000 classified employees of the Commonwealth, including cash (base and any bonuses or incentives), other financial benefits, leave, and other flexible components of rewards. Elements are to be considered in the context of work environment and organizational culture. The study is intended to cover:
 - The competitiveness of the Commonwealth’s program compared to other employers with whom the Commonwealth competes for labor
 - Identification of critical gaps in competitiveness
 - Assessment of the sustained affordability of current programs
 - Identification of alternative programs and/or alternative mix of programs that are competitive, but sustainable over time
 - Recommendations for change and assessment of the costs of proposed changes.
- Key components of the services needed include:
 - Project planning
 - Analysis of total compensation trends, projections, best practices and innovations
 - Assessment of Commonwealth of Virginia current total compensation
 - Comparison of Virginia total compensation to that of other employers by employer, career group and job role perspectives
 - Assistance in identification of potential changes and assessment of changes.



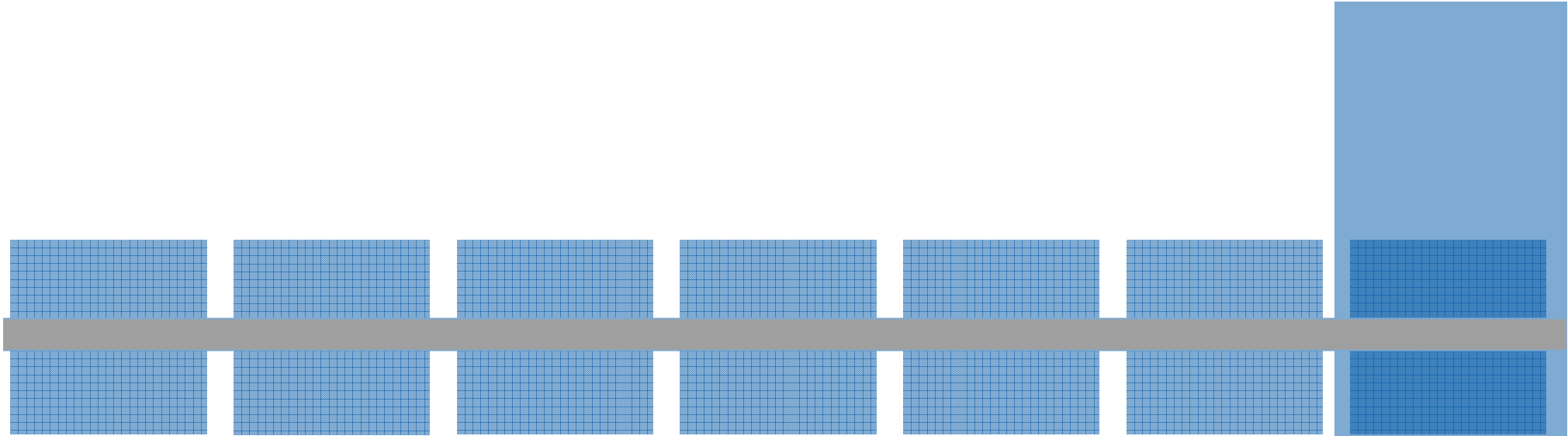
Project Objectives and Scope of Work

- Assess how each of the reward components contribute to or impact the criteria identified by the Commonwealth's total compensation plan; explore alternatives and develop a long-term strategy for managing the programs to:
 - Meet the Commonwealth's needs and address workforce needs and preferences
 - Assure that the total rewards package is competitive and that the employee value proposition is attractive
 - Assure that programs are cost effective and sustainable over the next 3-5 years under reasonable market trend assumptions
 - Optimize the mix of rewards elements to balance organization and employee needs and align costs with value (ROI)
 - Influence the right employee behaviors to drive desired organizational results
 - Support development of a compelling employment brand that is positively perceived by employees and facilitates the attraction and retention of needed talent.
- Develop a prioritized 3-year plan for any needed changes and create the business case for change including the potential impact of changes on costs (high-level), employee relations, competitiveness, administration, transition issues, etc.
- Plan for total rewards communications to enhance employee understanding and appreciation.



Today's Focus

- We gathered information from each of the three key perspectives to be considered in crafting a total rewards strategy:
 - JLARC's preliminary assessment of Virginia's total compensation key findings report (employer perspective)
 - Conjoint analysis of employee total rewards preferences (the employee perspective)
 - Benefits valuation report (cost perspective)
 - Market competitive analysis, including market pricing and a total remuneration analysis, and a market practices review/trends analysis (the cost perspective)
 - Total rewards cost modeling (the cost perspective)
 - Review of current reward programs.
- We assessed the information gathered and identified key findings; this report summarizes the findings from our analyses.



Executive Summary

High Level Observations

Employer Perspective – Executive Summary and Observations

- JLARC has conducted numerous interviews and focus groups with a cross-section of agency managers. Key themes from these interviews may be summarized as follows:
 - Total compensation for most agencies provides the State with the ability to attract and build a sufficient workforce but does not provide the ability to attract and build top talent.
 - Turnover in general seems reasonable
 - Certain agencies have higher turnover than others
 - 2007 turnover was higher than average for some roles
 - There is some concern regarding turnover for employees with less than 5 years of service
 - Compensation is cited as the reason for leaving in approximately 30% of the interview responses which may indicate that total compensation is not market competitive.
 - The total compensation approach of “one-size-fits-all” may make it more difficult to recruit and retain employees in a tight and competitive labor market.
 - More than half of the agencies report salary compression exists and reduces morale and motivation of more experienced employees
 - This could be an indication of misalignment with the market for more experienced employee.



Employer Perspective – Executive Summary and Observations (Cont'd)

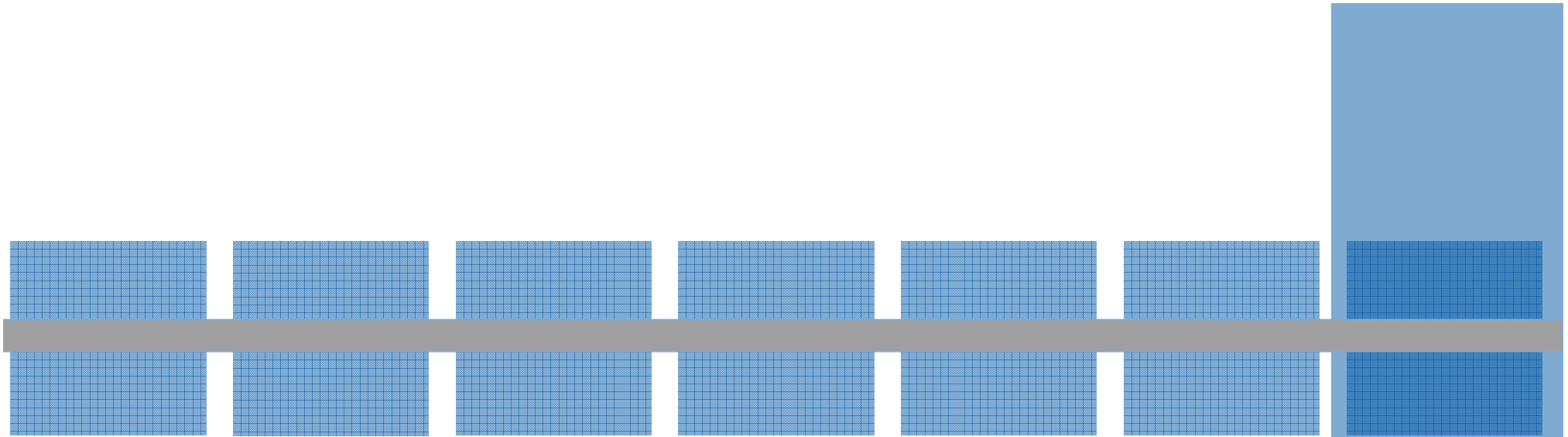
- The State's health insurance is one of the most attractive benefits the state offers making it an effective recruiting tool
 - While it is an effective retention tool for more tenured employees, it may not be as effective for newer employees depending on demographics of the employees recruited.
- While current retirement benefit is an important benefit, it may not be a primary recruiting and retention tool for most perspective employees while it does serve as a key retention tool for more tenured employees
 - Depending on the number of future retirements, current spending on retirement may not be cost effective especially in the future.
- Current leave benefits are an effective recruiting and retention tool but could be made more effective by increasing the flexibility.

Cost Perspective – Executive Summary and Observations

- Mercer market priced a sample of 43 job titles encompassing 37,320 of the Commonwealth's employees, and combined this data with an analysis of the value of the Commonwealth's benefits compared to those of 16 competitors for talent in the Commonwealth.
- Actual base pay for the positions priced is somewhat below a traditional competitive position for bands 1-6 at 92% of median
 - Market median is the most common competitive target; most organizations consider pay within a range of +/- 5% (95% - 105%) at target
 - Base pay for 88% of employees is below market median
 - Below market position may be due to current broad band structure where starting salaries may not be competitive if based on minimum of pay band.
- Overall total cash (base pay plus bonuses or incentives) for bands 1-6 falls to 88% of median
 - Majority of employees are well below market median
 - Lower market position is influenced by the comparison to private sector companies that traditionally have a higher prevalence of "variable" or incentive pay programs.
- Analysis based on time in job suggests compression issues may exist for employees with 5 to less than 15 years of time in job.
- Employees with time in job between 1 – 4.99 and 5 – 14.99 years may be at risk at 89% and 95% of market, respectively (particularly employees with 4 – 6 years) which is supported by JLARC's employer perspective findings.

Cost Perspective – Executive Summary and Observations (Cont'd)

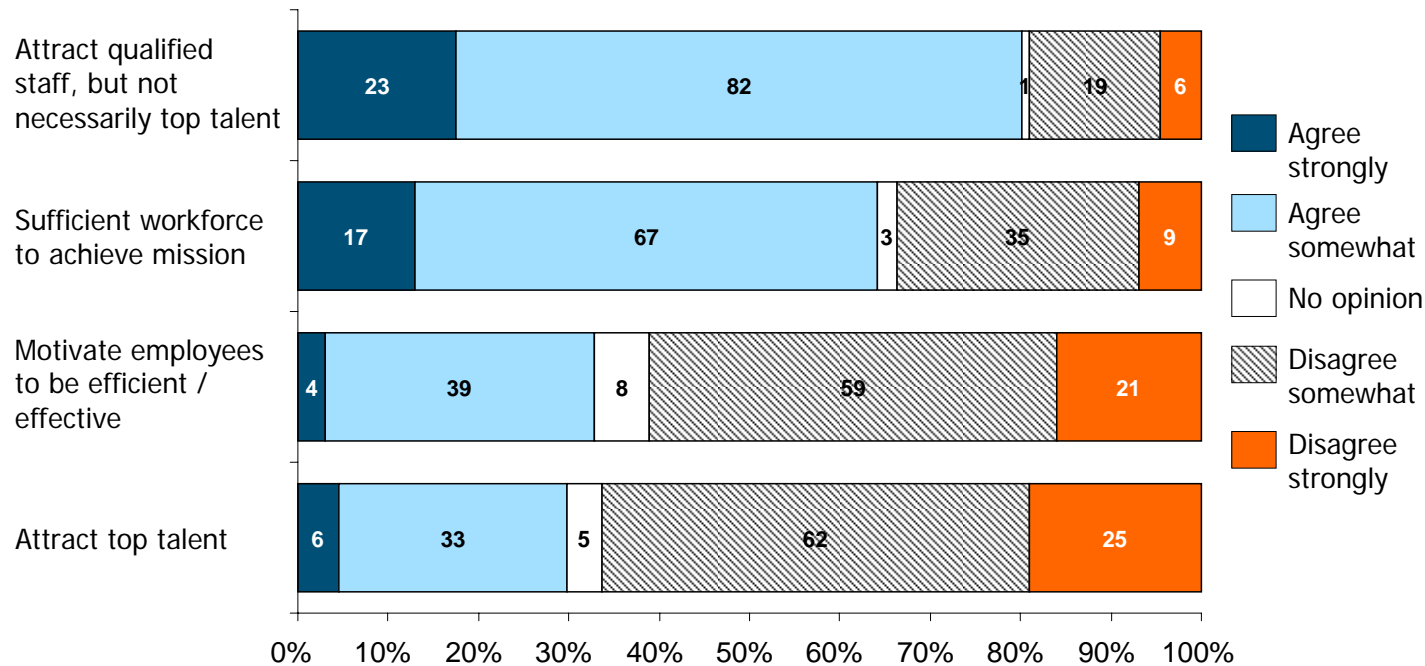
- Mercer compared the value of the Commonwealth's benefits to the benefit values of 16 talent competitors inside the Commonwealth and combined this with the cash compensation comparison for a total remuneration review
- Benefits "value" is based on the pre-tax income an employee would have to earn to purchase these benefits in the external market
- Total remuneration is slightly below market at 96% of median
 - Total cash is at 88% of market
 - Total benefits values are above market at 108%
- Key benefit elements well above market include:
 - Medical – 115%
 - Dental – 127%
 - Life – 169%
 - Defined benefit retirement plan – 135%
- With no program changes to total reward components, total rewards costs are projected to increase 19.1% over the next five years, from \$4.7B to \$5.6B
- Using the Commonwealth of Virginia's revenue growth assumptions, total rewards will increase from 13.3% to 13.4% of revenue over the next 5 years



Employer Perspective

Employer Perspective - Total Compensation

- JLARC has conducted numerous interviews and focus groups with a cross-section of agency managers-- key themes from these interviews may be summarized in this section.
- With respect to the 70,000+ classified employees this project covers, many agencies report that total compensation is good enough and structured to attract staff and build a qualified workforce, but not to attract top talent and motivate employees.



Source: "Survey of State Agencies Total Compensation, JLARC staff, 2007



Employer Perspective – Total Compensation

- Statewide turnover at 11% is reasonable, but the state faces challenges in certain agencies and job roles, and among early-career employees
 - 65% of the State’s voluntary turnover in 2006 (excluding retirements and layoffs) was among those with 5 years or less of service
 - Approximately one-third of employees who left indicated compensation was a primary reason for leaving; the remaining two-thirds indicated leaving for other reasons like work environment or non-work reasons, chief among them poor management and lack of career path.
- A varied workforce, evolving employee preferences, and differing generational preferences make a one-size-fits-all approach to total compensation challenging
 - The State’s workforce is among the most varied – employees work for agencies with missions as diverse as public safety, transportation, public health, education, corrections, etc.
 - Employees’ preferences for elements of compensation vary based on age, gender, family status. etc., and evolve over time
 - Future workforces will be different from the State’s current workforces which are the basis for the current compensation approach.

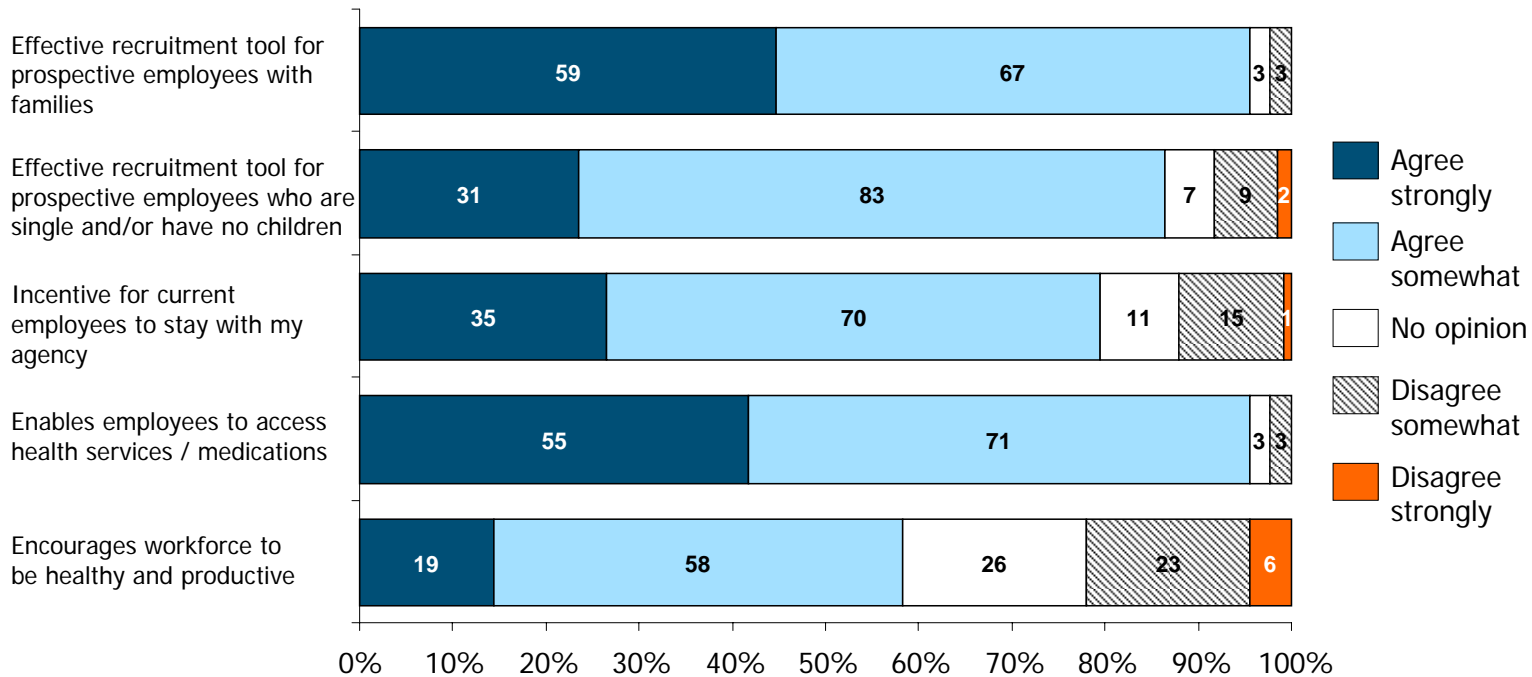


Employer Perspective – Salary

- Salary can be primary factor in recruiting and retention decisions, but this varies by agency and employee.
- Agencies report salary compression between the pay of new hires and longer service employees which reduces motivation and morale of more experienced employees – more than half of the agencies responding to the survey report salary compression exists in their agency.
- State salaries are generally believed to be lower than the private sector.
- Across-the-board-salary increases have outpaced inflation since 1975, but are still a cause for concern for various reasons.
- Salaries for certain lower level job roles do not adequately cover basic living expenses in certain parts of the state.
- Agencies report funding is lacking for desired pay adjustments.

Employer Perspective – Health Insurance

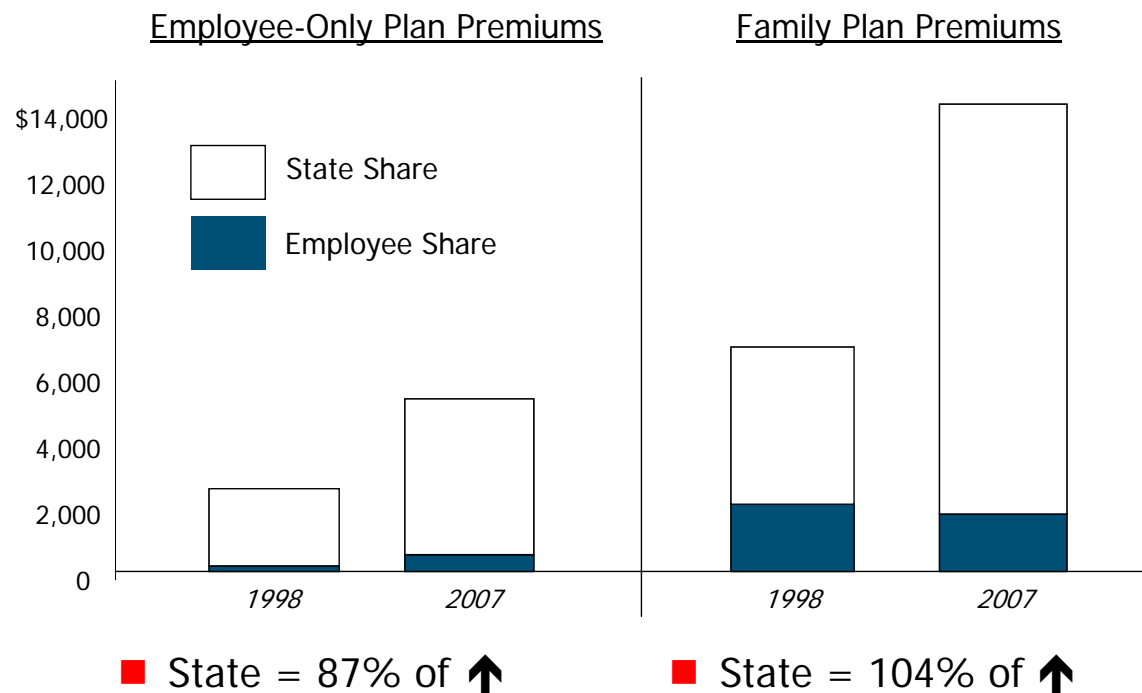
- Agencies report the health plan is an effective recruiting and retention tool (particularly for prospective employees with families), but is less effective at encouraging employee health.



Source: "Survey of State Agencies Total Compensation, JLARC staff, 2007"

Employer Perspective – Health Insurance

- The State subsidizes health insurance for all employees, particularly those with families--over the last 10 years, the State has absorbed most or all of the premium increases.



Source: "Survey of State Agencies Total Compensation, JLARC staff, 2007"

- Employers believe it is likely opportunities exist to improve the health of the workforce and control costs.
- Cost-sharing provisions may not have the desired affect for high or low income employees.
- Adjustments to plan eligibility/membership could reduce overall costs and/or improve recruiting.



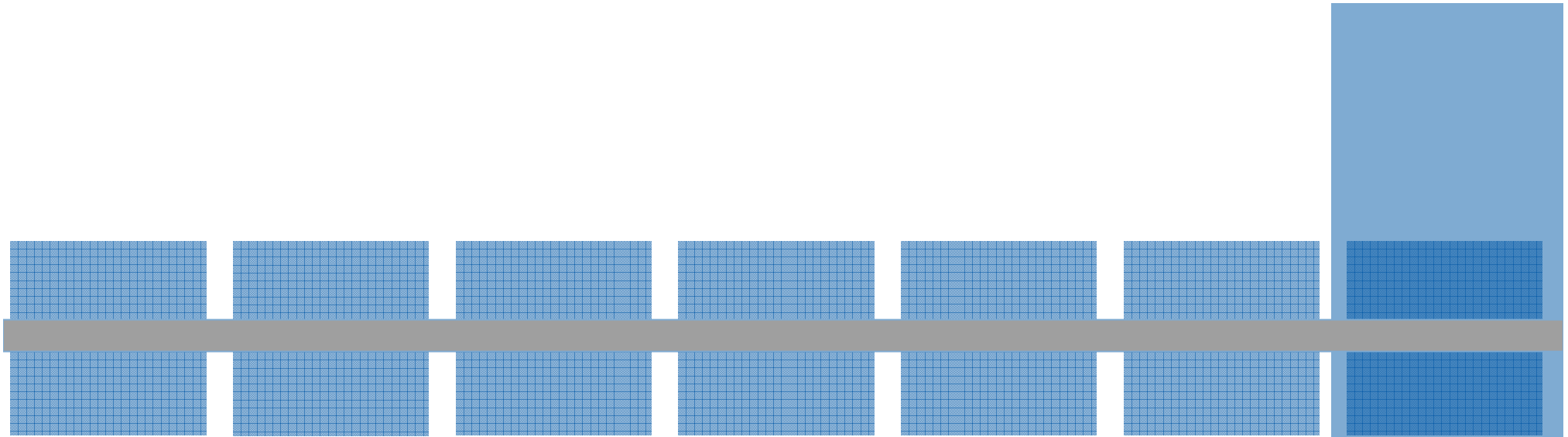
Employer Perspective – Retirement

- Current retirement benefits generally do not hurt recruitment of new employees
 - However, they do not appear to be a primary recruiting factor for most prospective employees.
- Retirement benefits are an important factor in retaining longer-tenured employees
 - Some employees and agencies have suggested there is a need to further improve retention among mid-career or employees with important institutional knowledge close to retirement eligibility.
- There are some issues around the “right” time of retirement
 - Confusion and questions surround eligibility and affordability aspects of retirement
 - Hazardous occupations may merit enhanced retirement benefits, but current enhanced plan membership raises some concerns.
- Current spending on retirement to achieve recruiting and retention purposes may not be cost effective.
- The General Assembly has been unwilling to fully fund the near-term, budgetary costs of the retirement plan.
- The current defined benefit plan design has longer-term financial implications.



Employer Perspective – Leave and Work/Life Balance

- Leave is an effective recruiting and retention tool.
- Most agencies report leave is important for employee morale and does not hinder productivity.
- The current leave structure and amounts may be too rigid for a large and varied state workforce.



Employee Perspective



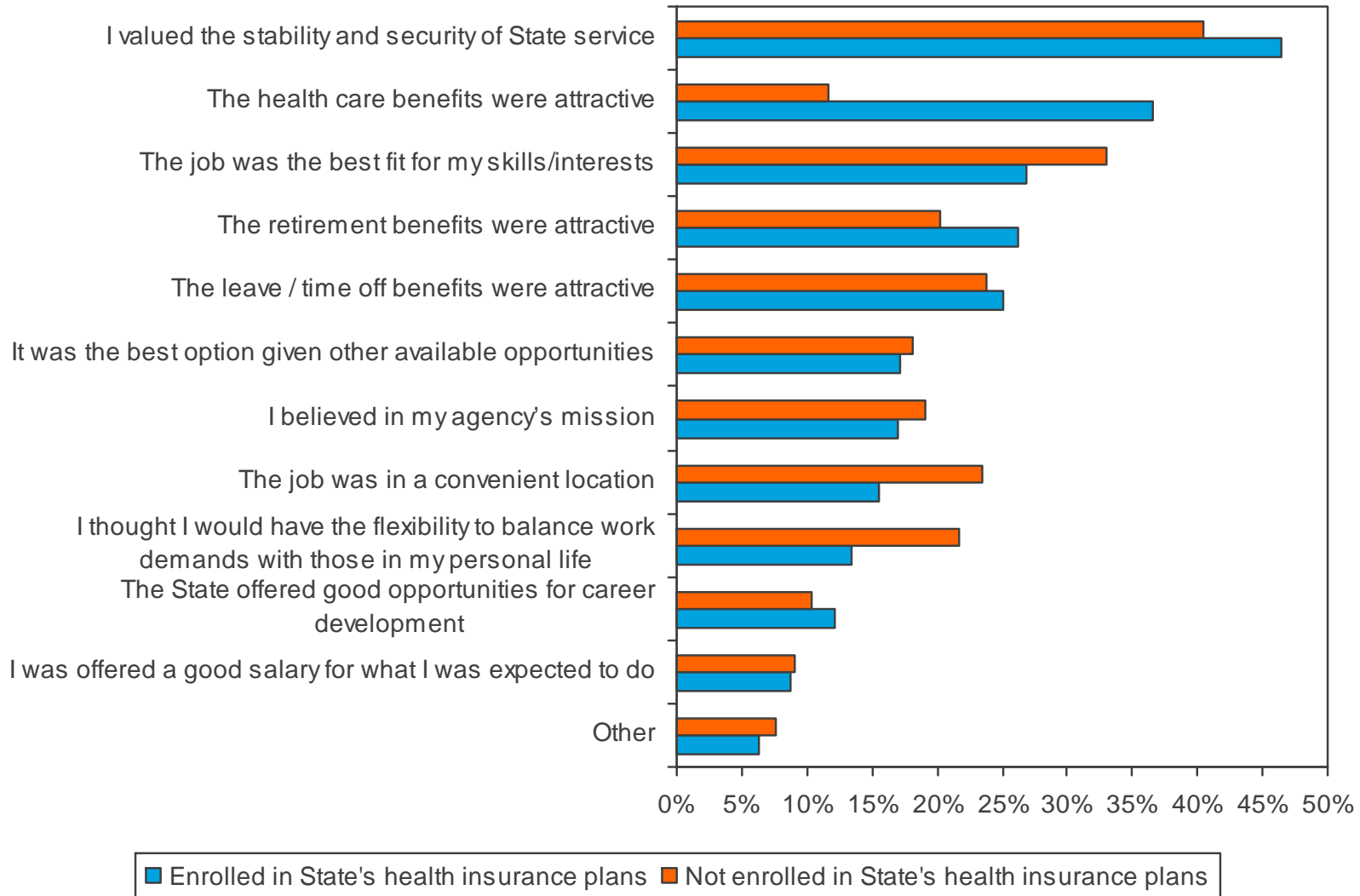
Survey Overview

- The survey was administered via the internet in the first quarter of 2008
- Conjoint analysis was employed to determine the preference profile for different types of rewards / benefits for all employees and by key employee groups (by agency, tenure, etc.)
- By forcing employees to make choices, conjoint analysis reveals the relative importance of different elements of total rewards and provides insight into the relative alignment between JLARC's overall value proposition and what employees find attractive
- 21,696 respondents successfully completed the survey, providing a statistically representative snapshot of employee opinion for JLARC as a whole and by key employee groups

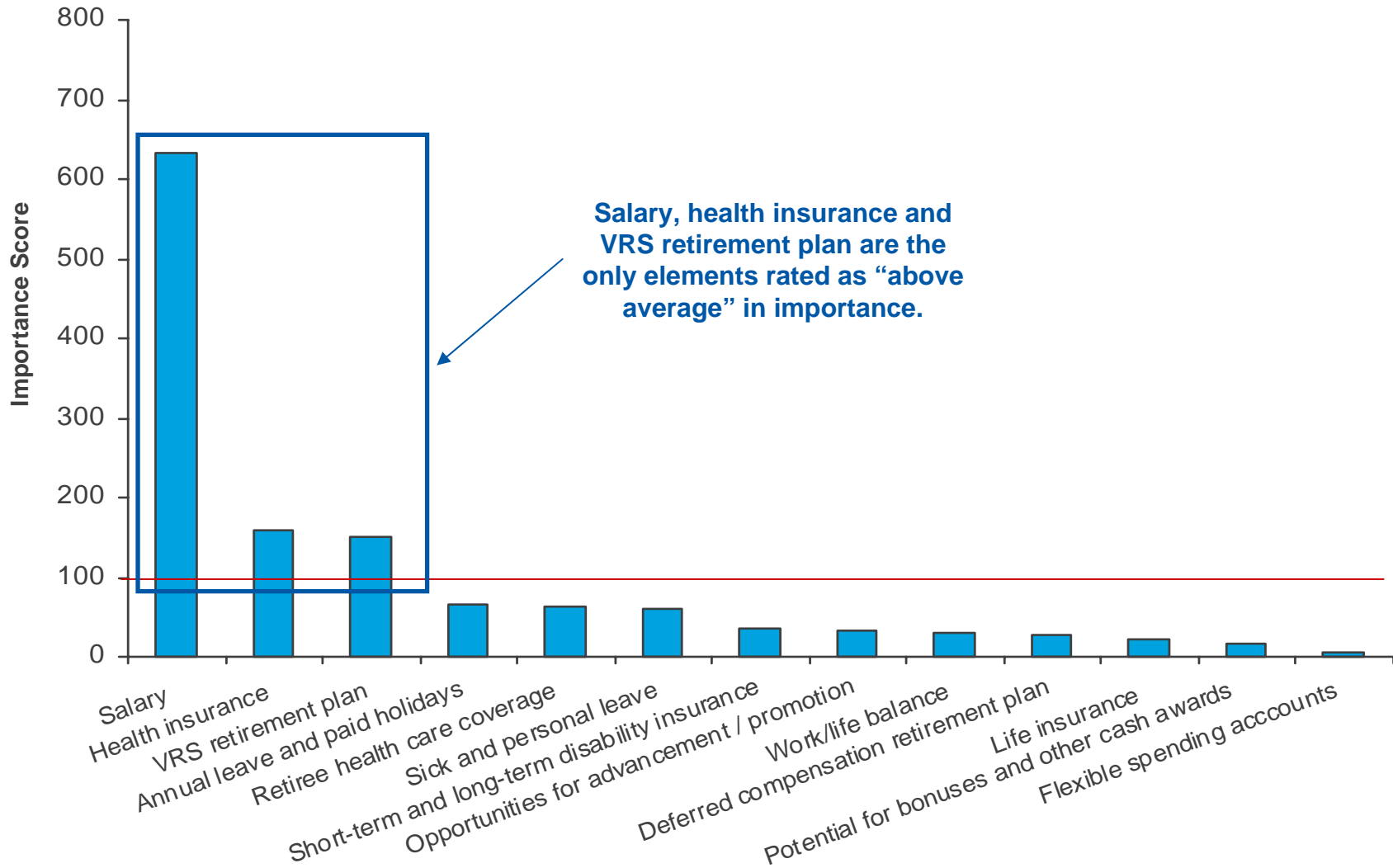
Importance scores were scaled so that the average score is 100.

Why did you choose to work for the State?

Respondents who are enrolled in one of the State's health insurance plans vs. those who are not

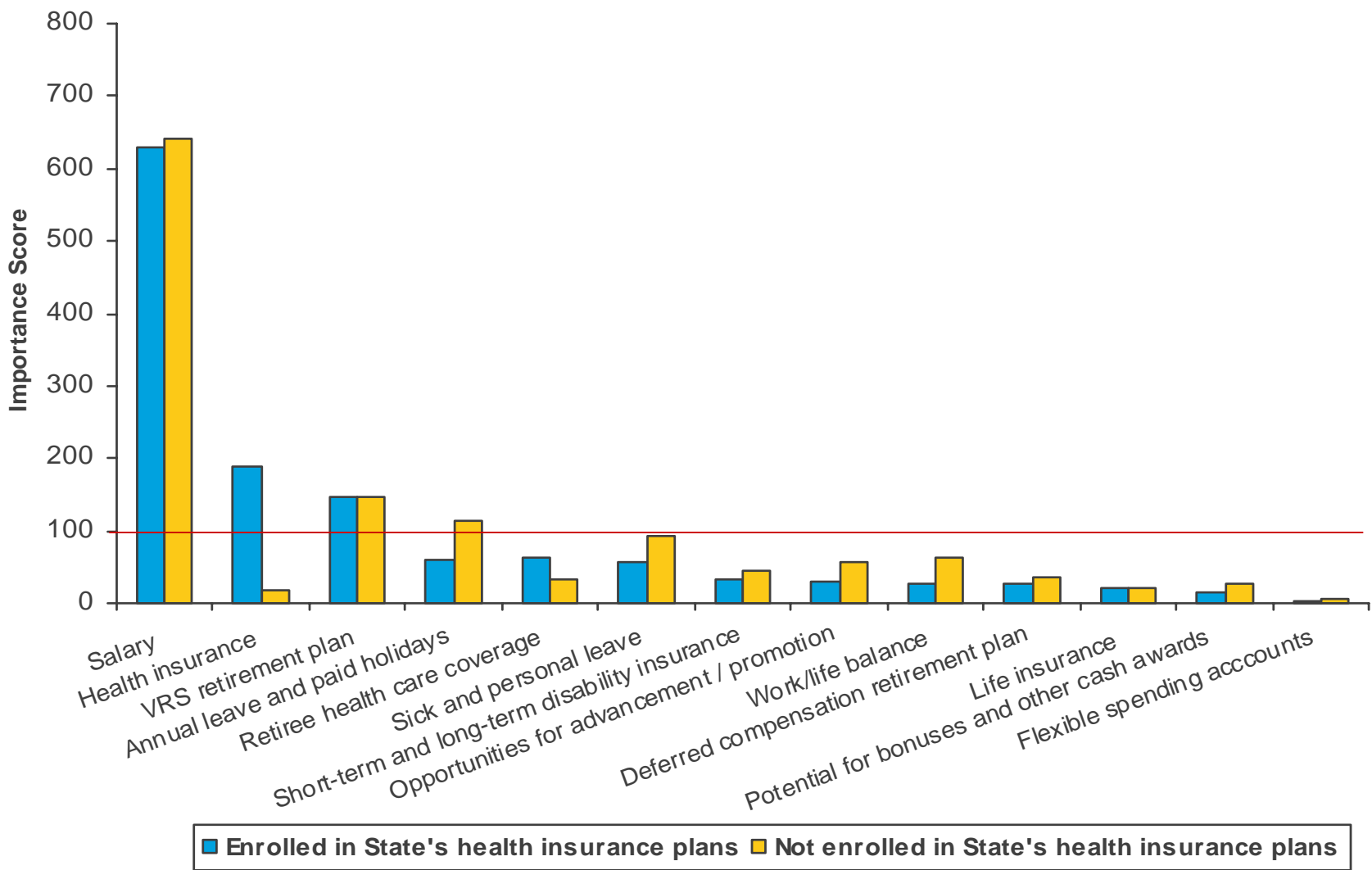


Salary is predominantly the most important reward, followed by health insurance and the VRS retirement plan



Importance scores were scaled so that the average score is 100.

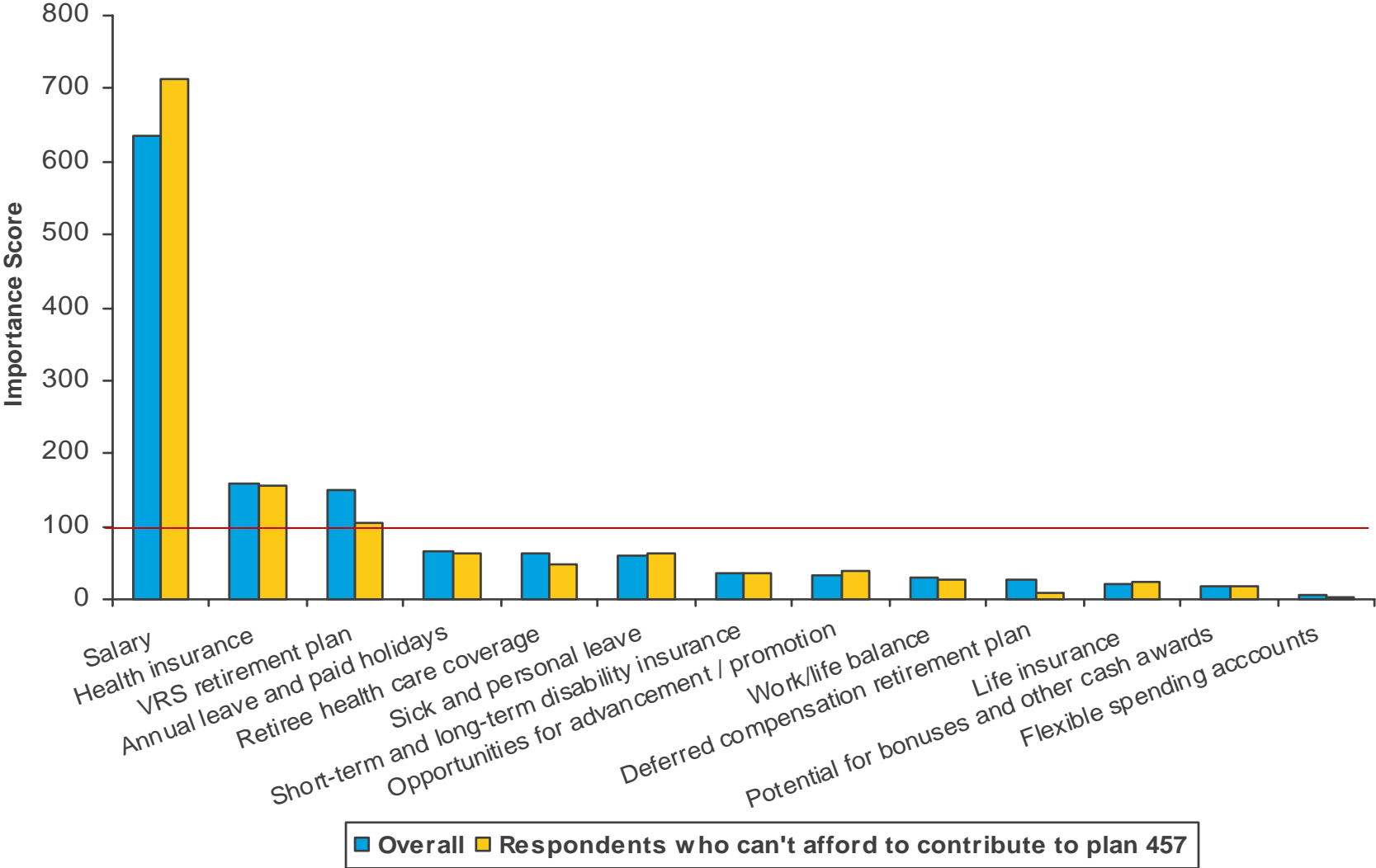
Employees who are not enrolled in State's health insurance plans place more value on leave benefits



Importance scores were scaled so that the average score is 100.



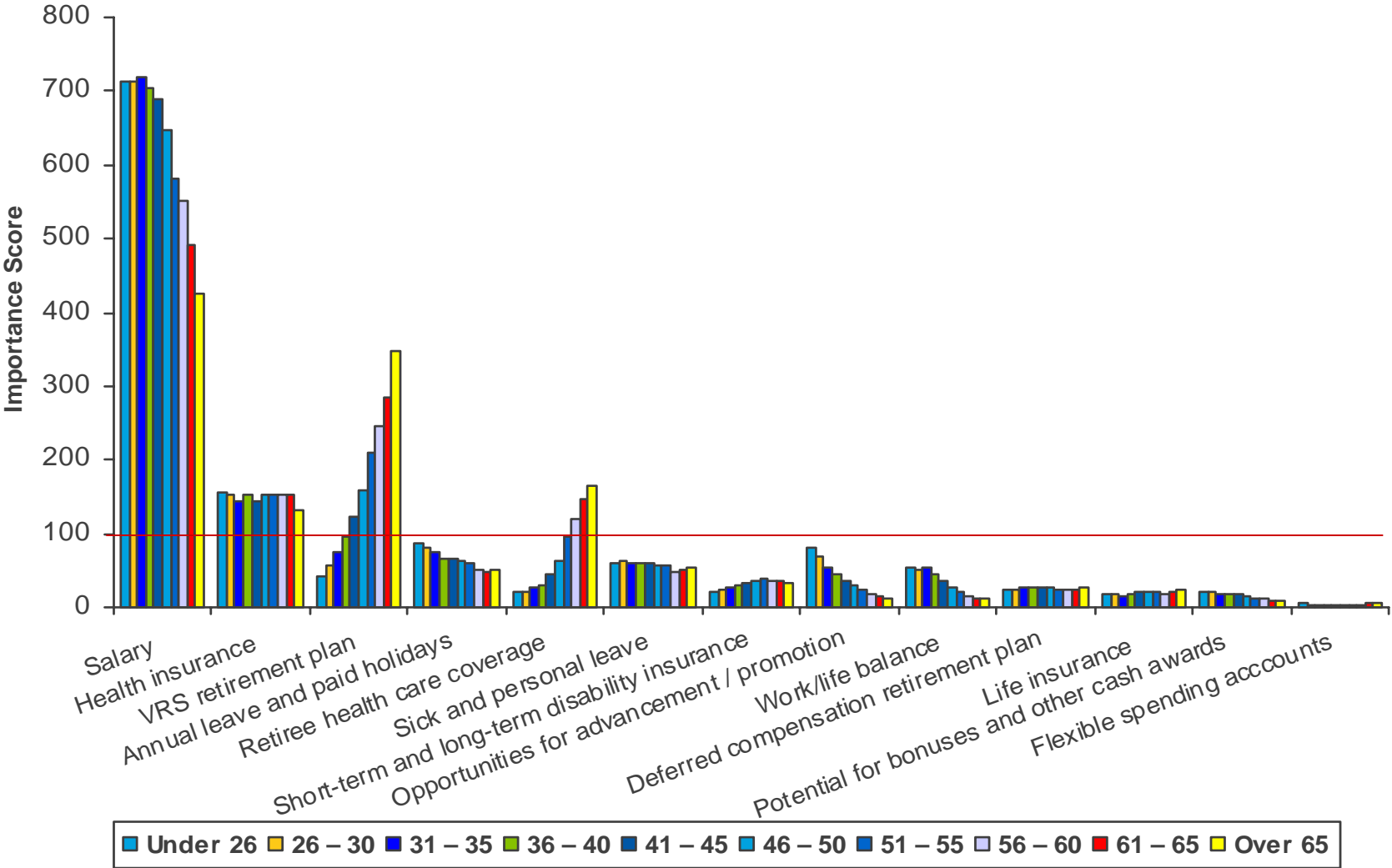
For those who indicated that they can't afford to contribute to the deferred compensation supplemental retirement plan, salary – cash flow – is of significantly greater importance



Importance scores were scaled so that the average score is 100.

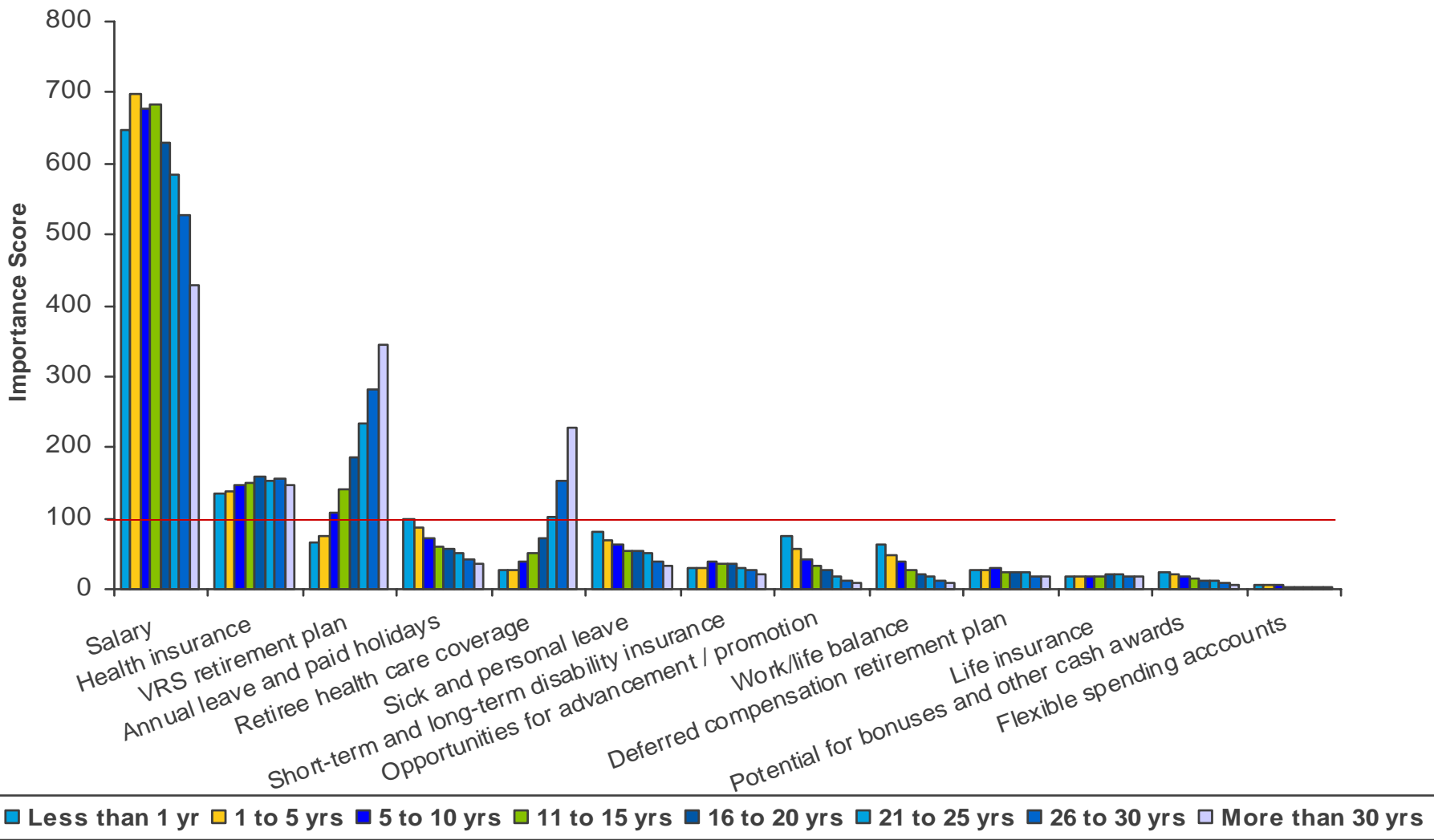


As age increases, employees place more value on VRS retirement plan and retiree health care, and the relative gap between salary and VRS decreases significantly



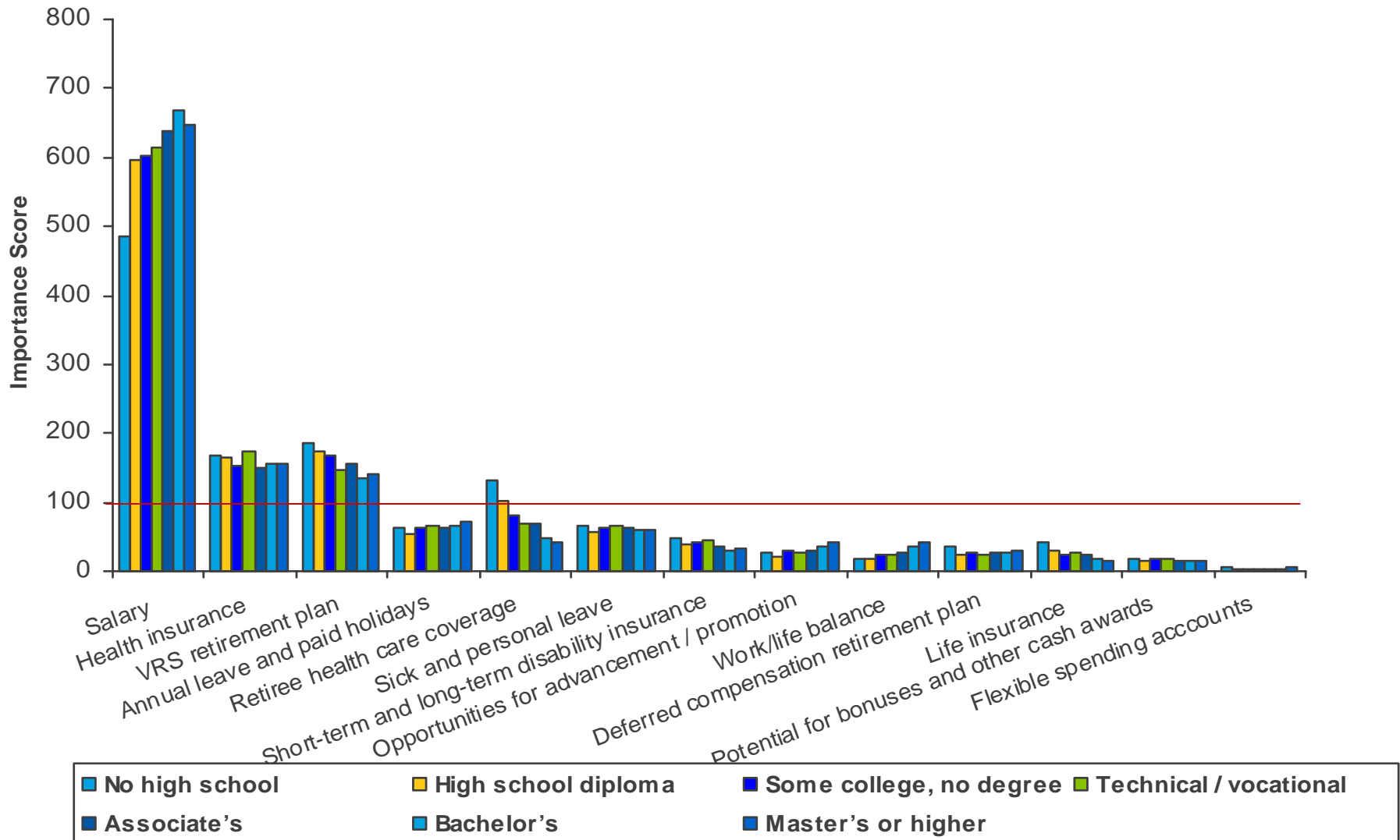
Importance scores were scaled so that the average score is 100.

Similarly, as tenure increases, employees place more value on VRS retirement plan and retiree health care, and less value on leave benefits, promotion, and work/life balance



Importance scores were scaled so that the average score is 100.

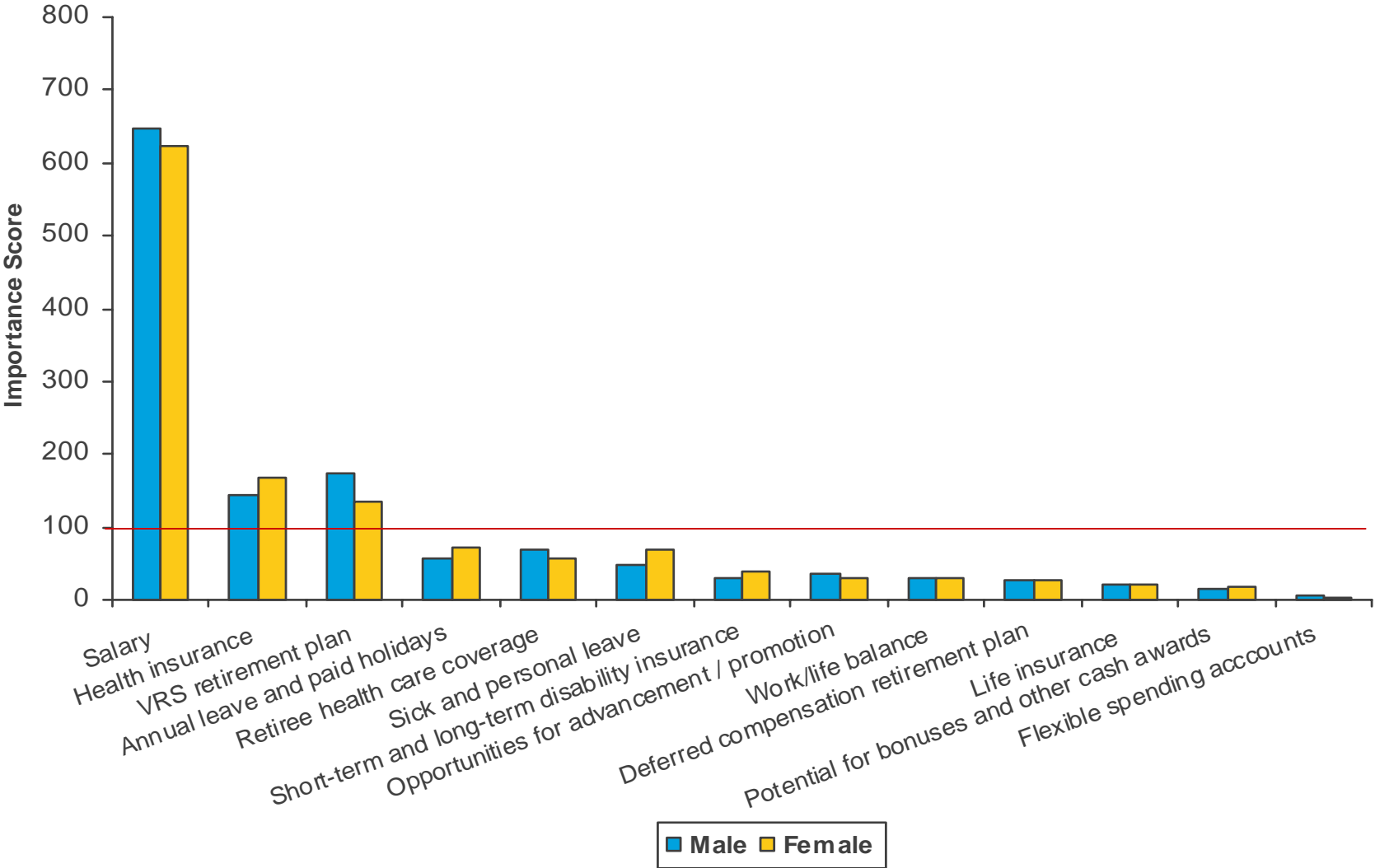
The relative value of salary and promotion opportunities increases as a function of education level, as the importance of retiree medical decrease



Importance scores were scaled so that the average score is 100.

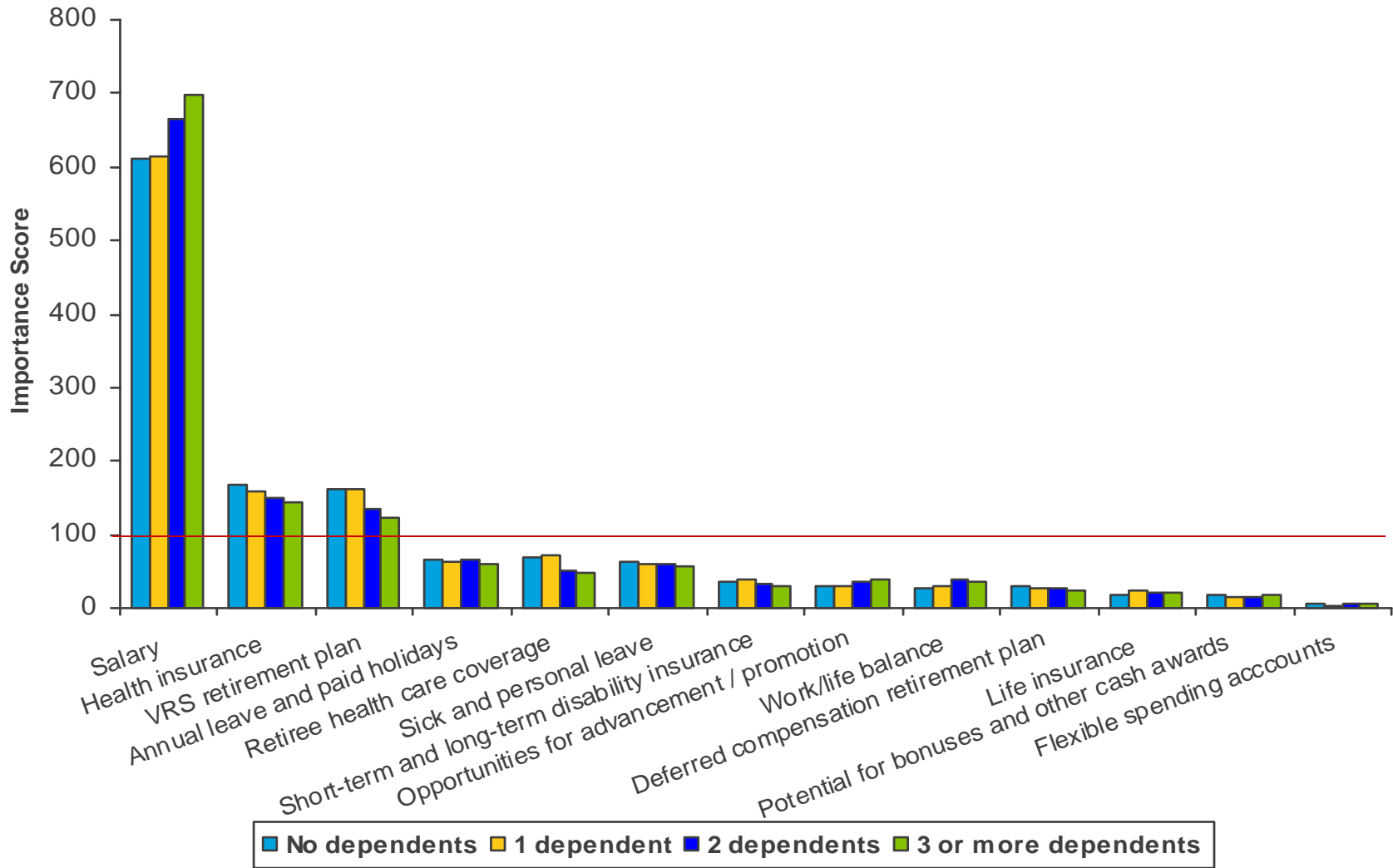


Female employees place nominally greater value on health insurance and leave benefits than male employees; males place slightly greater emphasis on salary and the VRS retirement plan



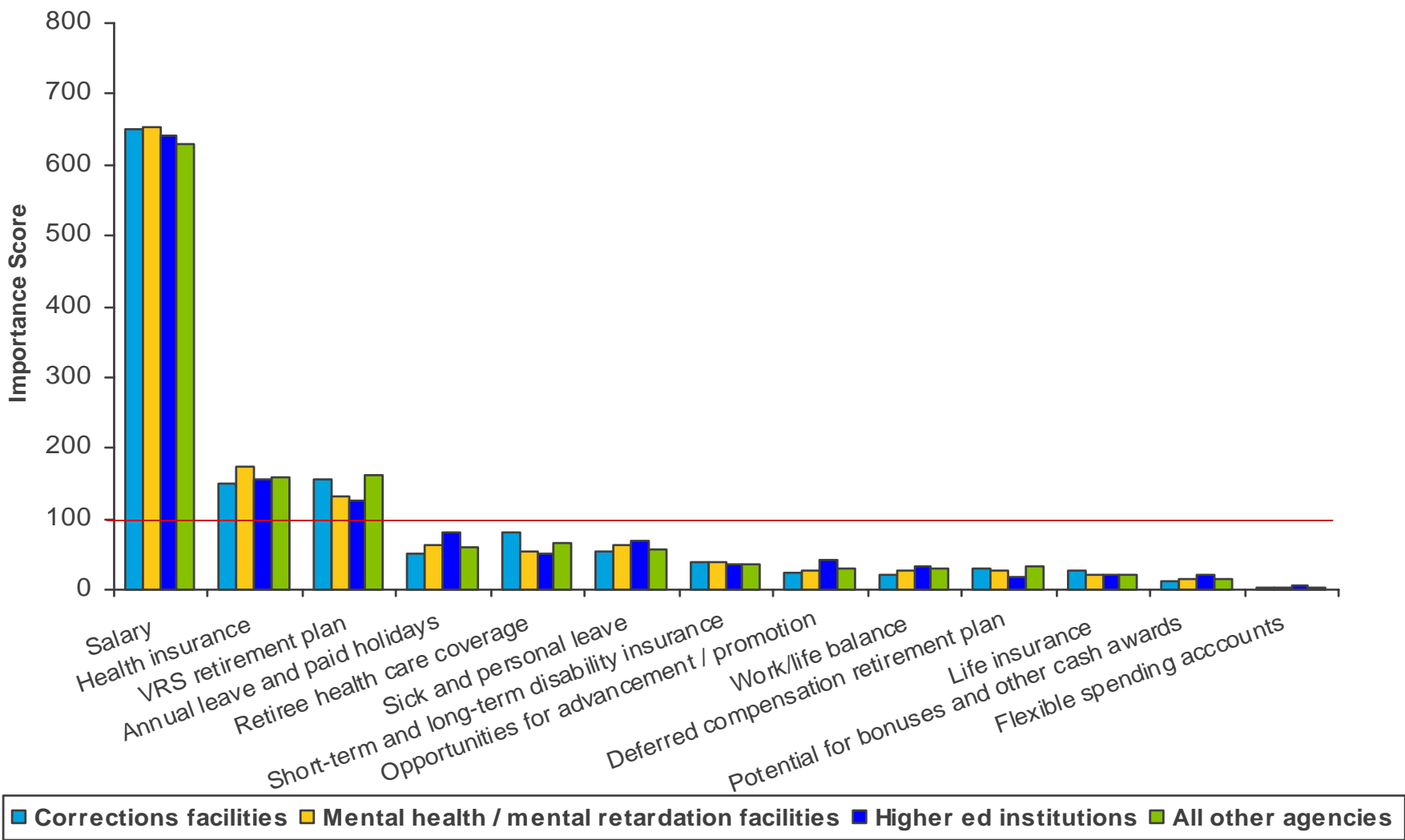
Importance scores were scaled so that the average score is 100.

Employees with more dependents place more value on salary and less on health insurance and VRS retirement plan



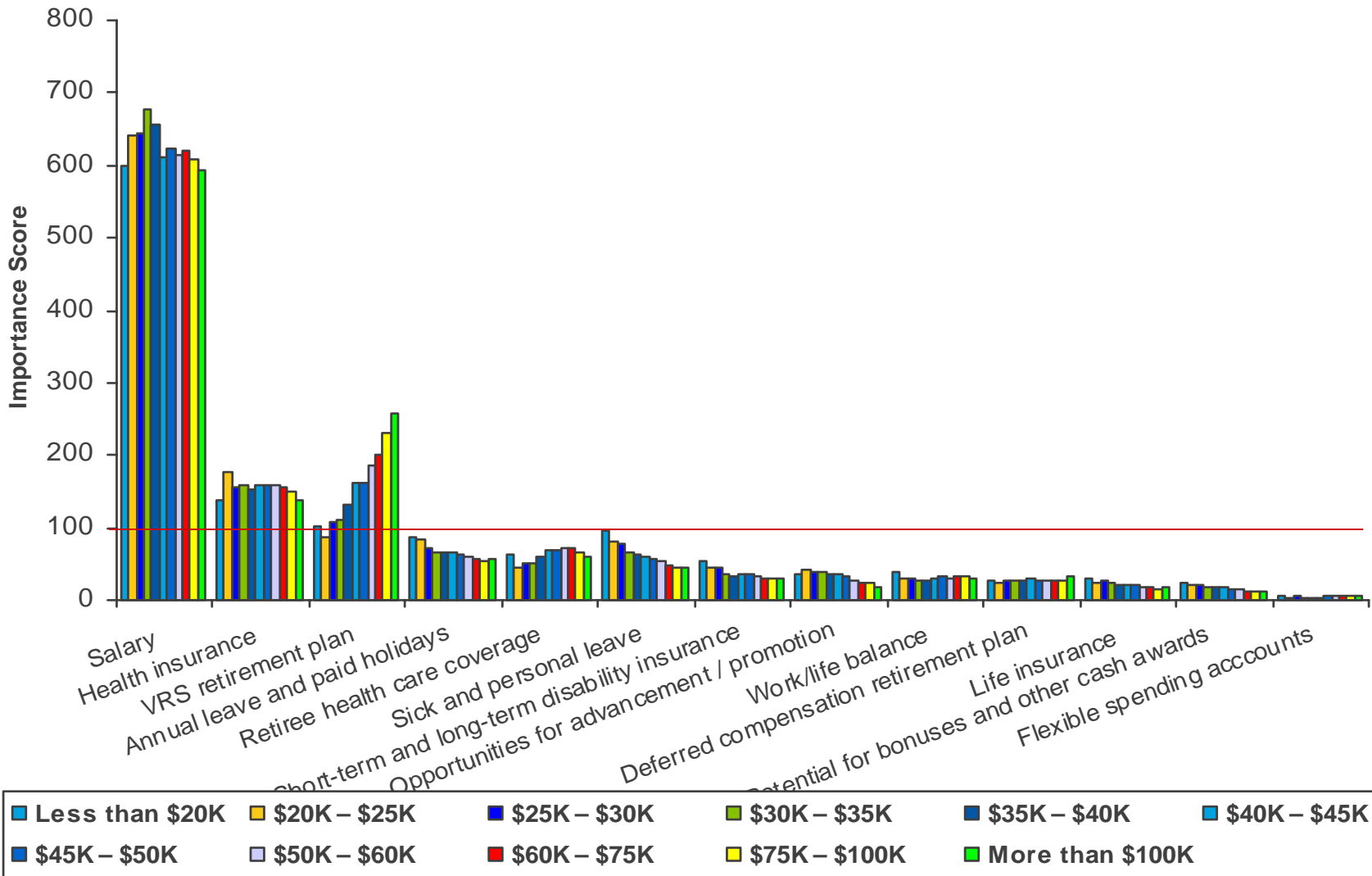
Importance scores were scaled so that the average score is 100.

Employees in higher education institutions place more value on leave benefits than those in other agencies; most differences are nominal



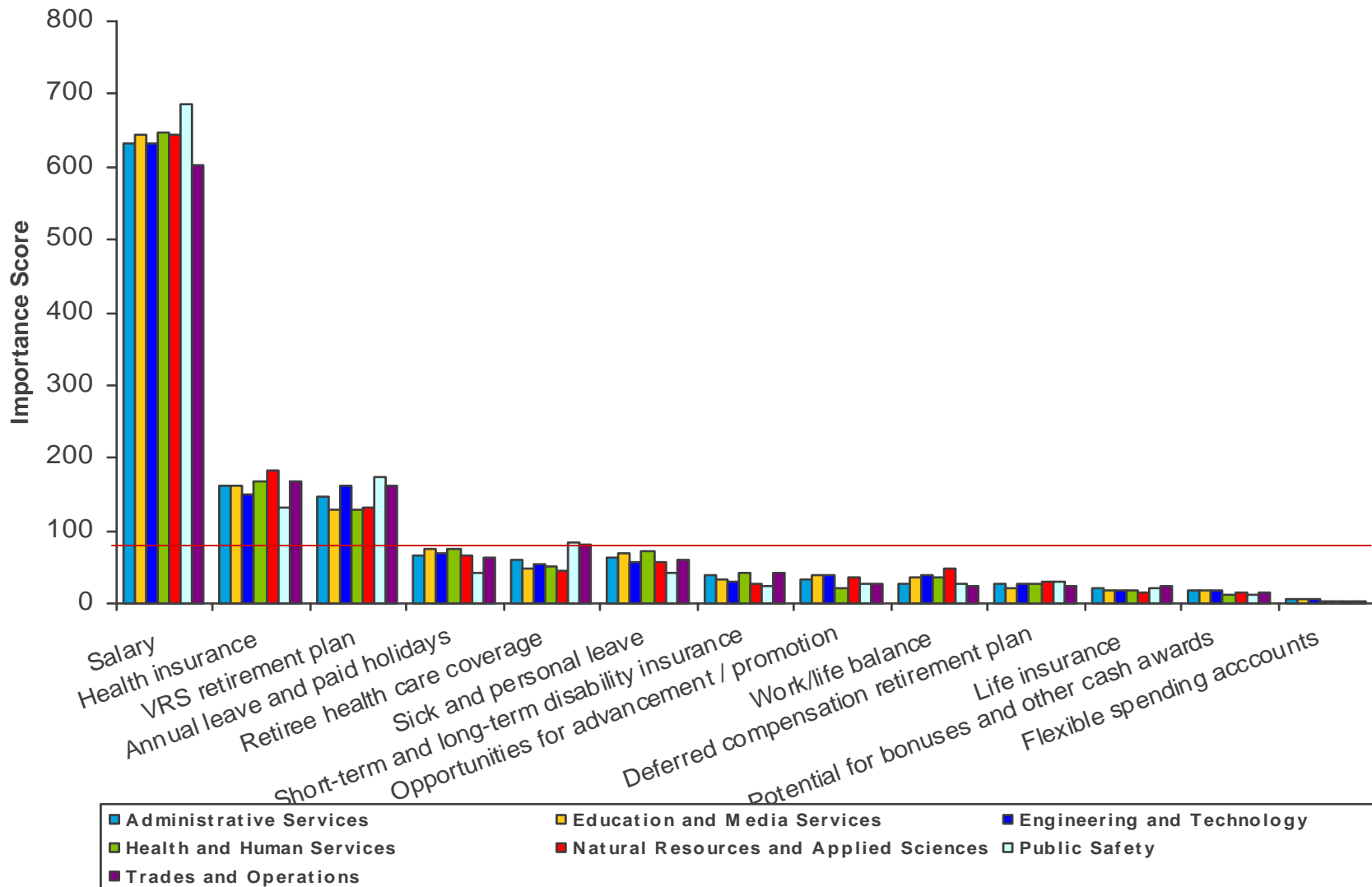
Importance scores were scaled so that the average score is 100.

As salary increases, employees place more value on VRS retirement plan and less on leave benefits



Importance scores were scaled so that the average score is 100.

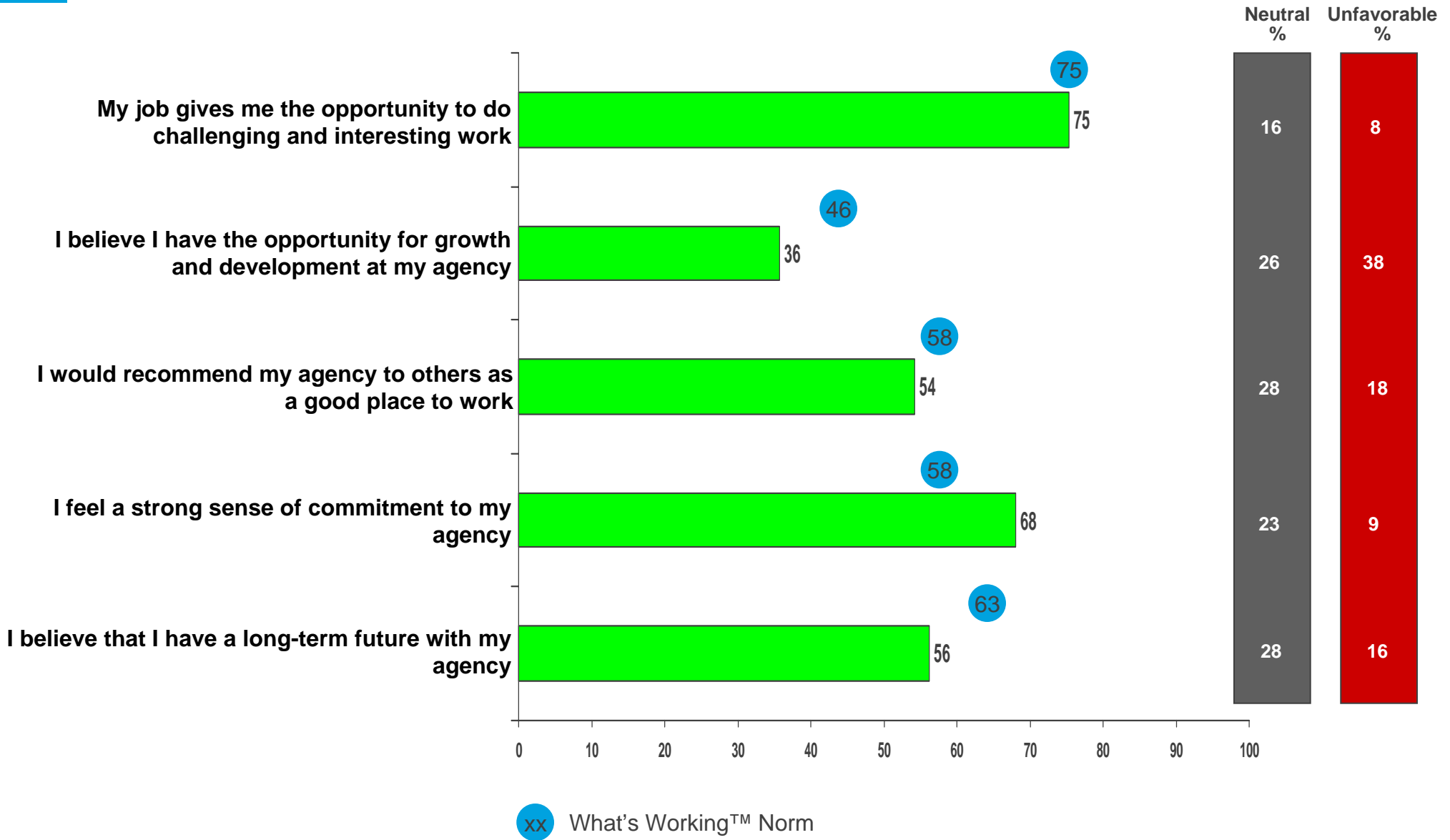
Employees in public safety job family place more value on salary and less value on health insurance than those in other job family



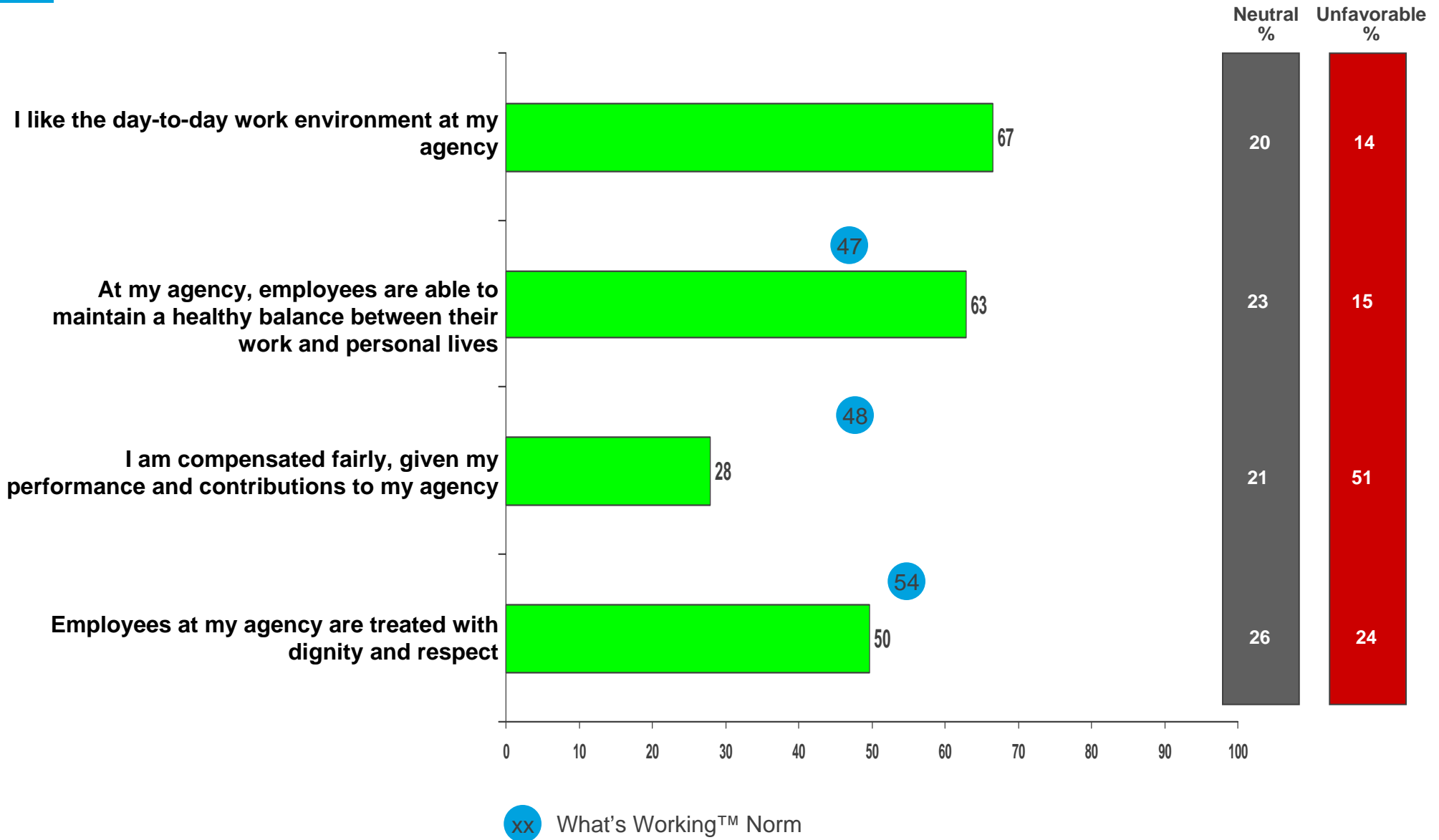
Importance scores were scaled so that the average score is 100.



While the majority of respondents are committed, and find the work interesting, growth and development opportunities rank low



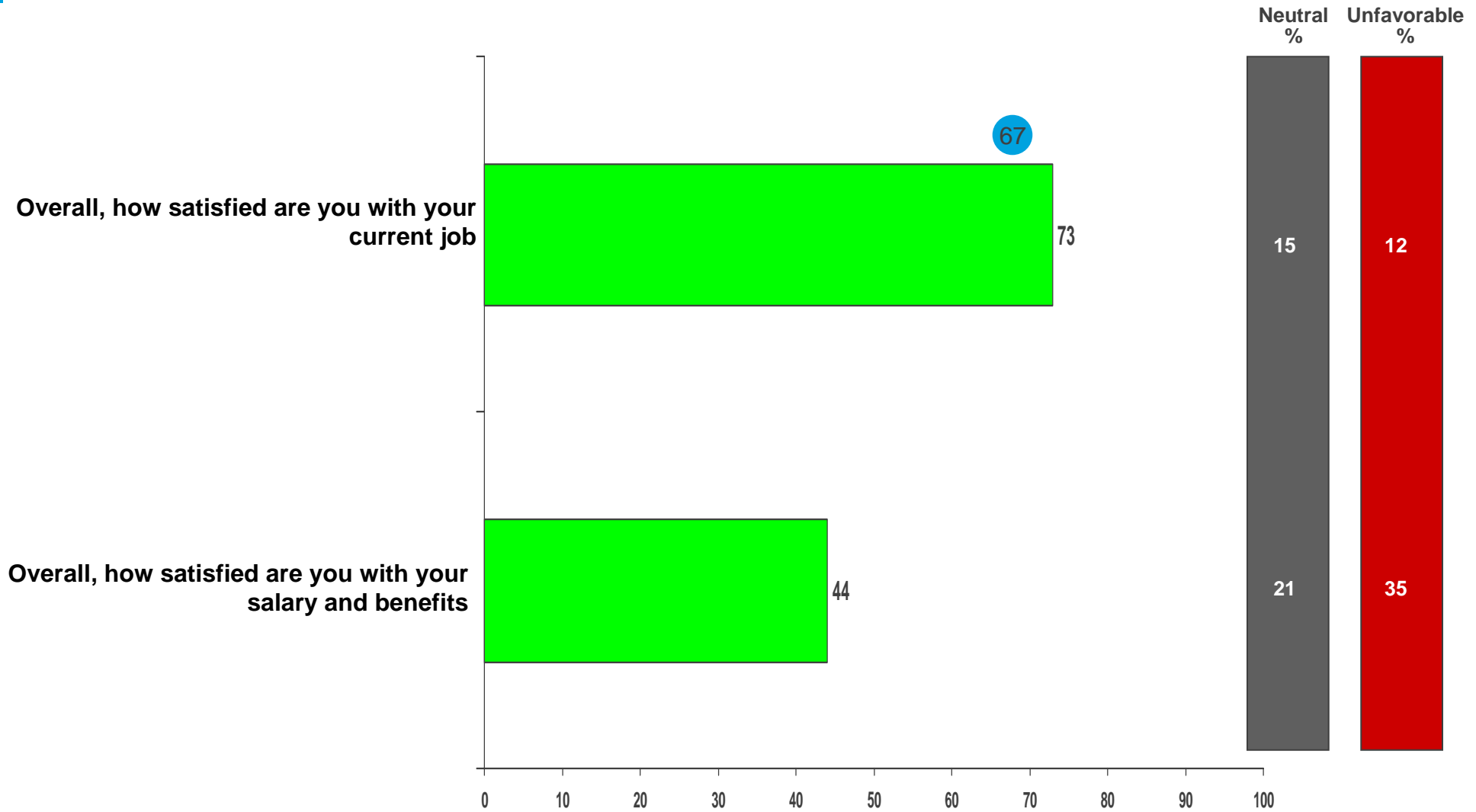
Work environment and work-life balance are rated favorably; compensation ranks among the lowest scoring items



xx What's Working™ Norm

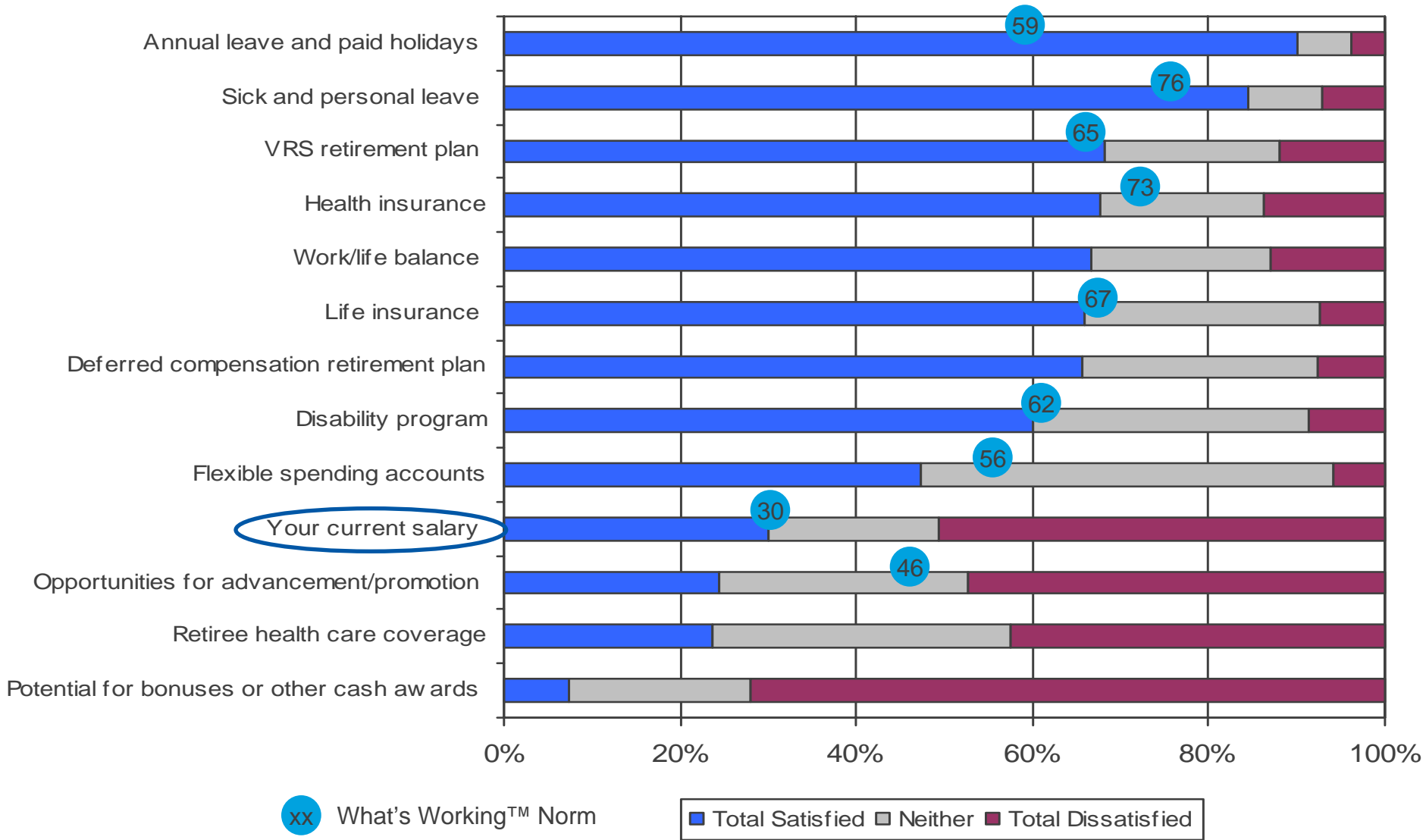


Job satisfaction levels are healthy, while overall satisfaction with salary & benefits falls below norm

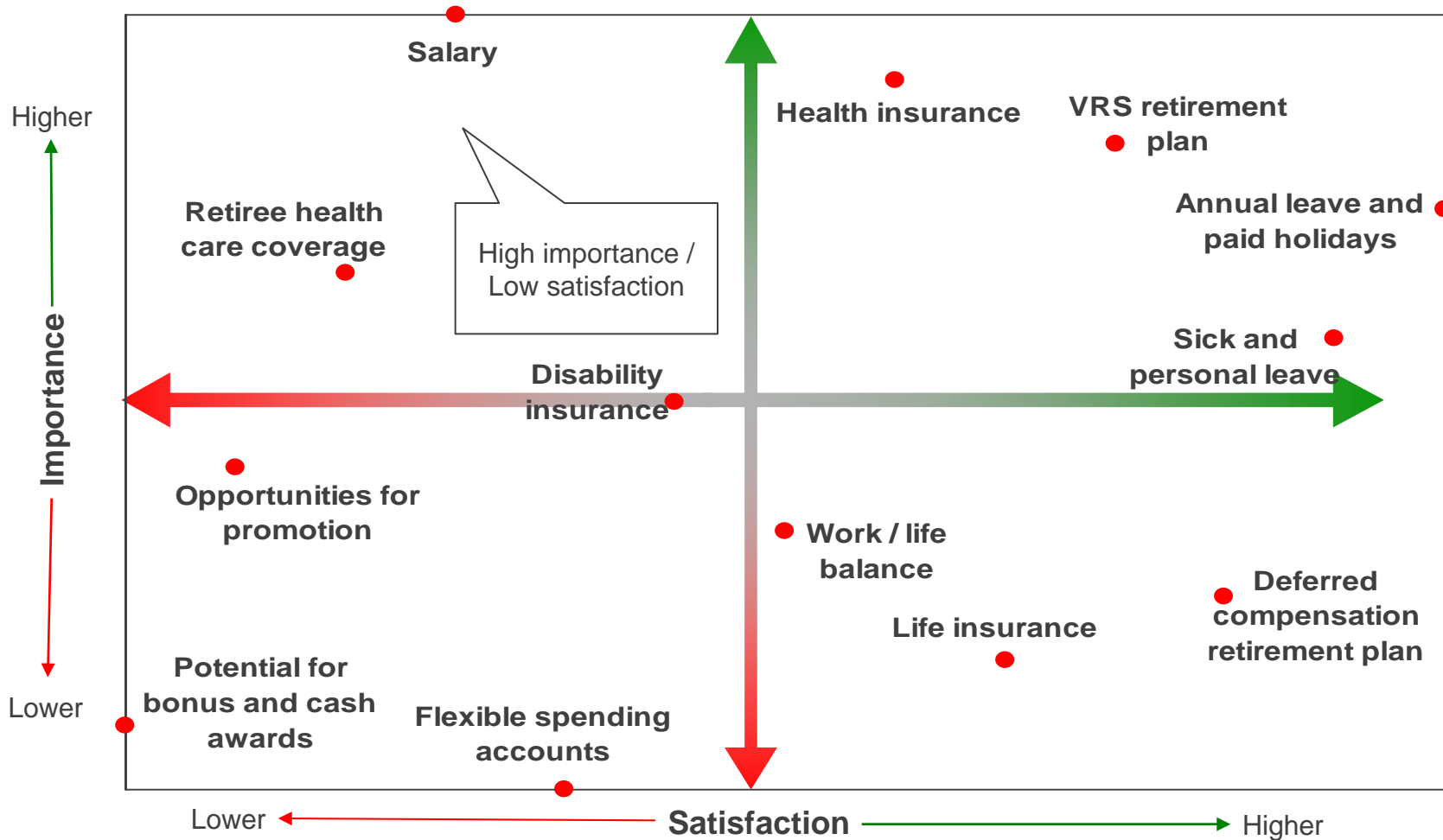


xx What's Working™ Norm

Dissatisfaction is highest with current salary, bonus potential and retiree medical; while importance is low, satisfaction levels with PTO programs rank highest



Benefit importance x satisfaction



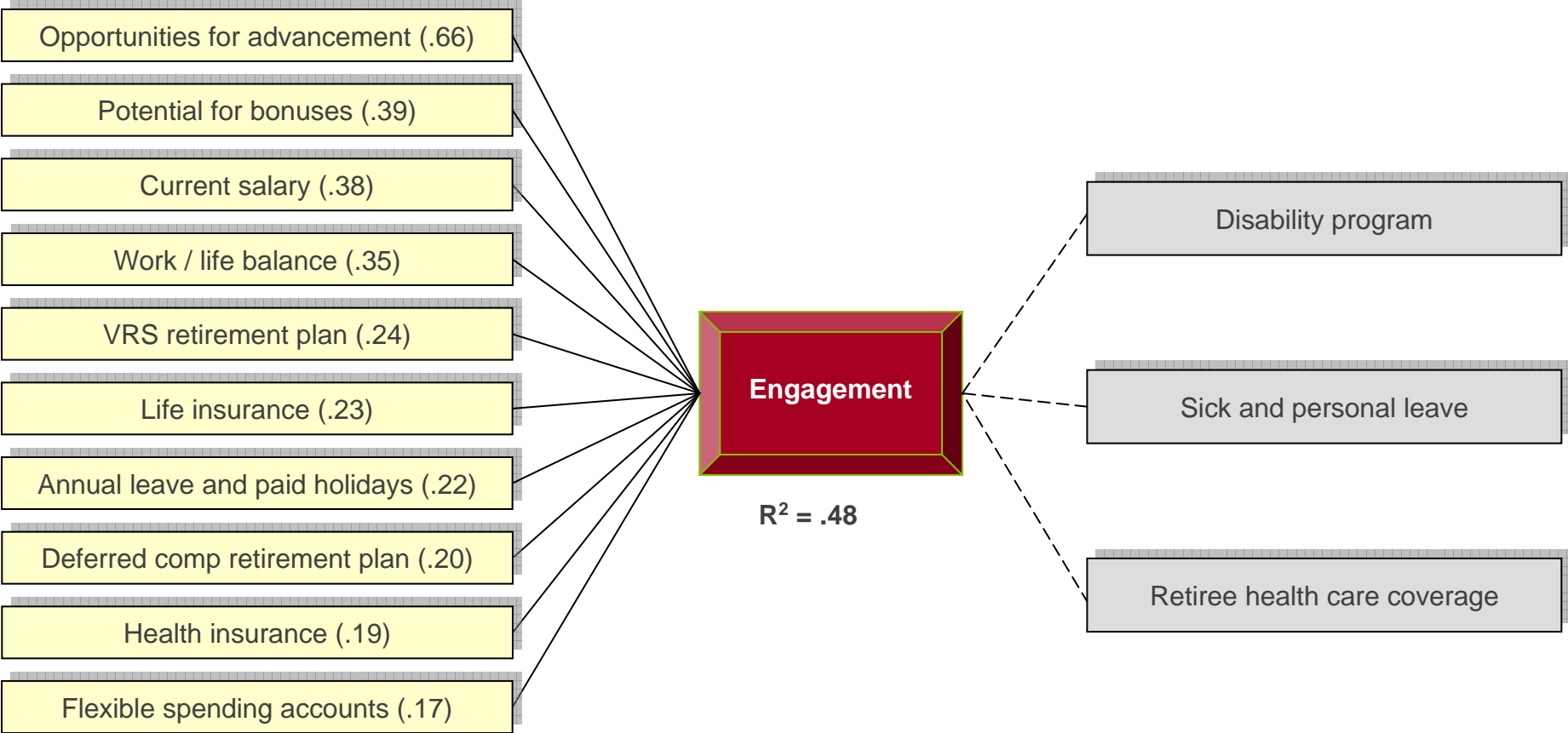
The importance scores are the ranks of conjoint analysis results.
 The satisfaction scores are the ranks of satisfaction results.



Key drivers of engagement

Factors influence engagement

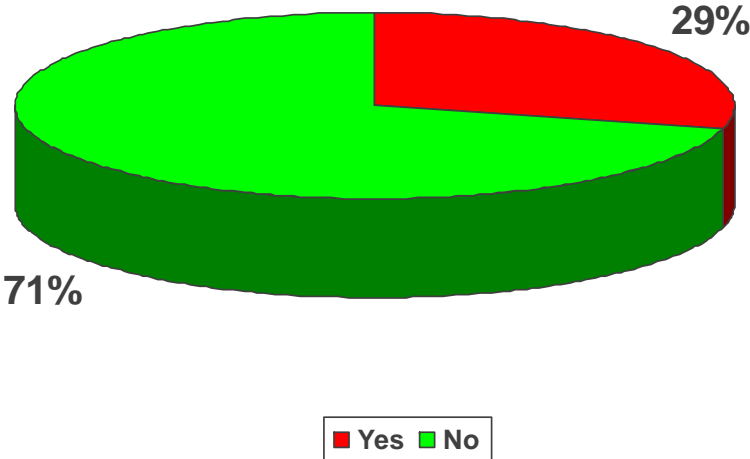
Factors do not influence engagement



The number in parenthesis represents the correlation coefficients between satisfaction of benefits and overall engagement.

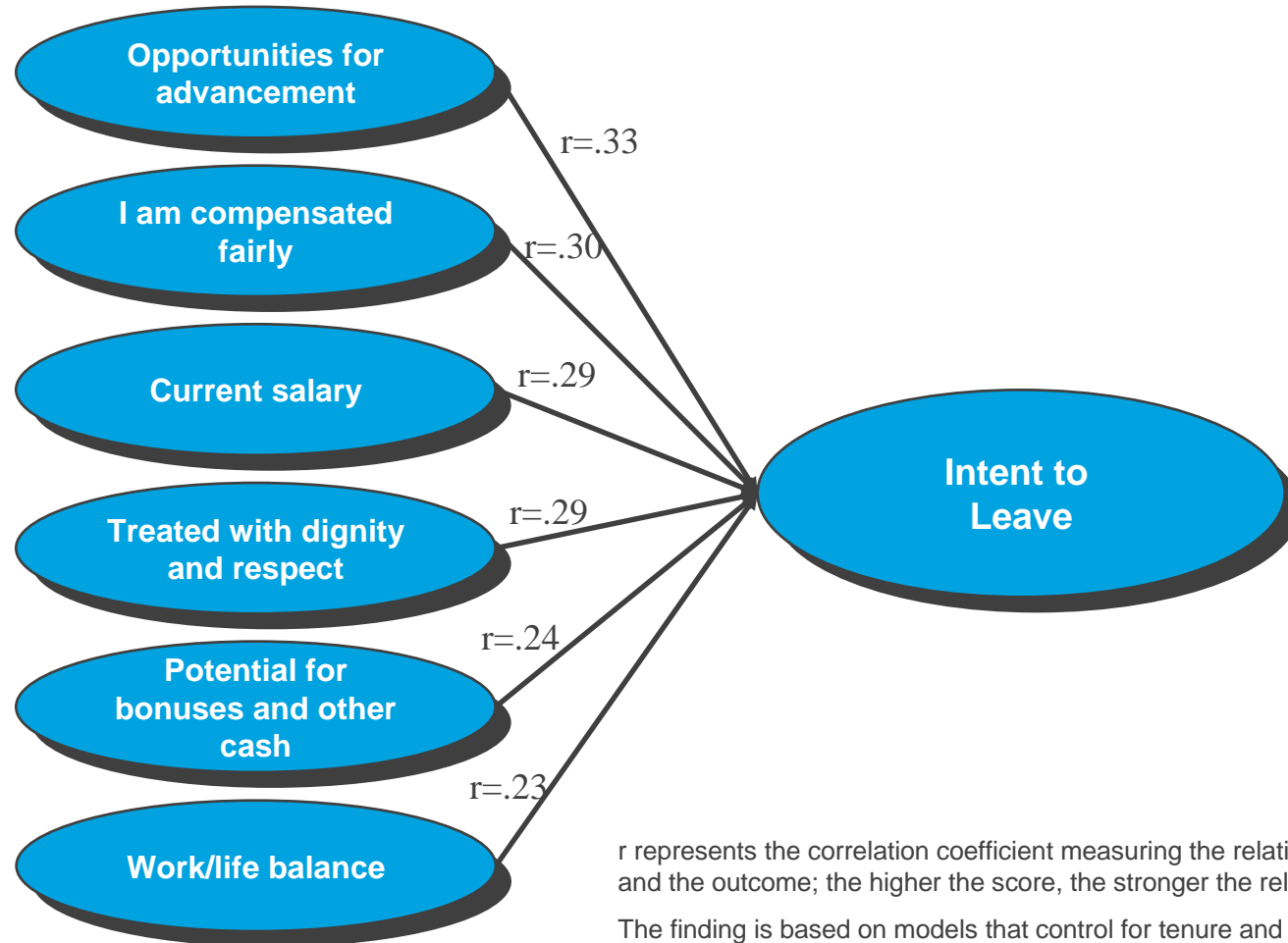
Nearly 30% of the respondents indicated that they are considering leaving their current job

At the present time, are you seriously thinking of leaving your current job?



Six factors emerged as significant predictors of intent to leave one's current job

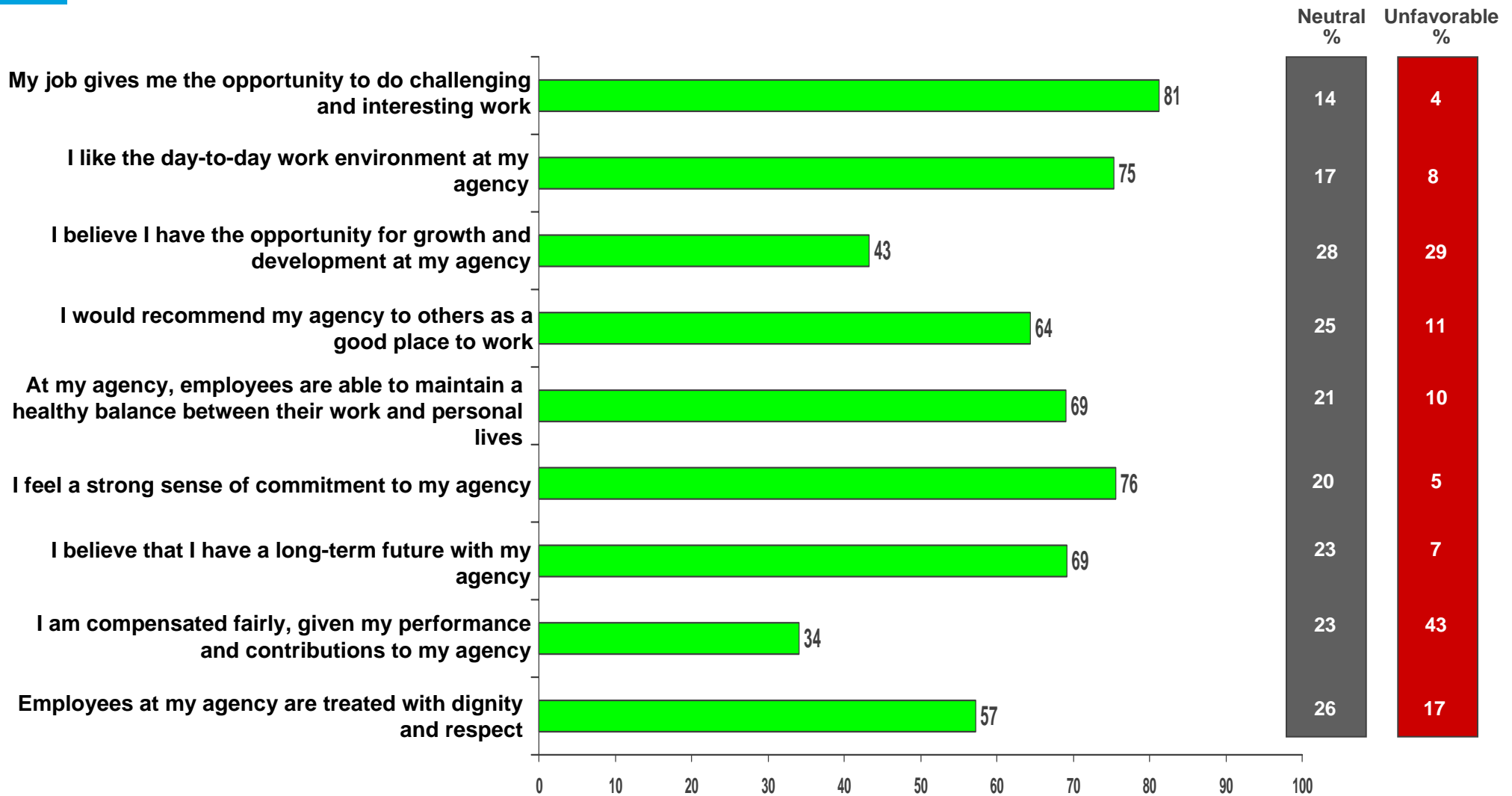
Employees who gave unfavorable answers in these areas are more likely to consider leaving their current job.



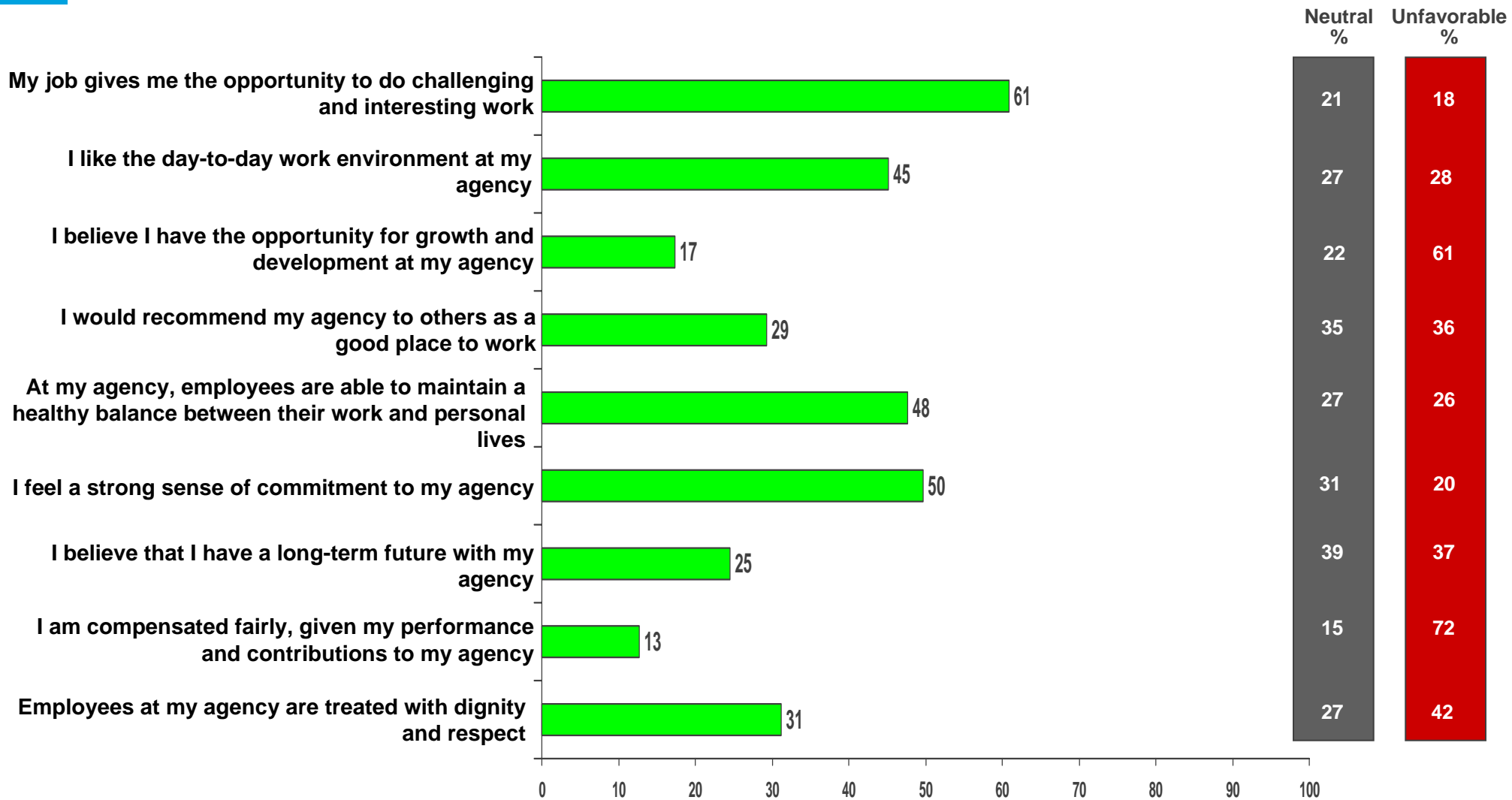
r represents the correlation coefficient measuring the relationship between each factor and the outcome; the higher the score, the stronger the relationship.

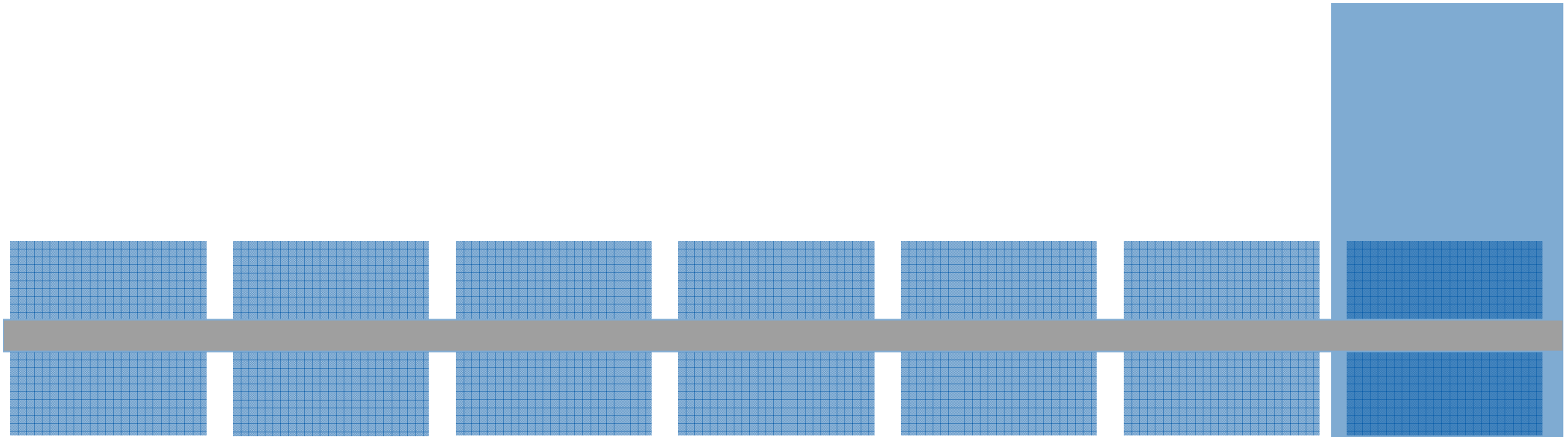
The finding is based on models that control for tenure and agency type (corrections facilities, mental health / mental retardation facilities, higher education institutions, all other agencies).

Respondents with no intent to quit



Respondents with intent to quit





Cost and Competitiveness Perspective



Market Analysis – Methodology

- Market data was collected for 43 jobs from published sources in Mercer’s survey library and supplemented with the Southeastern States Salary Survey provided by JLARC.
- Market data was collected to reflect the market from which JLARC recruits for the respective positions
 - Local/state for jobs that are typically non-exempt as well as professional jobs
 - Regional for jobs at the manager level.
- Data was collected for the 25th, 50th(median) and 75th percentiles for base pay and total cash compensation (base plus annual incentives), where available.
- Data was aged to a common effective date of 1/1/2008 using an adjustment factor of 3.7% for employees in the general industry based on pay increase data from Mercer’s 2007/08 Compensation Planning Survey.



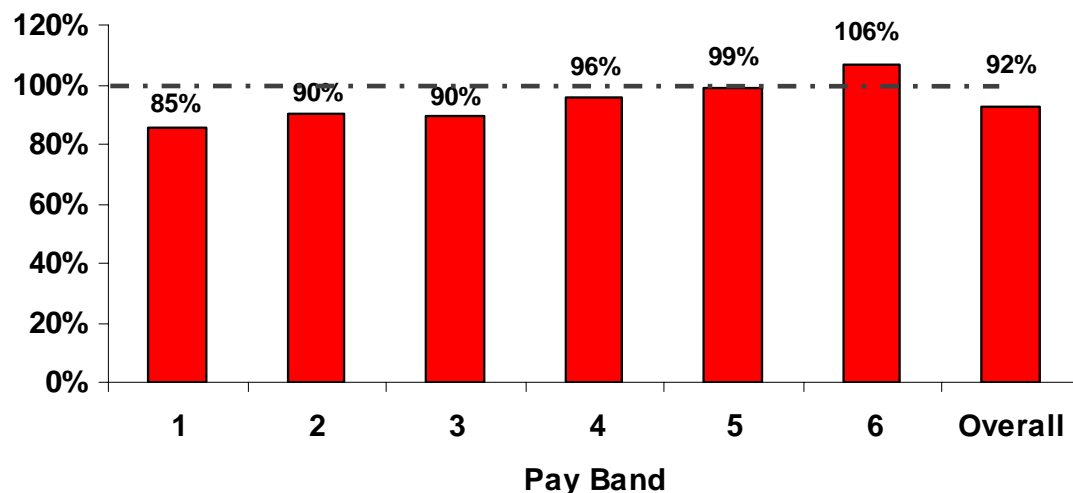
Market Analysis – Methodology

- The following published pay data sources were used in the analysis:
 - *Business & Legal Reports: Survey of Non-Exempt and Exempt Compensation*
 - *D. Dietrich Associates, Inc: Science and Laboratory Salary Survey*
 - *Gartner, Inc.: Information Technology Market Compensation Study*
 - *Mercer: Benchmark Database (incorporates 6 Mercer surveys)*
 - *Mercer: Integrated Health Networks Compensation Suite of Surveys*
 - *Mercer: Retail Compensation and Benefits Survey*
 - *Southeastern States Salary Conference: 2007 Salary Survey*
 - *Watson Wyatt Data Services: Suite of Surveys*

Base Pay Market Assessment – Analysis by Pay Band

- While overall base pay for the sample of jobs selected is at 92% of market median (8 percentage points below median), competitiveness varies significantly by job and by pay band.

Base Pay Market Assessment



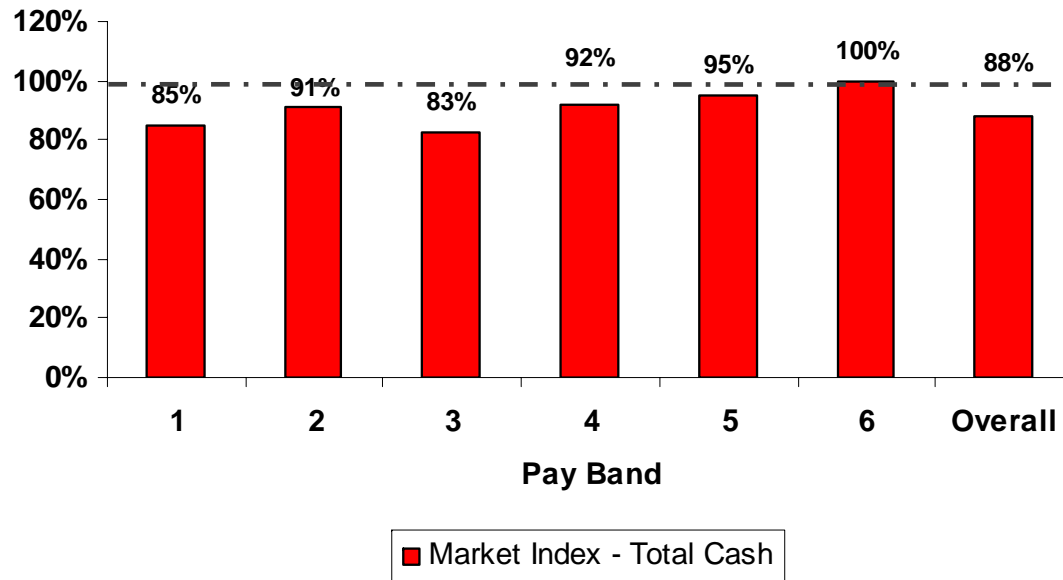
■ Market Index - Base Pay

Pay Band	No. of Jobs	No. of Ees	Market Index - Base Pay
1	2	2,240	85%
2	3	8,390	90%
3	11	16,746	90%
4	14	5,645	96%
5	11	3,907	99%
6	2	392	106%
Overall	43	37,320	92%

Total Cash Market Assessment – Analysis by Pay Band

- Total cash is base pay plus variable or incentive pay and bonuses; the Commonwealth’s overall competitive position falls from 92% on base to 88% on total cash; however, most of the impact is at band 3 and above.

Total Cash Market Assessment

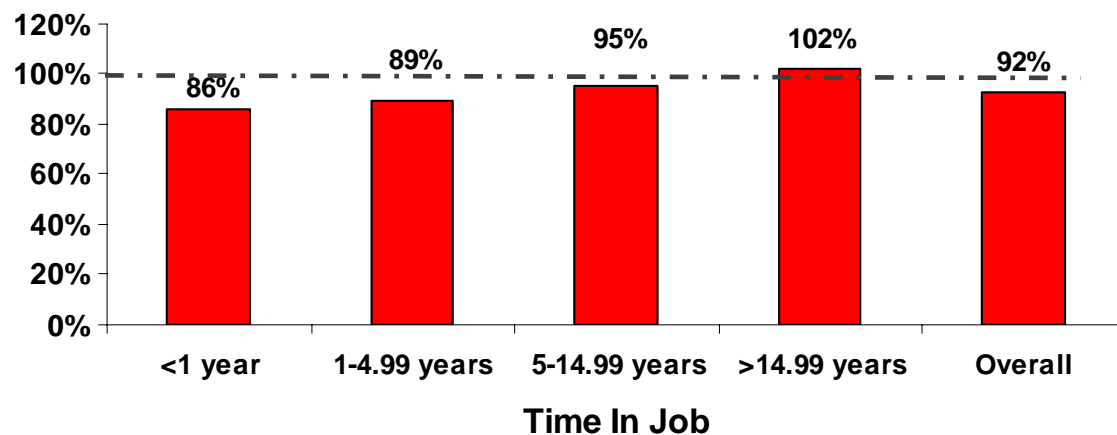


Pay Band	No. of Jobs	No. of Ees	Market Index -	
			Total Cash	
1	2	2,240	85%	
2	2	5,250	91%	
3	11	16,746	83%	
4	13	4,342	92%	
5	11	3,907	95%	
6	2	392	100%	
Overall	41	32,877	88%	

Base Pay Market Assessment – Analysis by Time in Job

- Base pay appears low for employees with 1 – 4.99 years of experience and on the low end of competitive for employees with 5 – 14.99 years; this validates agency concerns about movement through the pay band to a competitive rate of pay for experienced employees.

Base Pay Market Assessment



■ Market Index - Base Pay

TIJ*	No. of Ees	Market Index - Base Pay
<1 year	3,775	86%
1-4.99 years	16,353	89%
5-14.99 years	10,993	95%
>14.99 years	6,199	102%
Overall	37,320	92%

Note: Time in job is as of July 1, 2008

Total Remuneration Market Assessment – Methodology

- Mercer compared the value of the Commonwealth’s benefits to the benefit values of 16 talent competitors inside the Commonwealth, and combined this with the cash compensation comparison for a total remuneration review
- Benefit “value” is based on the pre-tax income on employee would have to earn to purchase these benefits in the external market
- A supplemental benefits comparison was also prepared for the Commonwealth versus the surrounding State Governments

Primary Peer Group (Total Remuneration)
<ul style="list-style-type: none">▪ Capital One Financial Corporation▪ Dominion▪ Fairfax County, Virginia▪ Henrico County, Virginia▪ Interstate Hotels and Resorts▪ The Kroger Co.▪ Media General, Inc.▪ The Nature Conservancy▪ Philip Morris USA▪ Rockingham Memorial Hospital▪ Science Applications International Corp.▪ Sunrise Senior Living▪ United Parcel Service▪ U.S. Department of Defense▪ U.S. Department of Homeland Security▪ U.S. Office of Personnel Management

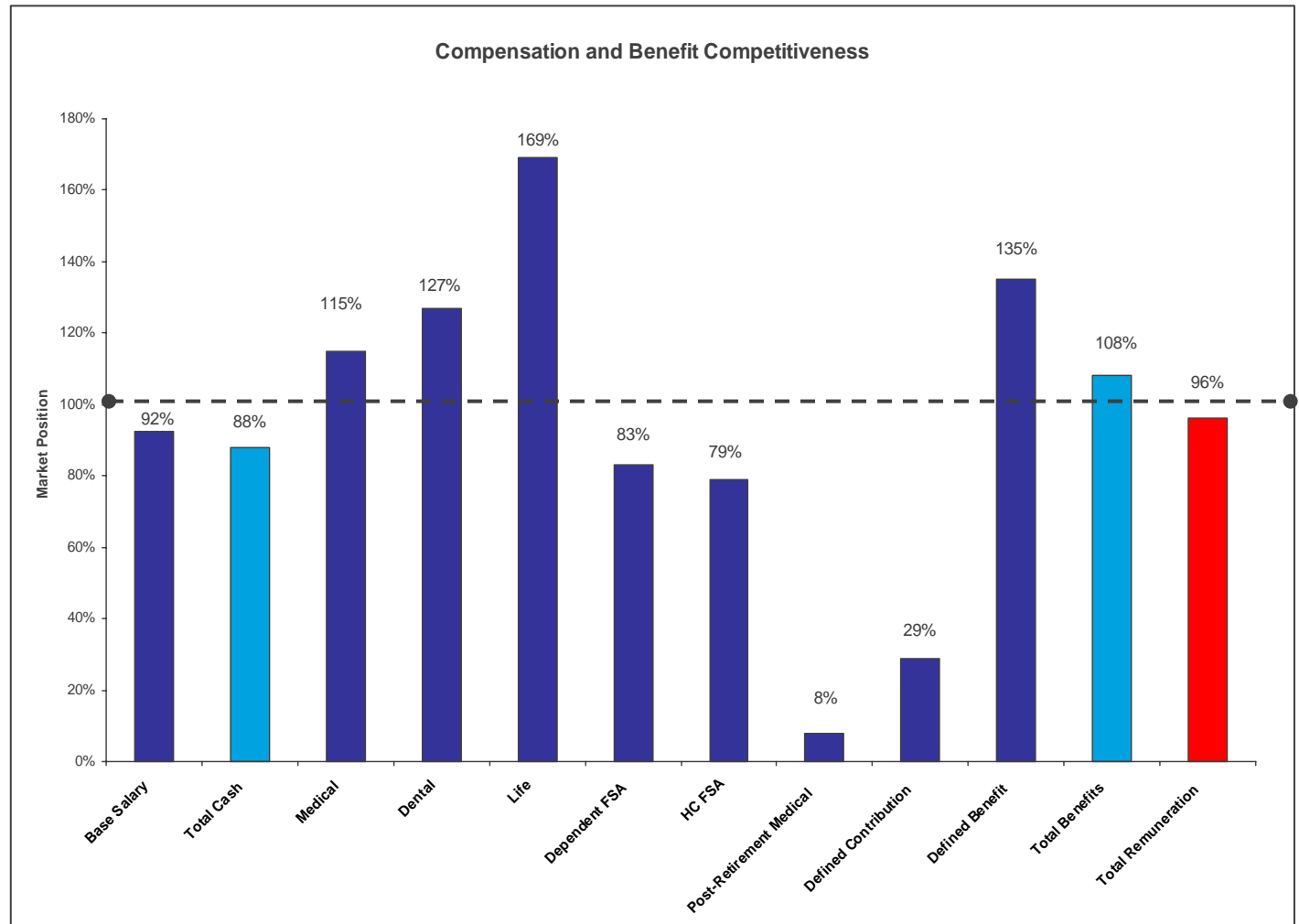
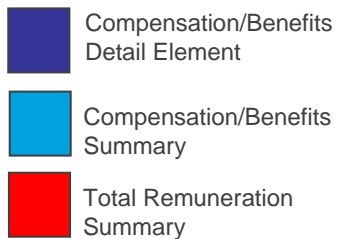
Supplemental Peer Group (Benefits Only)
<ul style="list-style-type: none">▪ Commonwealth of Kentucky▪ State of Georgia▪ State of Maryland▪ State of North Carolina▪ State of South Carolina▪ State of Tennessee▪ State of West Virginia

*For the pay component of the Total Remuneration comparison; pay data was drawn from a larger sample of employers using published data as outlined previously

Total Remuneration Analysis – Primary Peer Group

Talent Competitors in the Commonwealth

- JLARC's benefits were compared to benefits for a peer group of 16 talent competitors within the healthcare, government, and general industry sectors – benefits and compensation (combined from the previous analysis) together are competitive at 4% below median.
- The competitiveness of individual programs varies widely from a low of 92% below median (Post-Retirement Medical) to 69% above (Life Insurance)
 - Retirement/savings leads the market median by 41% (driven by the DB plan)
 - Health/group leads by 7%
 - Time loss/paid time off lags by 1%.



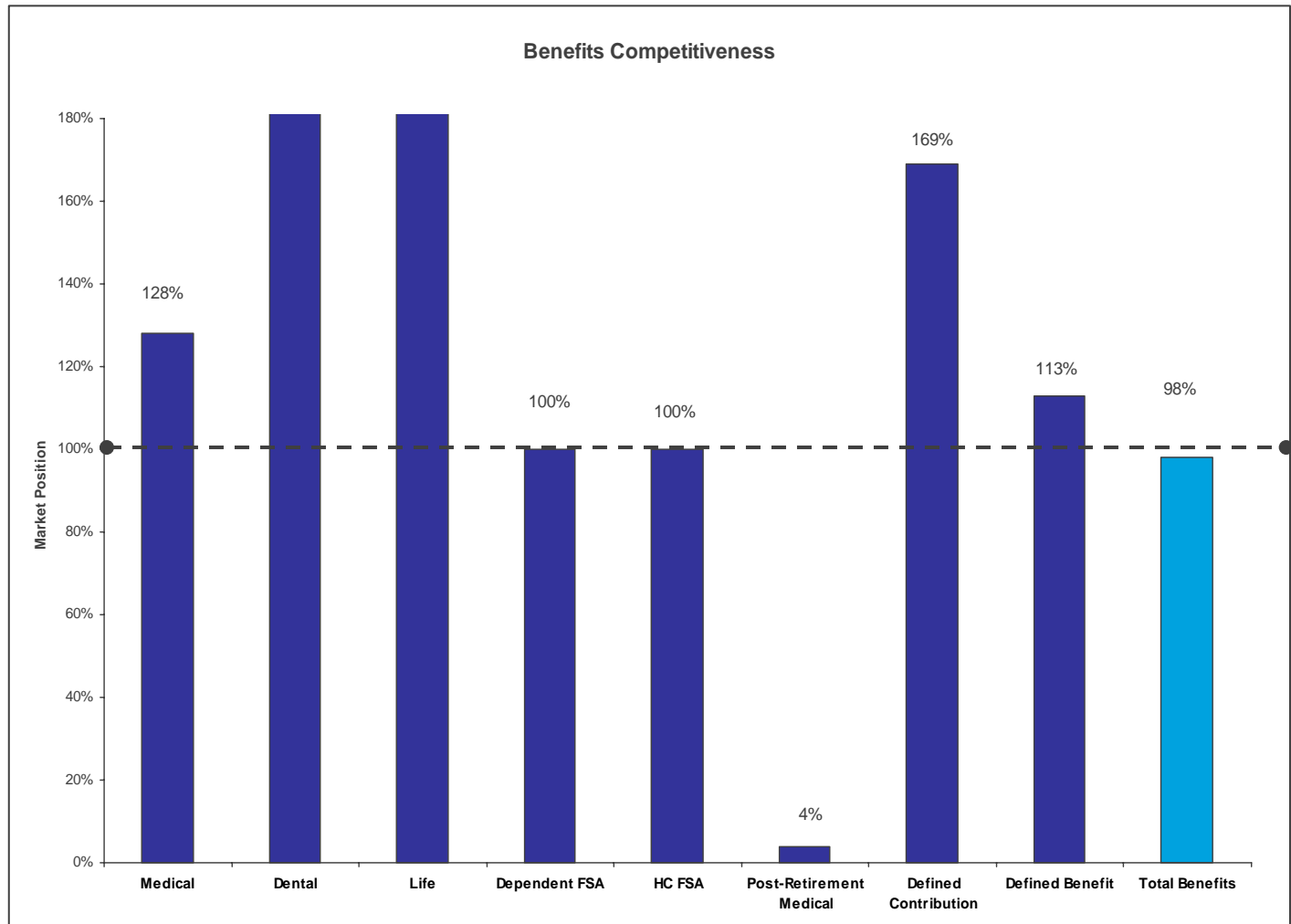
These comparisons do not include the value of the employee paid benefits, if any, except to the extent they are purchased by the employee with pretax dollars.

Benefits Value Analysis – Supplemental Peer Group

Surrounding State Governments

- JLARC's benefits were also compared to benefits for a peer group of 7 surrounding states against which JLARC competes only for certain limited categories of talent—benefits lag the median by 2%, but are competitive.
- The competitiveness of individual programs varies widely from a low of 96% below median (Post-Retirement Medical) to 368% above (Life Insurance)
 - Retirement/savings leads by 17%
 - Health/group lags by 15%
 - Time loss (paid time off) leads by 2%.

Benefits Detail Element
 Benefits Summary



These comparisons do not include the value of the employee paid benefits, if any, except to the extent they are purchased by the employee with pretax dollars.

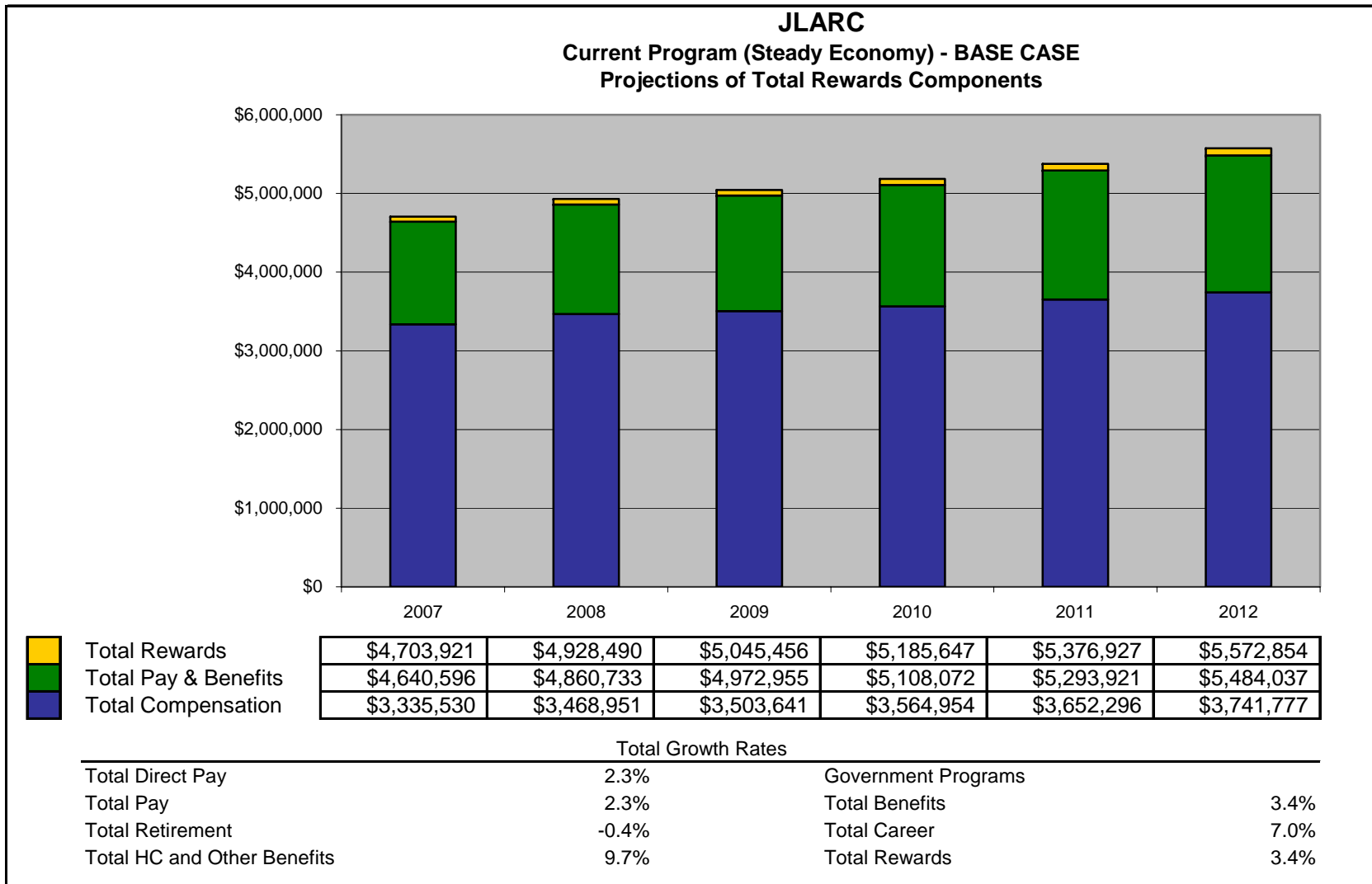
Note: The market positions for Dental and Life Insurance are 376% and 468%, respectively.

Total Rewards Current Costs And Modeling Assumptions

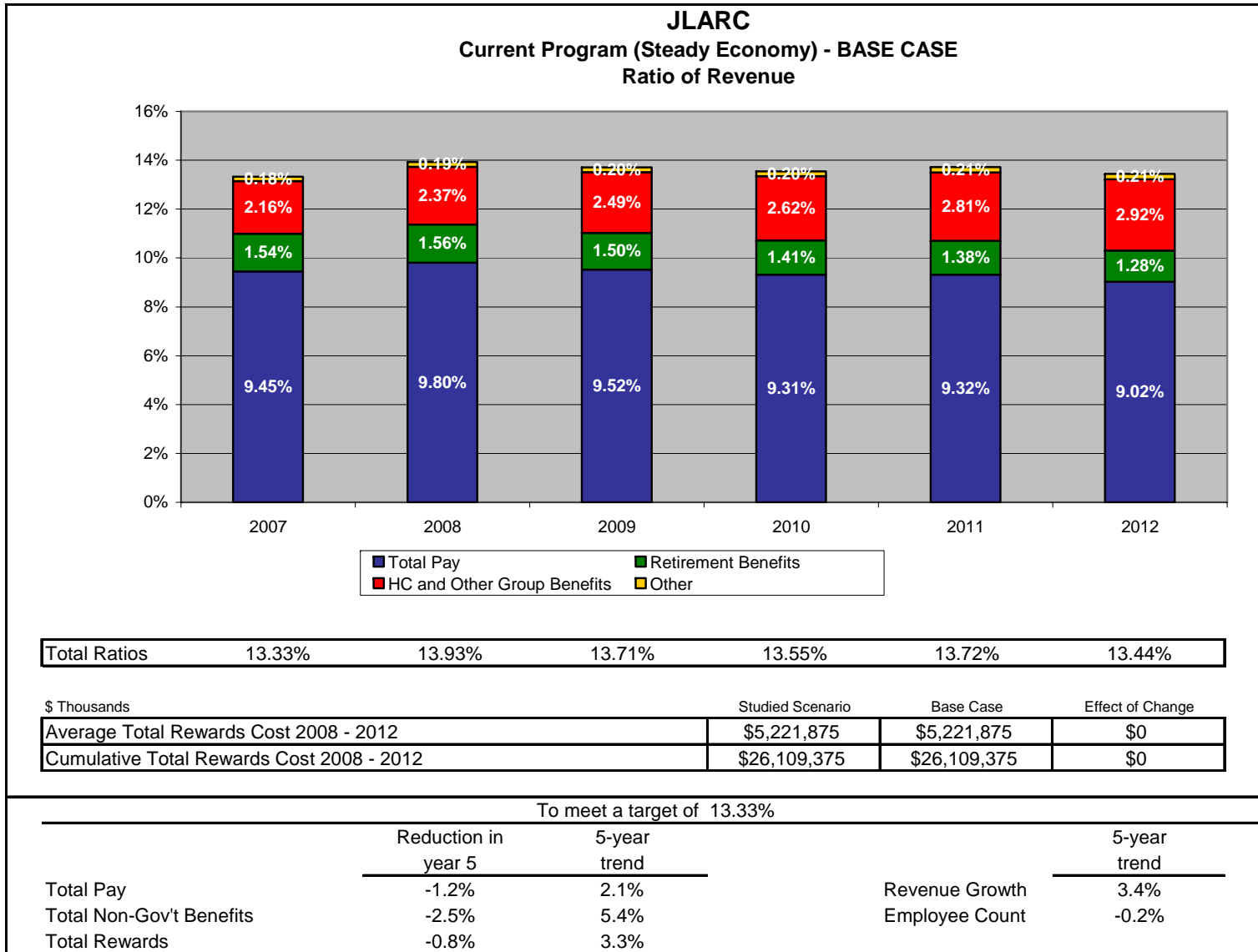
- Mercer worked with JLARC to assess projected total rewards costs; key assumptions are outlined below.
- Gross ER Medical/EE Medical Current Costs extrapolated to include number of employees participating in Kaiser (do not have current Kaiser costs).
- ER Dental Current Cost does not include Delta Dental.
- Workers Comp Projection Assumptions are conservative (0 to -10% projected range).
- Other Group Benefits Current Costs includes annual leave balances, sick leave balances, comp leave balances, STD, LTD, and life insurance.

Company Name	JLARC					
Scenario Name	Current Program (Steady Economy) - BASE CASE					
All Numbers are Entered in	\$ Thousands					
Current Service Costs						
	Base Year (\$)	Projection Assumptions				
		1st Year (%)	2nd Year (%)	3rd Year (%)	4th Year (%)	5th Year (%)
Base Pay	\$3,249,988	4.000%	1.000%	1.750%	2.450%	2.450%
Short-Term Incentive	\$9,627	4.000%	1.000%	1.750%	2.450%	2.450%
Other Pay	\$75,915	4.000%	1.000%	1.750%	2.450%	2.450%
Long-Term Incentive	\$0	0.000%	0.000%	0.000%	0.000%	0.000%
Retirement:						
-- DC	\$23,127	4.000%	1.000%	1.750%	2.450%	2.450%
-- DB	\$468,692	1.940%	0.000%	-2.880%	0.000%	-1.850%
-- OPEB	\$51,391	0.000%	0.000%	0.000%	0.000%	0.000%
Health Care:						
-- Gross ER Medical	\$546,986	11.000%	11.000%	11.000%	11.000%	11.000%
-- EE Medical	\$122,711	22.000%	22.000%	22.000%	22.000%	22.000%
-- ER Rx	\$174,356	12.000%	12.000%	12.000%	12.000%	12.000%
-- ER Dental	\$121	6.000%	6.000%	6.000%	6.000%	6.000%
-- ER Vision	\$2,420	2.500%	3.750%	4.580%	4.580%	4.580%
-- Workers Comp	\$637	0.000%	0.000%	0.000%	0.000%	0.000%
Other Group Benefits	\$160,047	4.000%	1.000%	1.750%	2.450%	2.450%
Other Benefits	\$0	0.000%	0.000%	0.000%	0.000%	0.000%
Training	\$63,325	7.000%	7.000%	7.000%	7.000%	7.000%
Leadership Development	\$0	0.000%	0.000%	0.000%	0.000%	0.000%
Other Career Costs	\$0	0.000%	0.000%	0.000%	0.000%	0.000%
Government Programs	\$0	0.000%	0.000%	0.000%	0.000%	0.000%
Other Company Figures						
	Base Year	Projection Assumptions				
		1st Year (%)	2nd Year (%)	3rd Year (%)	4th Year (%)	5th Year (%)
Revenue	\$35,292,100	0.270%	3.970%	4.040%	2.410%	5.810%
Number of Employees	74,034	0.000%	0.000%	0.000%	0.000%	0.000%
Operating Profit						
Output Measure		0.0%	0.0%	0.0%	0.0%	0.0%
Shares Outstanding		0.0%	0.0%	0.0%	0.0%	0.0%
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Growth in Other Operating Expenses		0.0%	0.0%	0.0%	0.0%	0.0%

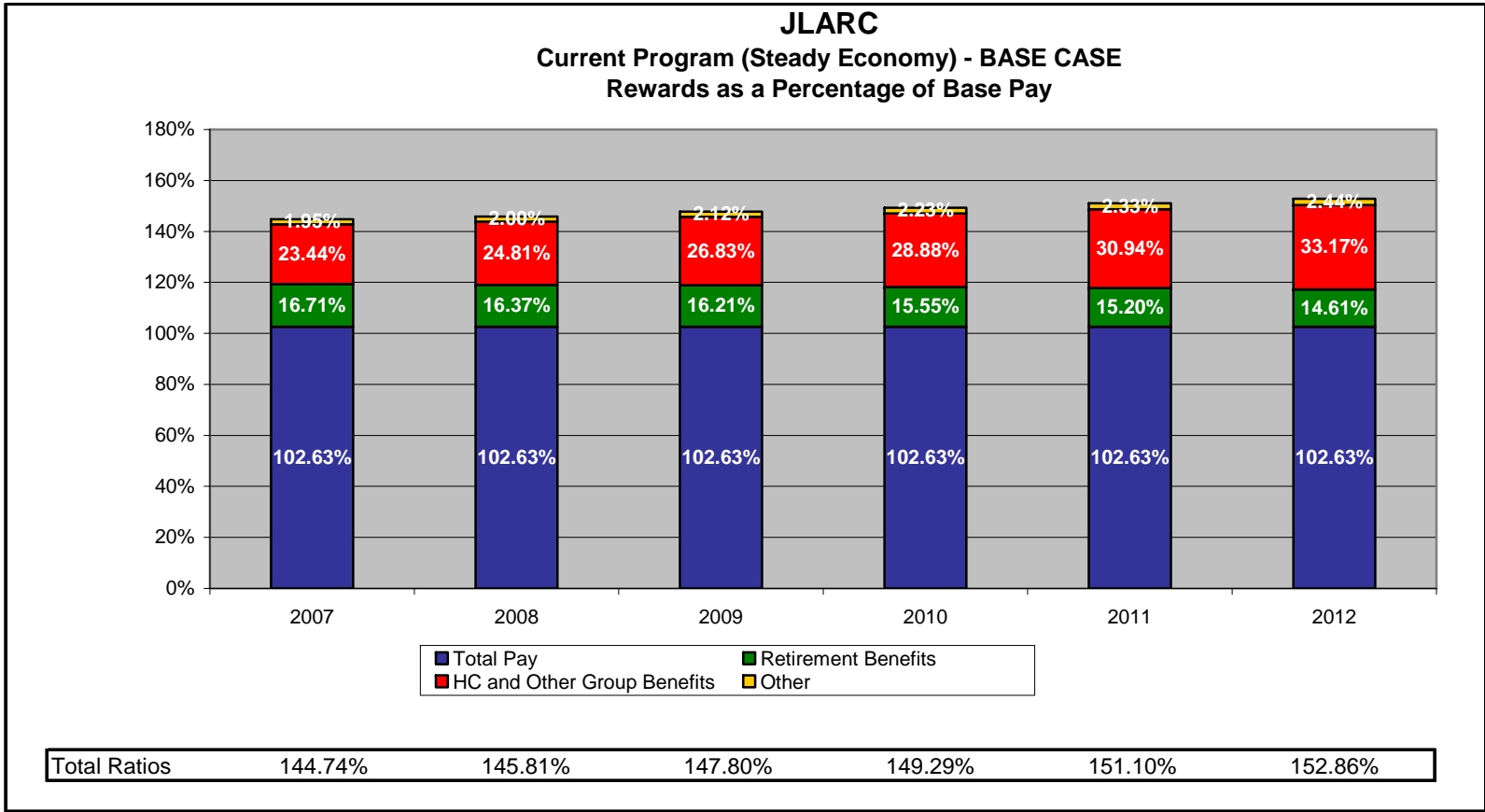
Under the project trend assumptions, with no program changes, total rewards costs will increase from \$4.7B to \$5.6B over the next five years

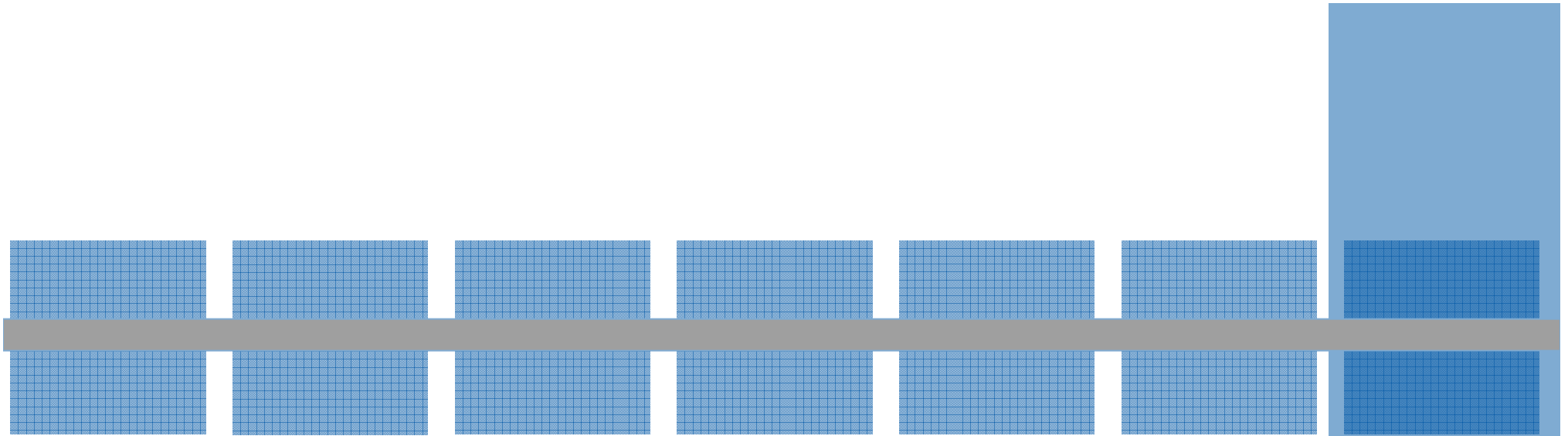


Under these trend and revenue growth assumptions, total rewards costs will increase from 13.3% to 13.4% of revenue



Total rewards costs track 144.7% of base pay currently, rising to 152.9% under the project increase assumptions



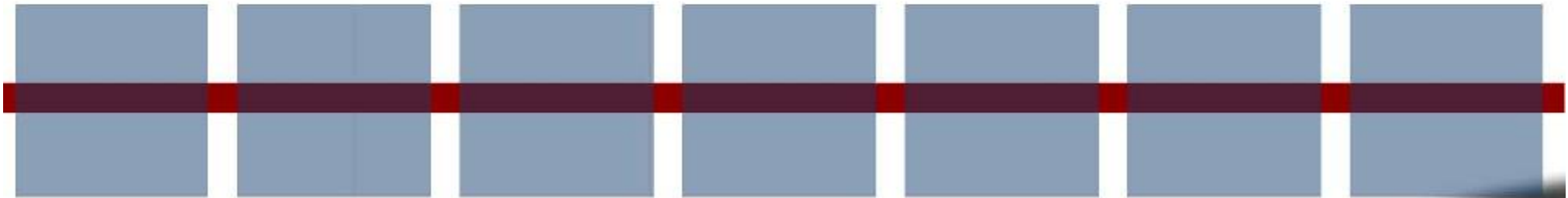


Appendix I

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN



February 2008

Total Remuneration Index Executive Summary

Prepared for:

JLARC/Commonwealth of Virginia



Consulting. Outsourcing. Investments.

Total Remuneration Index

- Quantifies the relationship of the value of JLARC/Commonwealth of Virginia's benefits to the value of benefits provided by its selected peers
- Focus is on employer-provided value
- "Value" is determined from the employee's perspective, i.e., dollar values represent the amount of pre-tax dollars required for the employee to purchase or reproduce the benefit outside of employment with the organization
- Aggregate plan values reported on a Total Remuneration and Total Benefits basis
 - Total Remuneration is the sum of Cash Compensation, Retirement/Savings, Health/Group, and LTD
 - Total Benefits is the sum of Retirement/Savings, Health/Group, and Time Loss
- The plans that are valued are those plans that are provided to newly-hired employees; "grandfathered" or "frozen" plans are not considered in the valuation

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer



Peer Group

- Capital One Financial Corporation
- Dominion
- Fairfax County, Virginia
- Henrico County, Virginia
- Interstate Hotels and Resorts
- The Kroger Co.
- Media General, Inc.
- The Nature Conservancy
- Philip Morris USA
- Rockingham Memorial Hospital
- Science Applications International Corp.
- Sunrise Senior Living
- United Parcel Service
- U.S. Department of Defense
- U.S. Department of Homeland Security
- U.S. Office of Personnel Management

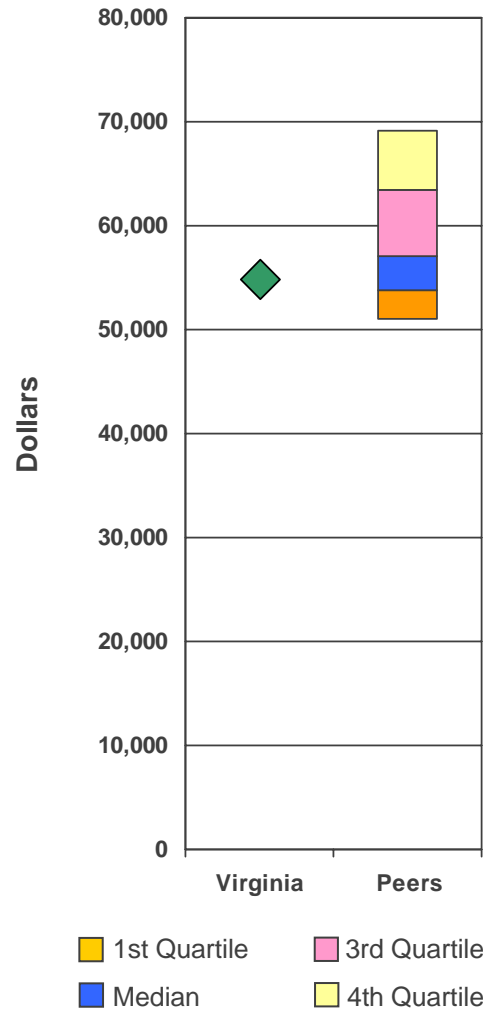
About the Charts

- The green diamond (Virginia) represents JLARC/Commonwealth of Virginia's value
- The stacked bar (Peers) illustrates the distribution of observed values among the peer group. On the peer stacked bar:
 - The orange segment represents the 1st quartile (25th percentile) value, i.e., 25% of the observed values fall below this level
 - The blue segment represents the median (50th percentile) value, i.e., 50% of the observed values fall below this level
 - The pink segment represents the 3rd quartile (75th percentile) value, i.e., 75% of the observed values fall below this level
 - The yellow segment represents the 4th quartile (100th percentile) value, i.e., 100% of the observed values fall below this level
- The values shown are values for the composite workforce; values for the 43 job profiles are shown in the Job Profile Comparisons section of the Total Remuneration Index

About the Charts (continued)

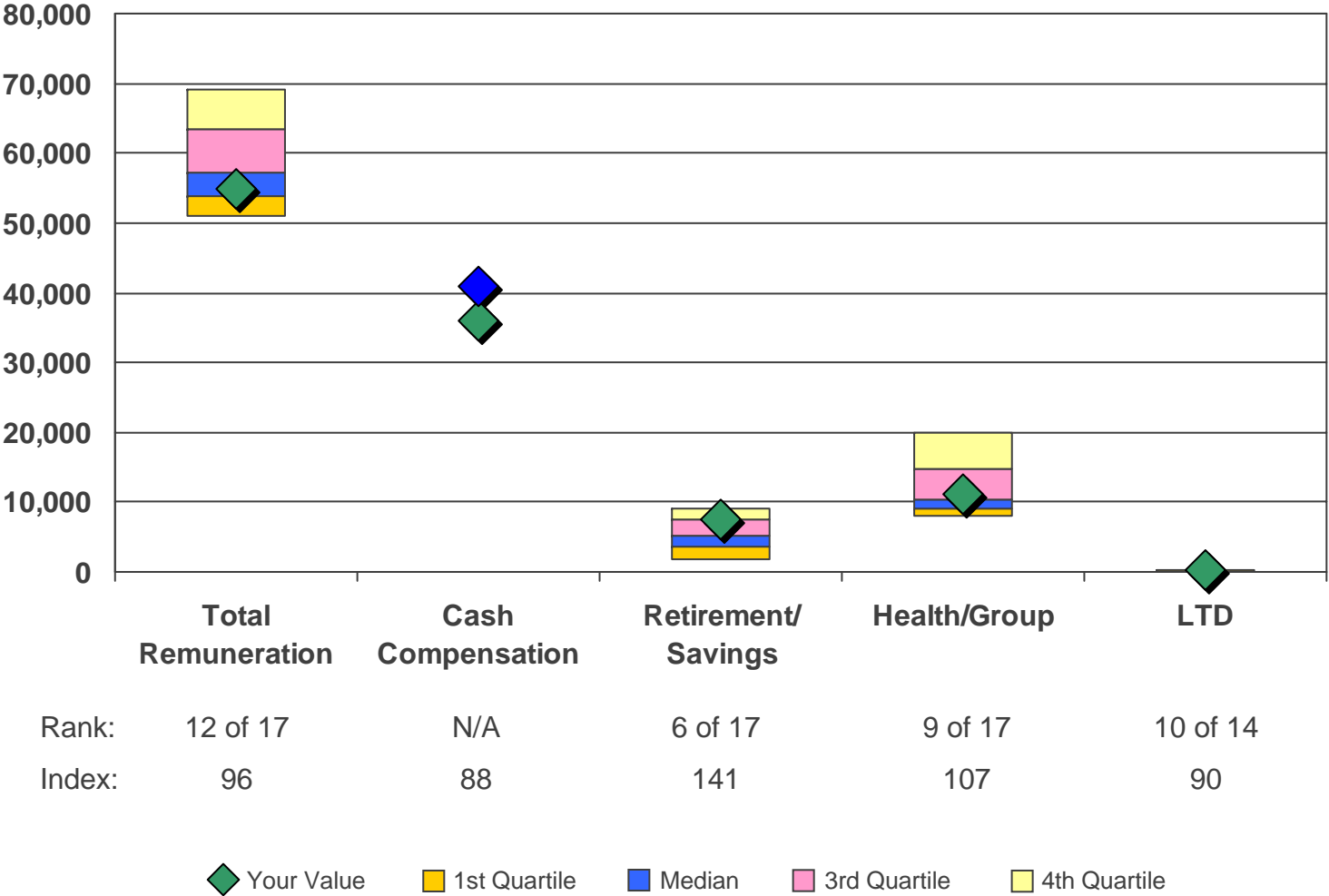
- Index is the percentage relationship of your values to the median values of the peer group organizations with values on that benefit -- 100 represents the median
- Rank is the ordered position of your value for a benefit or total when compared to all organizations with that benefit
 - A rank of 1 signifies the highest value
 - When your organization ties in value with another organization or organizations, your rank will be the higher position

Total Remuneration



- Rank: 12 out of 17; Index: 96
- Virginia's position is driven by favorable comparisons in the Retirement/Savings and Health/Group areas, offset by unfavorable comparisons in the Cash Compensation and LTD areas
 - Cash Compensation index: 88
 - Retirement/Savings index: 141
 - Health/Group index: 107
 - LTD index: 90

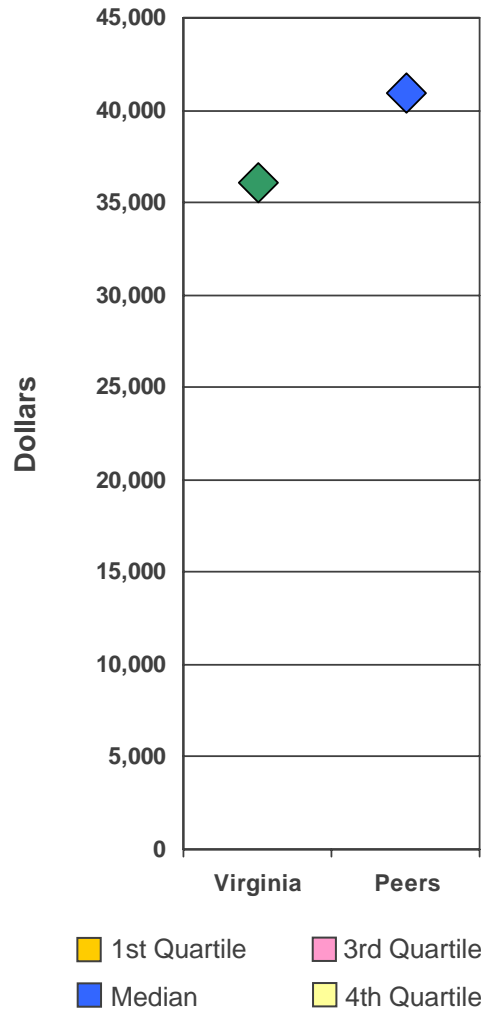
Total Remuneration (continued)



Rank:	12 of 17	N/A	6 of 17	9 of 17	10 of 14
Index:	96	88	141	107	90

◆ Your Value
 ■ 1st Quartile
 ■ Median
 ■ 3rd Quartile
 ■ 4th Quartile

Cash Compensation

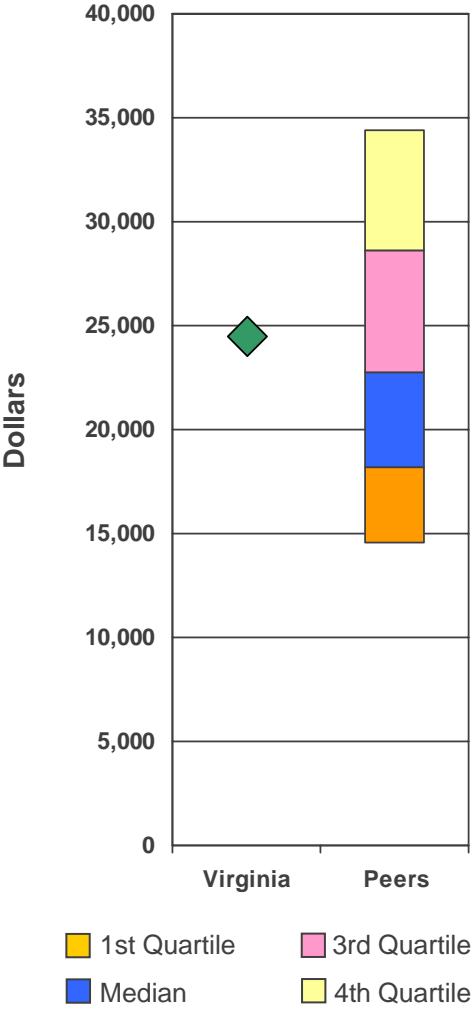


- N/A; Index: 88
- Virginia Cash Compensation = \$36,070
- Peer median Cash Compensation = \$40,892
- Base Pay Index: 92
 - Virginia Base Pay = \$36,056
 - Peer median Base Pay = \$39,018
- Bonus Index: 1
 - Virginia Bonus = \$15
 - Peer median Bonus = \$1,874

Cash Compensation (continued)

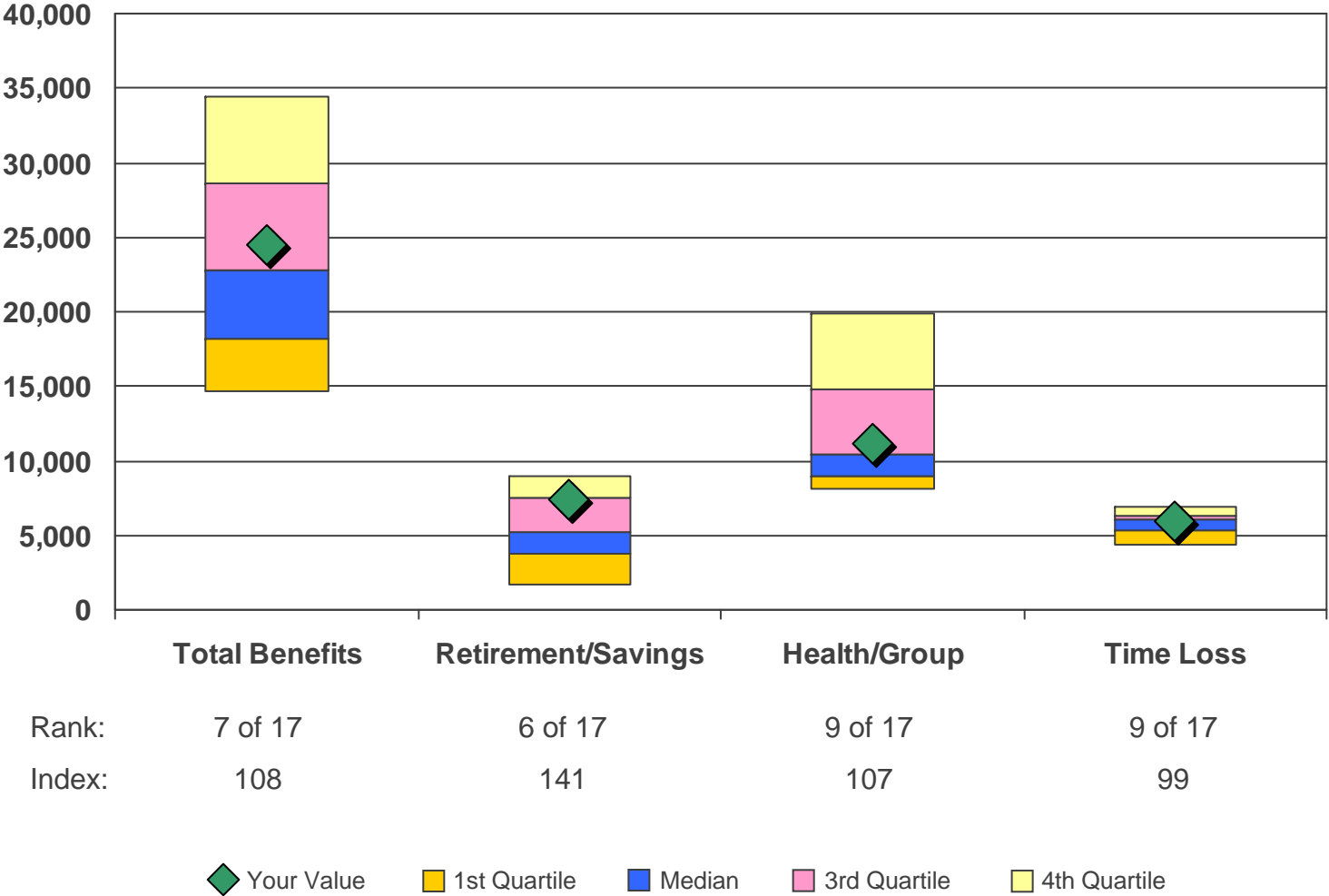


Total Benefits



- Rank: 7 out of 17; Index: 108
- Virginia's position is driven by favorable comparisons in the Retirement/Savings and Health/Group areas combined with a competitive comparison in the Time Loss area
 - Retirement/Savings index: 141
 - Health/Group index: 107
 - Time Loss index: 99

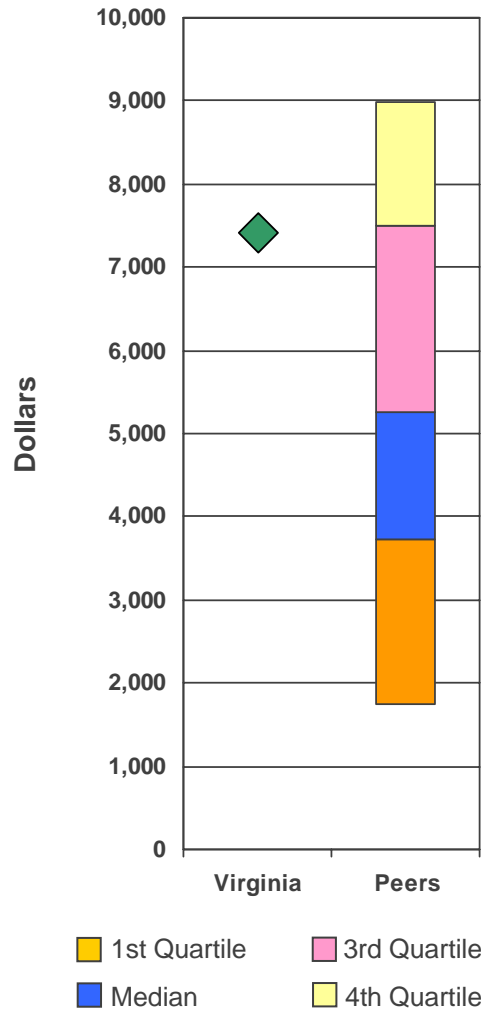
Total Benefits (continued)



	Total Benefits	Retirement/Savings	Health/Group	Time Loss
Rank:	7 of 17	6 of 17	9 of 17	9 of 17
Index:	108	141	107	99

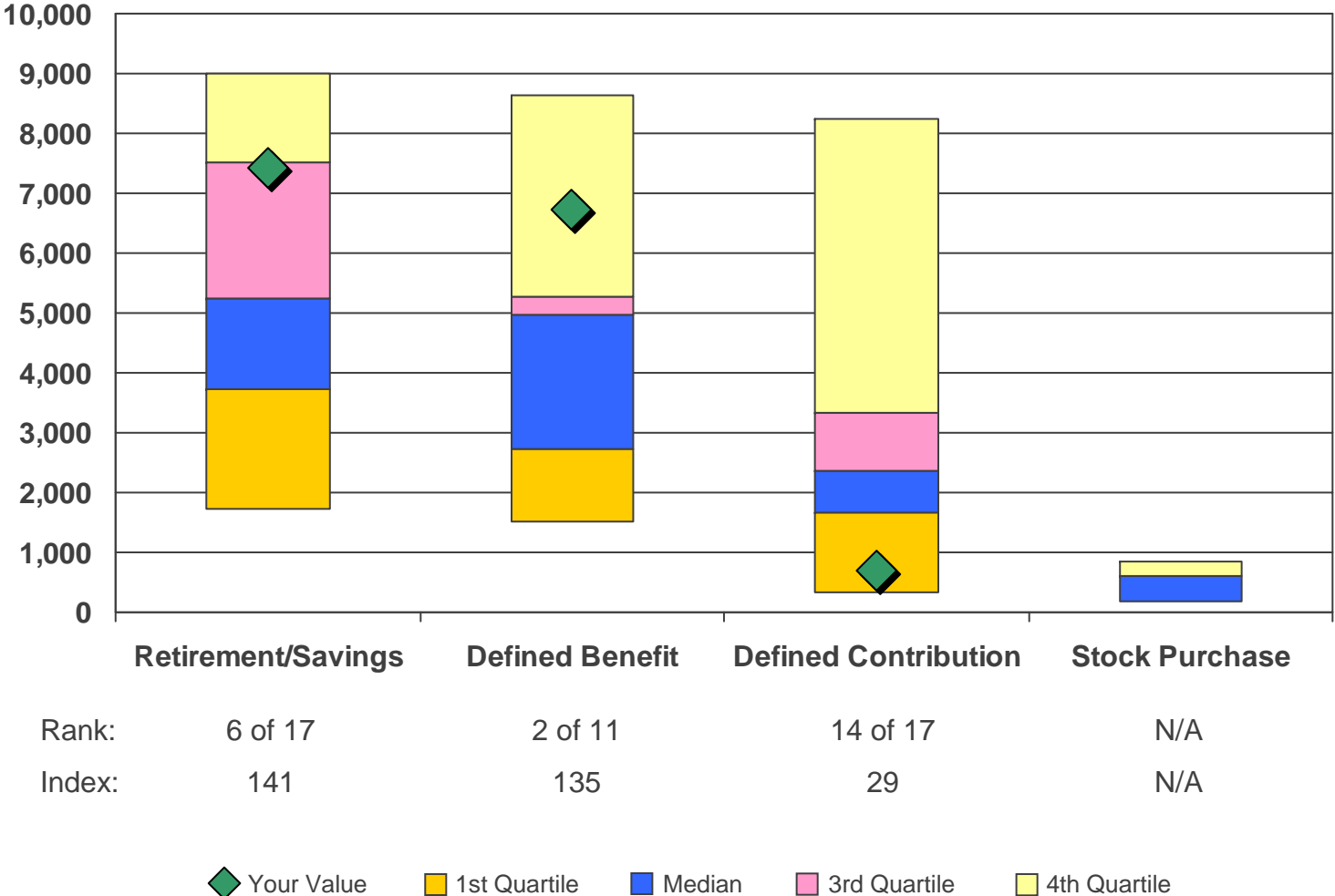
◆ Your Value
 ■ 1st Quartile
 ■ Median
 ■ 3rd Quartile
 ■ 4th Quartile

Retirement/Savings

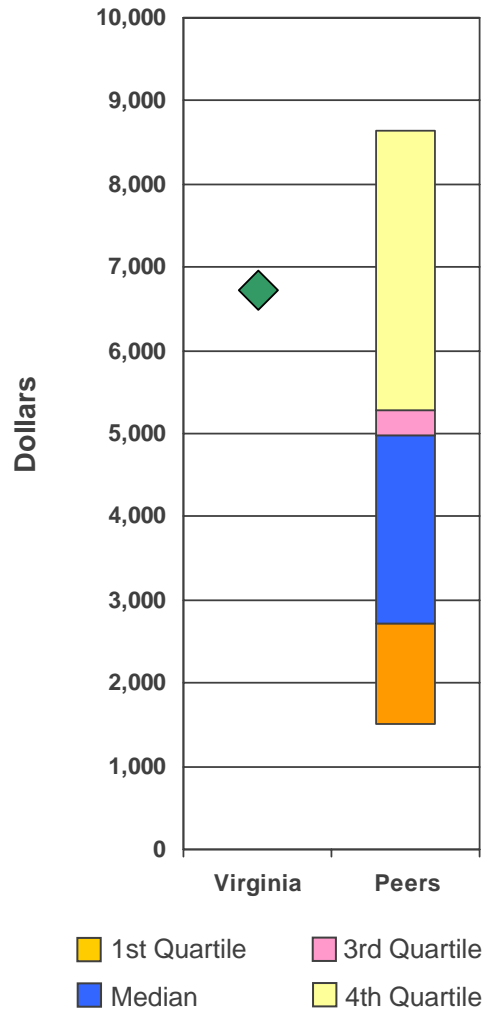


- Rank: 6 out of 17; Index: 141
- Virginia's position is driven by a favorable comparison in the defined benefit area, offset by an unfavorable comparison in the defined contribution area
 - Defined Benefit index: 135
 - Defined Contribution index: 29
- Eleven organizations (including Virginia) offer both defined benefit and defined contribution plans
- Six peers offer defined contribution plans with no accompanying defined benefit plan
- Four peers offer stock purchase plans with value

Retirement/Savings (continued)

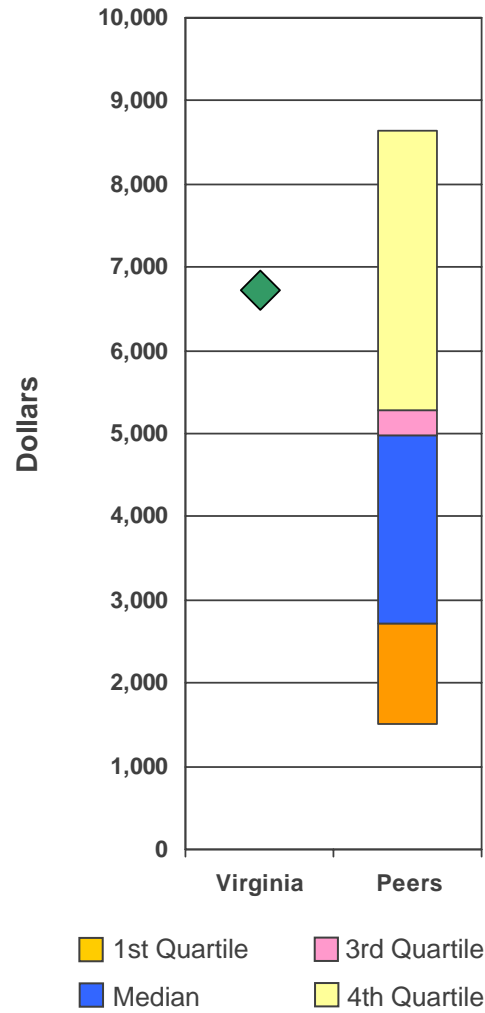


Defined Benefit



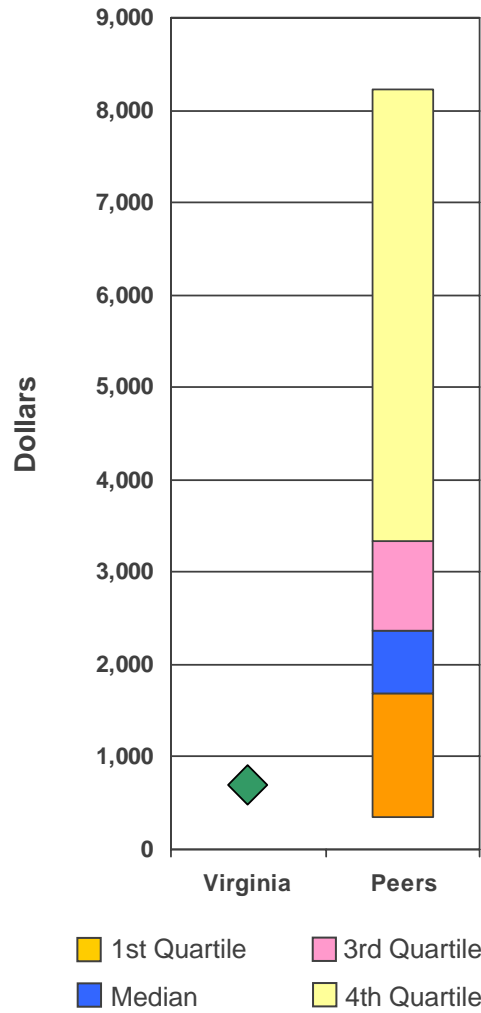
- Rank: 2 out of 11; Index: 135
- The plan that ranks ahead of Virginia has a higher benefit factor and provides temporary benefits to early retirees
- Six peers do not provide a defined benefit plan
- Plan types
 - Five peers use 3-year final average pay
 - Three use 5-year final average pay
 - Two have a cash balance plan
 - Virginia uses 3-year final average pay

Defined Benefit (continued)



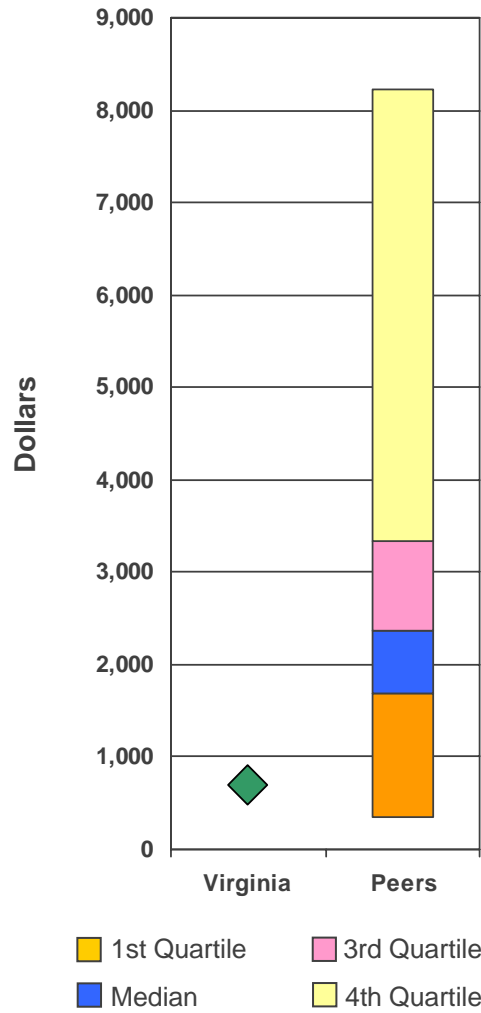
- Five organizations (including Virginia) provide unreduced benefits at certain age and/or service levels
- Six organizations (including Virginia) provide annual cost-of-living adjustments
- Five peers provide temporary benefits to early retirees
- Five peers require employee contributions
- Six peers provide excess plans removing legislated limits on salary and/or benefits

Defined Contribution



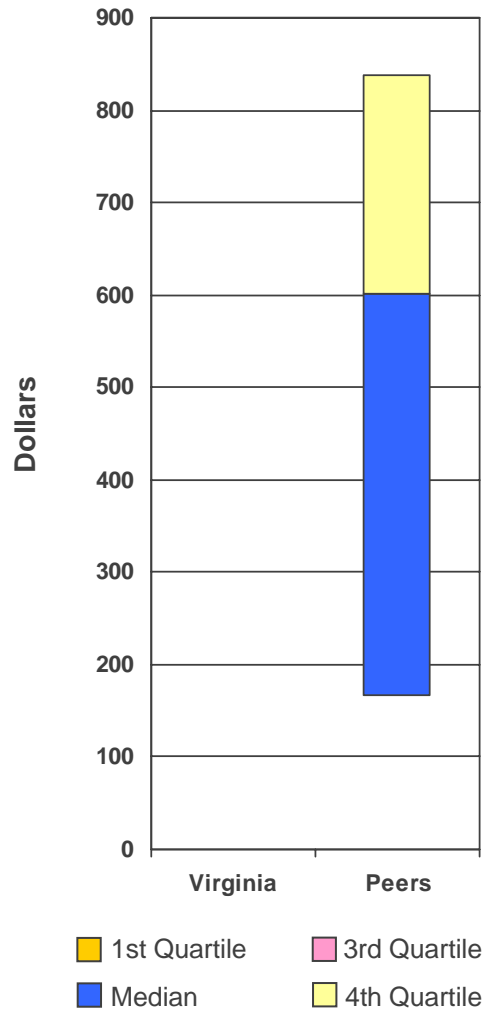
- Rank: 14 out of 17; Index: 29
- Virginia's unfavorable comparison results from limiting employer contributions to \$480/year
- Three peers provide plans funded with employee pre-tax dollars only
- Fourteen organizations (including Virginia) define all or part of the employer contribution via a matching formula
- Six peers also have non-matching employer contributions
- Total peer matching and non-matching employer contributions range from 1.75% to 18% (Virginia has a 50% match that is limited to \$480/year)

Defined Contribution (continued)



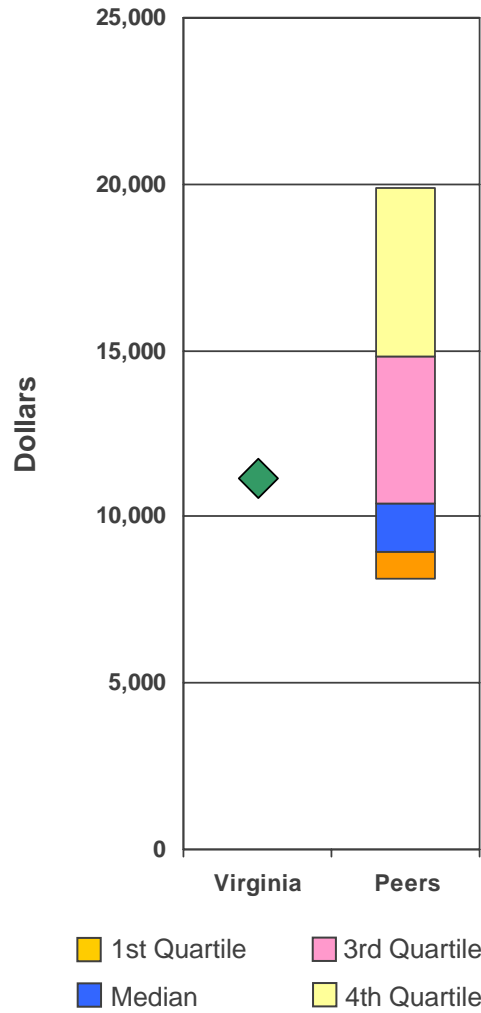
- Three peers require employees to contribute more than 6% of pay to obtain the maximum employer match
- Eleven peers provide excess plans removing legislated limits on salary and/or benefits

Stock Purchase



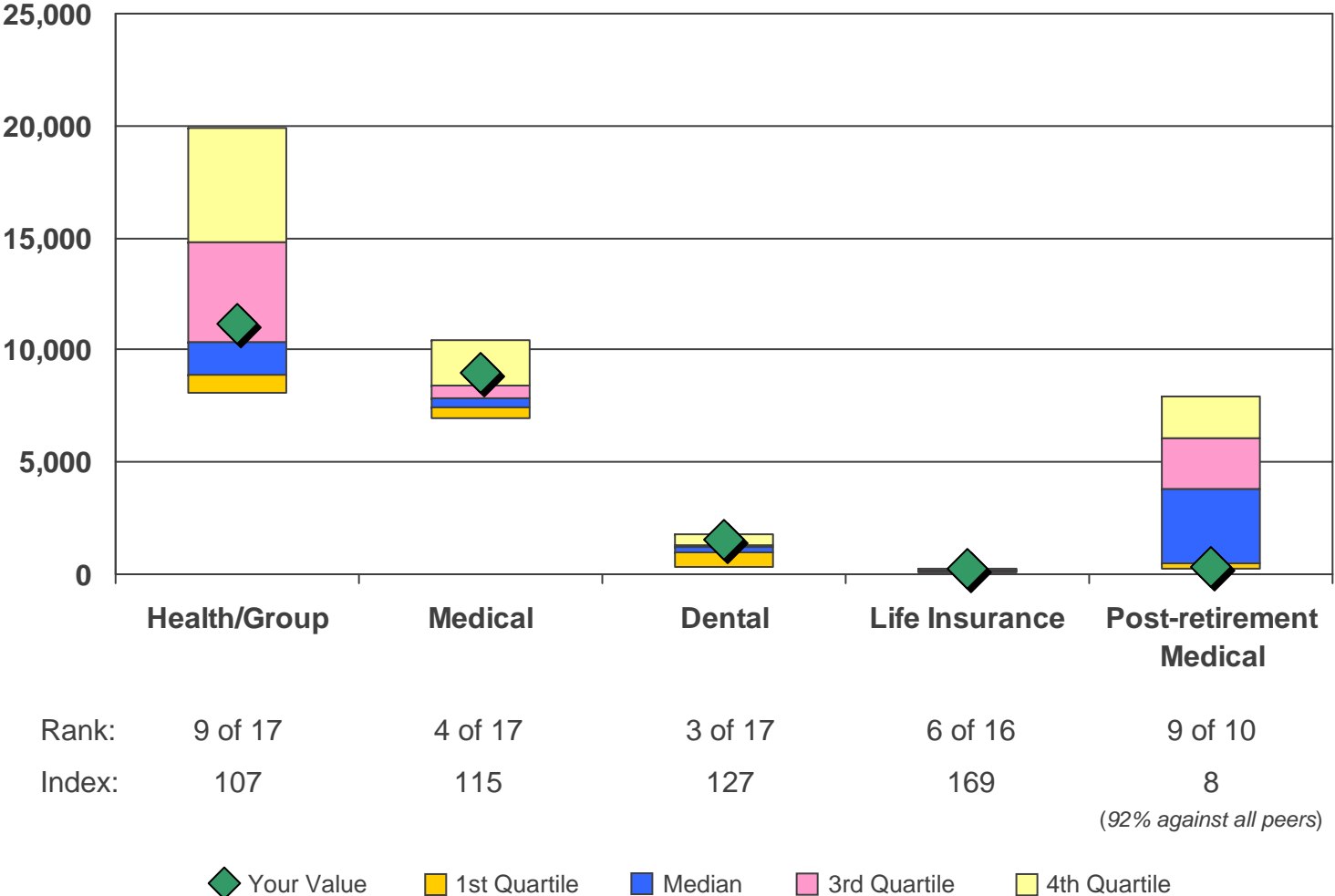
- Thirteen organizations (including Virginia) do not provide a stock purchase plan
- Five peers have stock purchase plans; one of these does not provide a discount, match or “look-back” feature, thus generating no value
- The remaining four peers provide stock price discounts ranging from 5%-15%
- One peer provides a “look-back” feature

Health/Group



- Rank: 9 out of 17; Index: 107
- Virginia's favorable comparison results from favorable comparisons in the medical, dental, and life insurance areas, offset by unfavorable comparisons in the health care and dependent care FSAs and post-retirement medical area
 - Medical index: 115
 - Dental index: 127
 - Life Insurance index: 169
 - Health Care FSA index: 79
 - Dependent Care FSA index: 83
 - Post-retirement medical index: 8
- Note: If the post-retirement medical median was calculated with all peers, Virginia's index would be 92

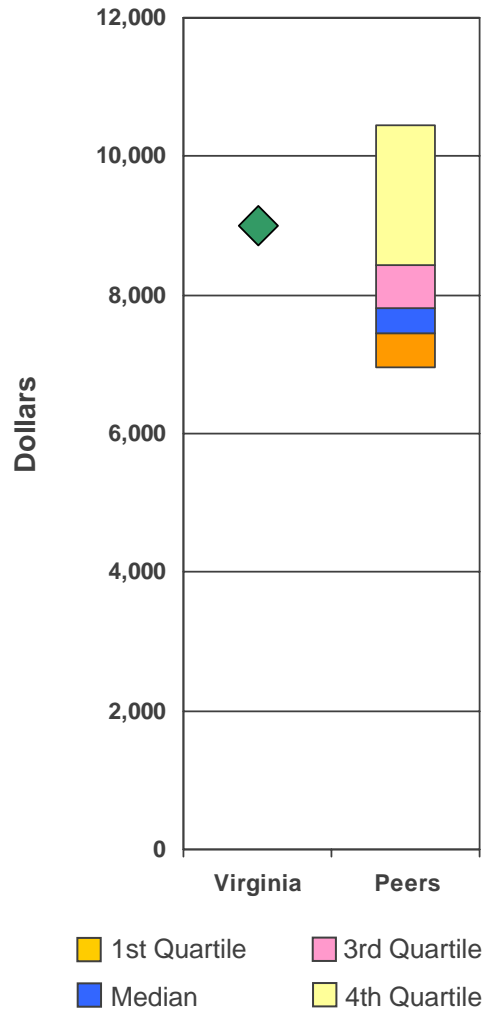
Health/Group (continued)



Rank:	9 of 17	4 of 17	3 of 17	6 of 16	9 of 10
Index:	107	115	127	169	8
					(92% against all peers)

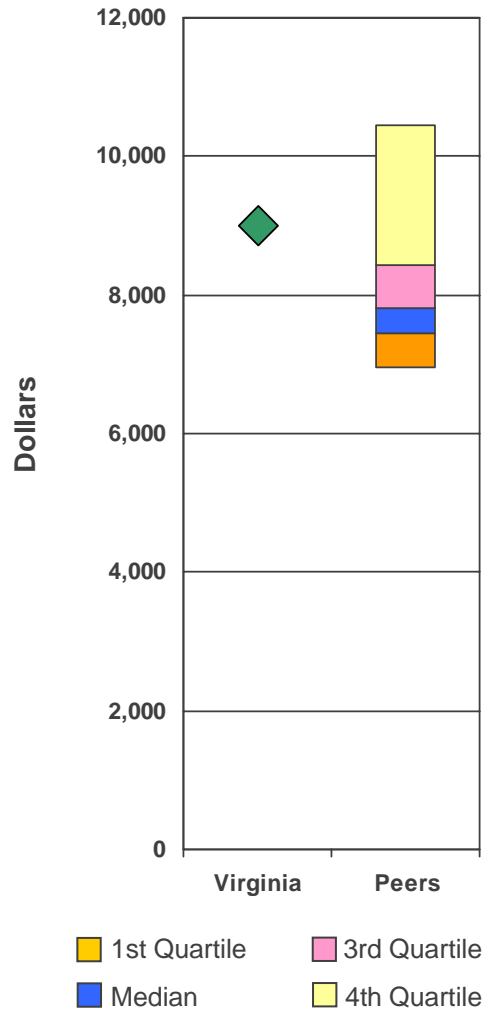
◆ Your Value
 ■ 1st Quartile
 ■ Median
 ■ 3rd Quartile
 ■ 4th Quartile

Medical



- Rank: 4 out of 17; Index: 115
- Virginia's favorable comparison results from having employee contributions that are low relative to the peer group offset by plan provisions that are slightly less rich than the peer group median
- The most prevalent medical plans were valued for all organizations; the COVA Care without Out-of-Network coverage was valued for Virginia
- HMO plans were valued for six peers
- PPO or POS plans were valued for ten peers; since most of the value for PPO and POS plans comes from inside network provisions, only inside network provisions are discussed on the following pages
- Two peers have similar participation in two PPOs; both plans were valued and weighted accordingly

Medical (continued)



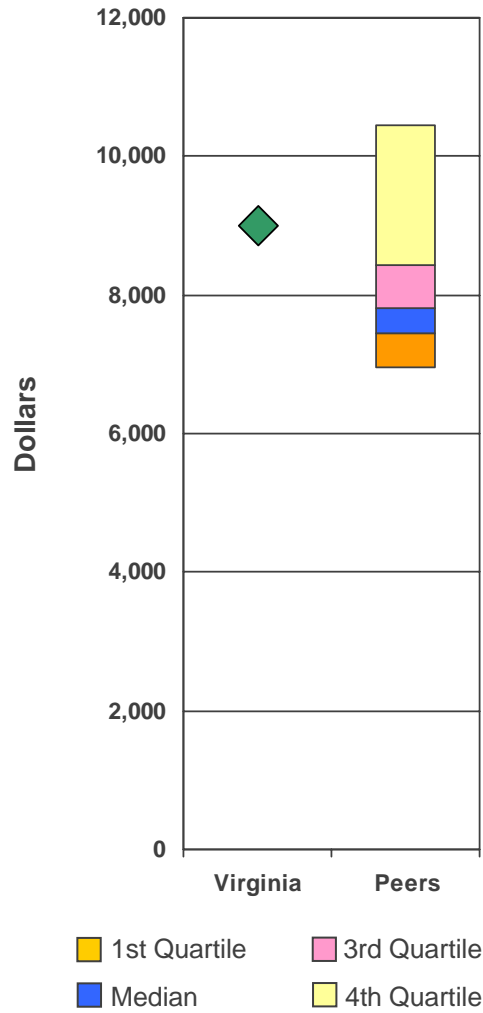
■ Deductibles

- Nine peers do not have deductibles
- One peer has a CDHP PPO with deductibles of \$1,000 individual and \$2,000 family, but has an HRA with employer contributions of \$750/\$1,500
- Deductibles for the remaining peers range from \$100 - \$600 individual and \$200 - \$792 family
- Virginia has \$200/\$400

■ Out-of-pocket limits

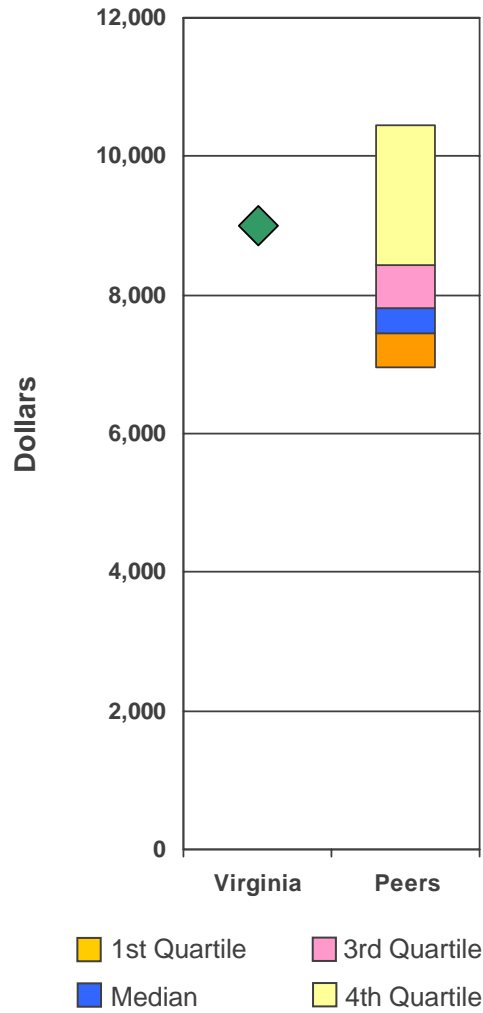
- Four peers do not have out-of-pocket limits
- Out-of-pocket limits for the remaining peers range from \$1,000 - \$5,000 individual and \$1,000/person - \$10,000 family
- Virginia has \$1,500/\$3,000

Medical (continued)



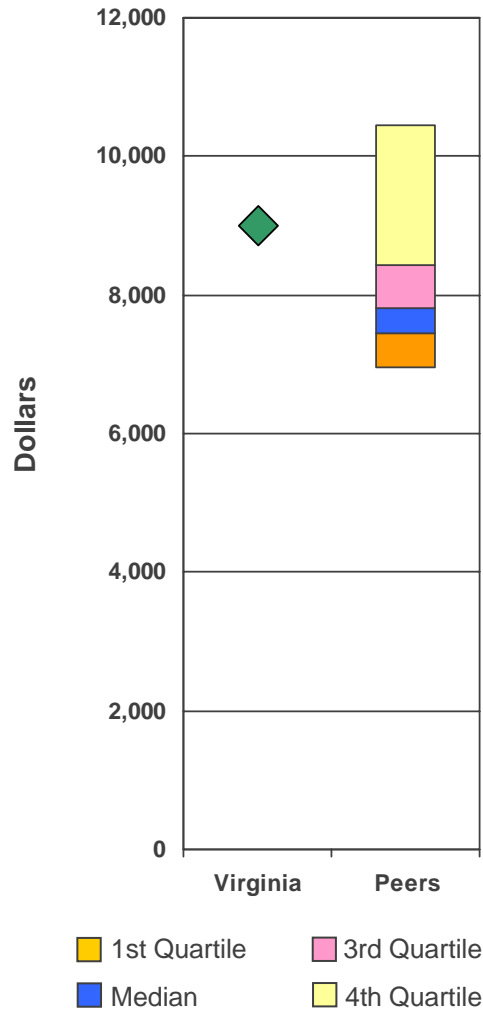
- Employee coinsurance/copayments
 - Most services
 - Eight peers do not have employee coinsurance
 - Coinsurance for the remaining peers range from 10% - 20%
 - Virginia does not have coinsurance
 - Office visits
 - Two peers have 20%
 - Copayments for the remaining peers range from \$10 - \$25
 - Median copayment of the peers is \$15
 - Virginia has \$25

Medical (continued)



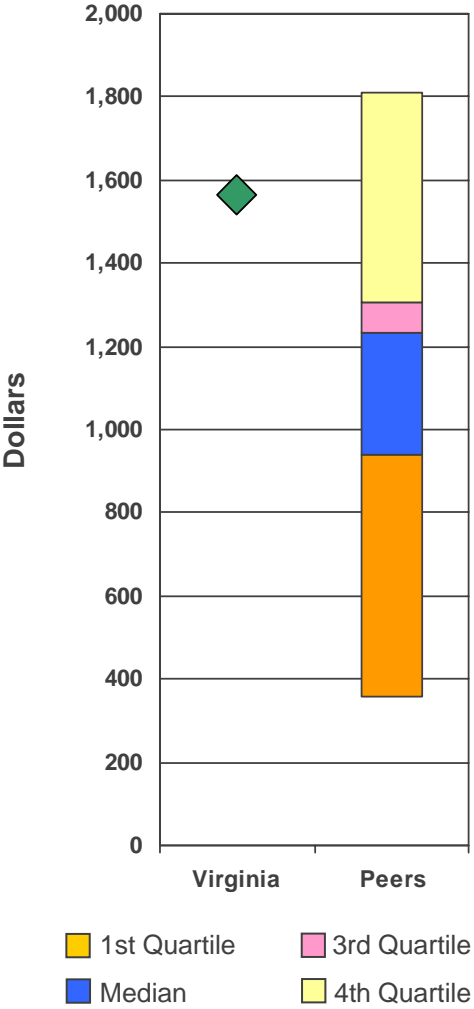
- Employee coinsurance/copayments (continued)
 - Inpatient hospital (base plan)
 - Four peers do not have separate copayments
 - Copayments for the remaining peers range from \$100/admission - \$300/admission
 - Five peers have fixed copayments in addition to coinsurance
 - Virginia has \$300/admission
- Prescription Drugs
 - Retail brand formulary (inside network)
 - Five peers have \$20 copayments
 - One has \$20 in one of its PPOs and \$25 in its other PPO
 - Two have \$25; one has \$30 three have \$35
 - One has 20%
 - One has 20% with a minimum of \$20
 - One has 25% with a minimum of \$20
 - One has 30%
 - Virginia has a \$20 copayment

Medical (continued)



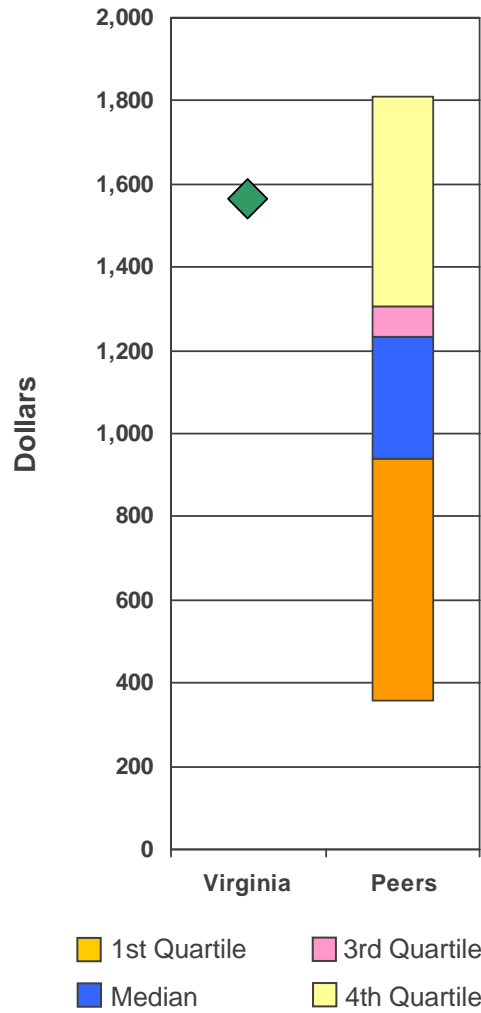
- Employee contributions
 - Contributions of the peers for employee only coverage range from 0% - 31% with a median of 20%
 - Contributions of the peers for dependent coverage range from 0% - 39% with a median of 28% - 30%
 - Virginia combines medical contributions with dental contributions; contributions are 10% for employee only coverage and 12% - 13% for dependent coverage

Dental



- Rank: 3 out of 17; Index: 127
- Virginia's favorable comparison results from employee contributions that are low relative to the peer group, offset slightly by having higher deductibles than the peer group median
- The most prevalent dental plans were valued for all organizations; the COVA Care with Non-Network Enhanced was valued for Virginia

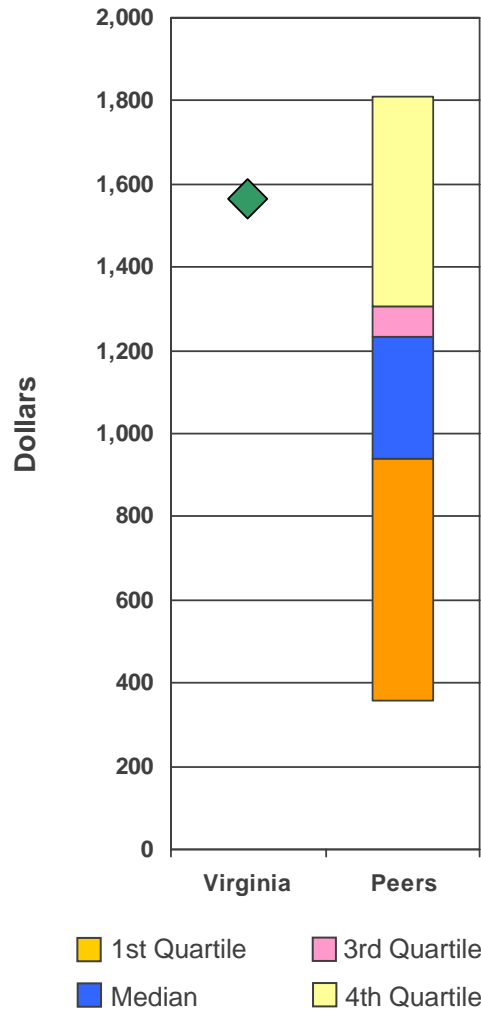
Dental (continued)



■ Deductibles

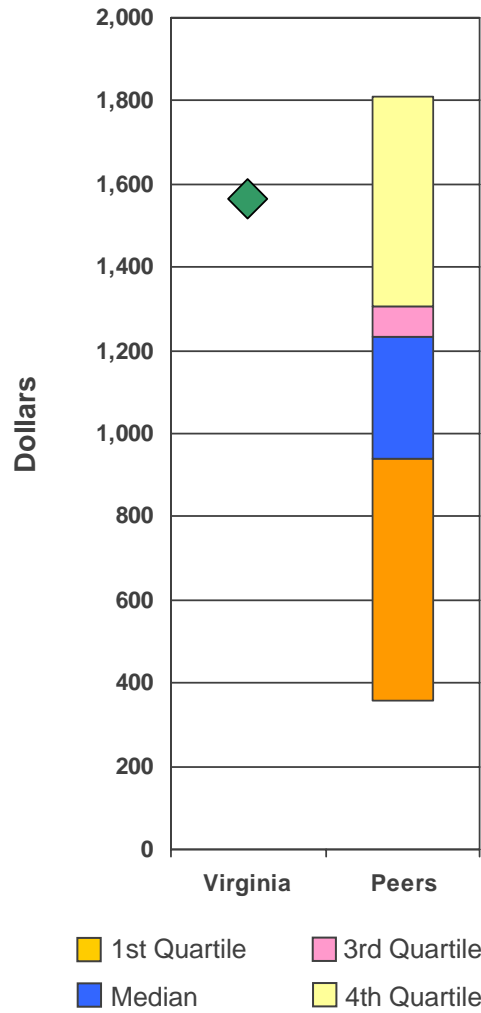
- Sixteen organizations (including Virginia) do not have deductibles for preventive services; one peer has \$50 individual and \$150 family
- Three peers do not have Basic/Major deductibles; deductibles for the peers range from \$25 - \$100 individual and \$25/person - \$150 family; Virginia has \$25/\$75
- Eleven peers do not have deductibles for orthodontia services; two peers have a \$50 lifetime deductible; deductibles for the remaining peers range from \$25 - \$50 individual and \$75 - \$150 family; Virginia has \$25/\$75

Dental (continued)



- Employee coinsurance
 - Fifteen peers do not have preventive coinsurance; one has 20%
 - Basic coinsurance ranges from 0% - 50% with a median of 20%
 - Major coinsurance ranges from 20% - 75% with a median of 50%
 - Orthodontia coinsurance is 50% for all peers
 - Virginia has 0%/20%/50%/50%

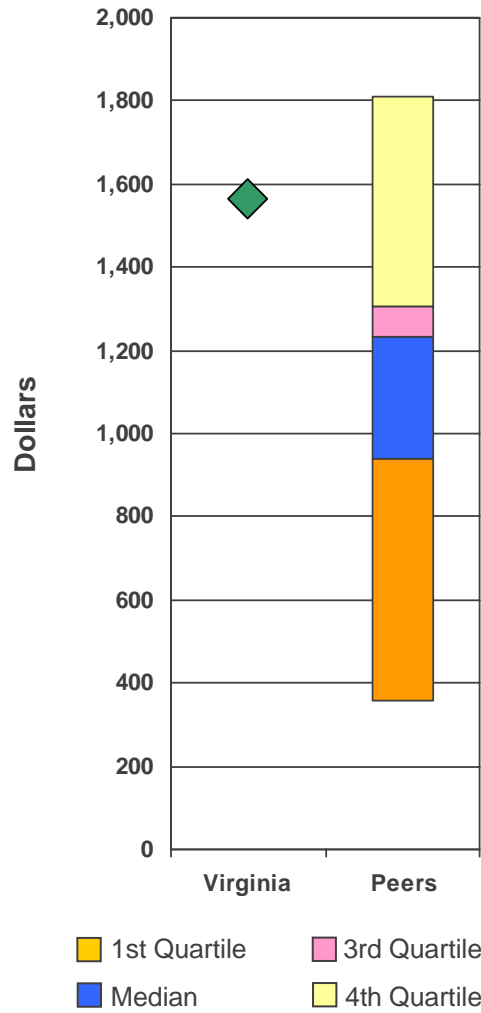
Dental (continued)



■ Maximums

- Annual maximums of the peers for preventive, basic, and major services range from \$1,000 - unlimited; Virginia has \$1,500
- Lifetime maximums of the peers for orthodontia services range from \$1,000 - unlimited; Virginia has \$1,200

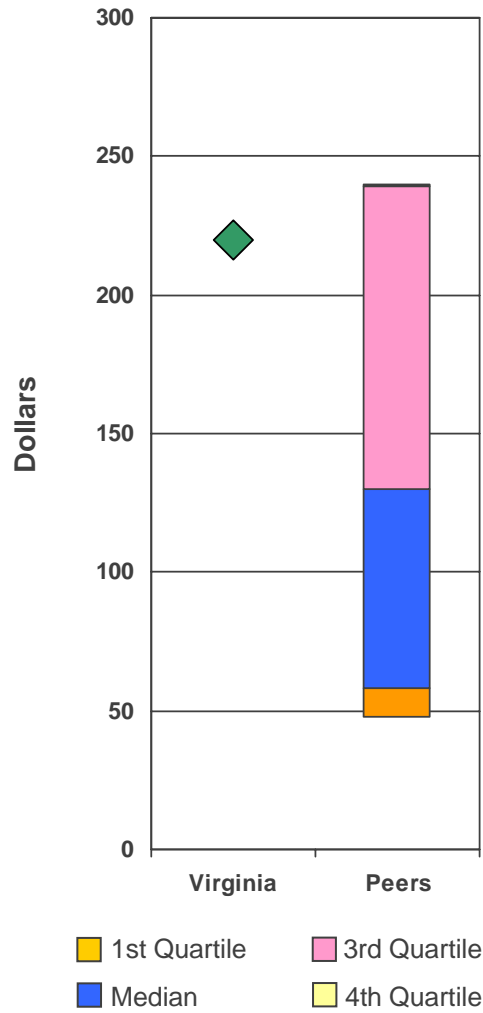
Dental (continued)



■ Employee contributions

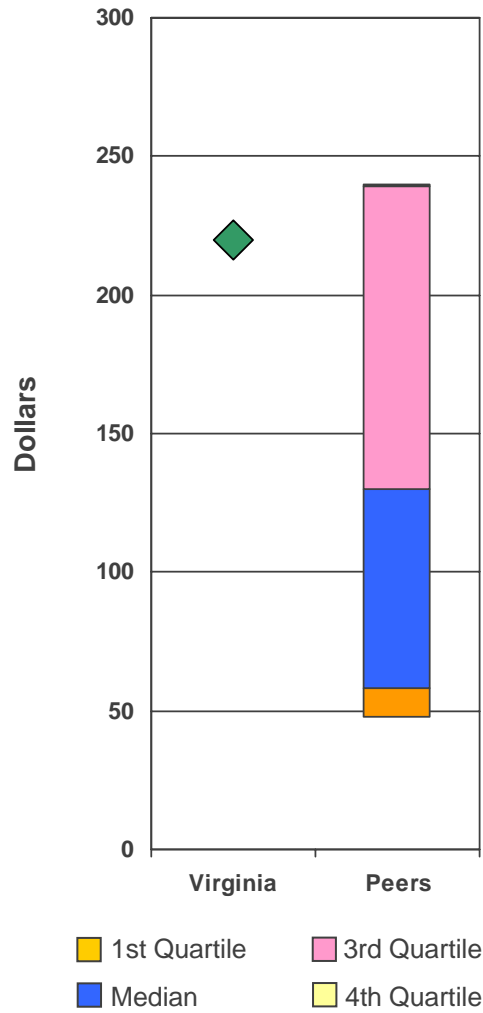
- Contributions of the peers for employee only coverage range from 0% - 100% with a median of 38%
- Contributions of the peers for dependent coverage range from 17% - 100% with a median of 45% - 50%
- Virginia combines dental contributions with medical contributions; contributions are 10% for employee only coverage and 12% - 13% for dependent coverage

Life Insurance



- Rank: 6 out of 16; Index: 169
- Virginia's favorable comparison results from its providing a 2 x pay benefit, which is high relative to the peer group
- One peer does not provide employer-paid life insurance, thus no value is generated
- Three peers require employees to pay a portion of the cost
- Basic life insurance
 - Five peers have 2 x pay
 - One has 1.5 x pay; one has 1.25 x pay
 - Seven have 1 x pay
 - One has a \$15K flat amount
 - Virginia has 2 x pay

Life Insurance (continued)

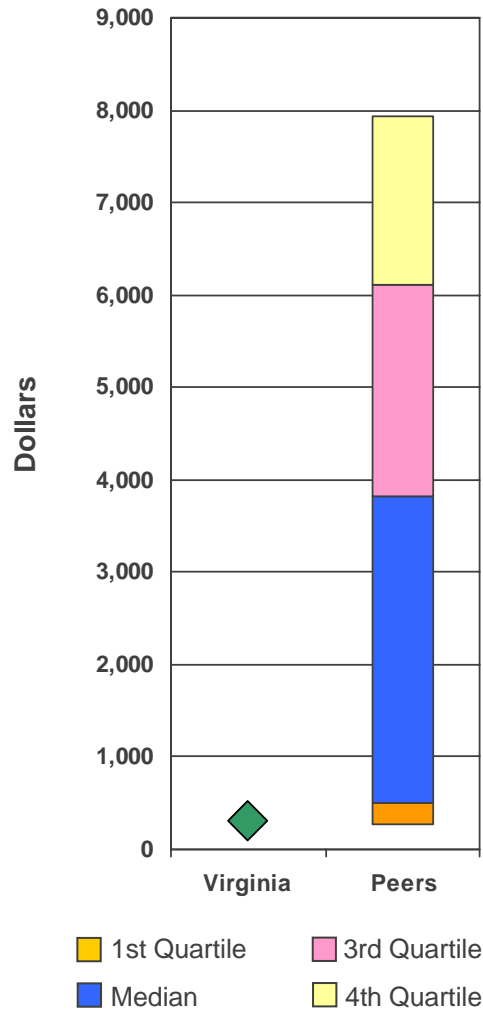


- Maximums for multiple-of-pay basic life benefits
 - Four peers have unlimited maximums
 - One has \$7M; one has \$2.5M
 - Three have \$1M; one has \$600K
 - One has \$500K; one has \$300K
 - Two have \$250K
 - Virginia has an unlimited maximum

Flexible Spending Accounts

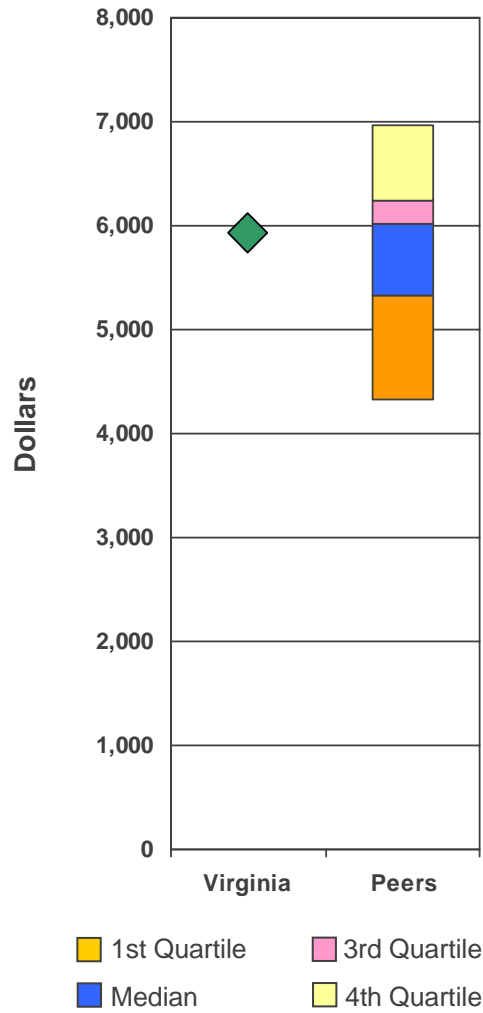
- All organizations (including Virginia) offer both Health Care and Dependent Care FSAs
- Two peers provide employer money in addition to an employee's own contributions to FSAs; one of these peers provides employer money only to the dependent care FSA
- The employee contribution limits on these plans exceed the projected need such that all peers have the same value for all employee profiles; Virginia's value is lower than the peers due to having lower average cash compensation

Post-retirement Medical



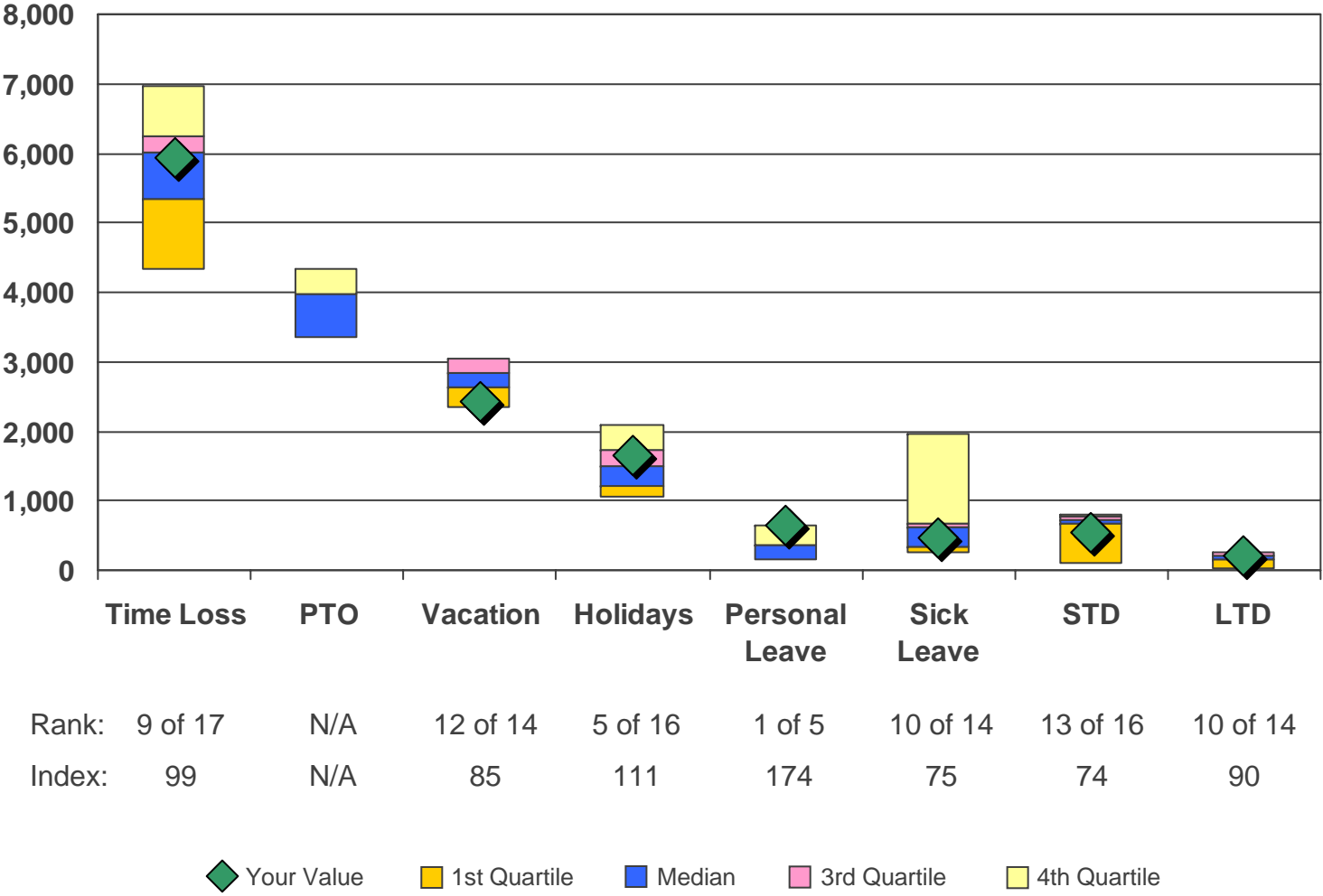
- Rank: 9 out of 10; Index: 8
- If peer median is calculated with all peers, Virginia's index would be 92
- Six peers do not provide any level of retiree coverage
- One peer does not have pre-65 coverage and has "access only" coverage for post-65 retirees
- Three organizations (including Virginia) provide a defined dollar amount retirees
- One peer provides only pre-65 coverage
- The remaining six peers provide both pre-65 and post-65 employer-subsidized coverage; two of these vary contributions by age and/or service

Time Loss



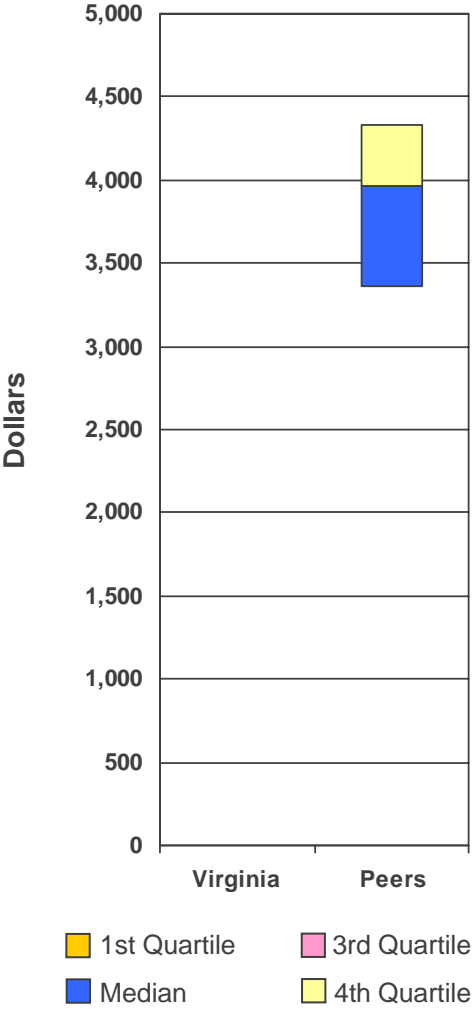
- Rank: 9 out of 17; Index: 99
- Virginia's position is driven by favorable comparisons in the holidays and personal leave areas, offset by unfavorable comparisons in the vacation, sick leave, STD and LTD areas
 - Vacation index: 85
 - Holidays index: 111
 - Personal Leave index: 174
 - Sick Leave index: 75
 - STD index: 74
 - LTD index: 90
- Many of the unfavorable comparisons in the Time Loss area are partly due to the fact that average cash compensation for Virginia is lower than the peers

Time Loss (continued)



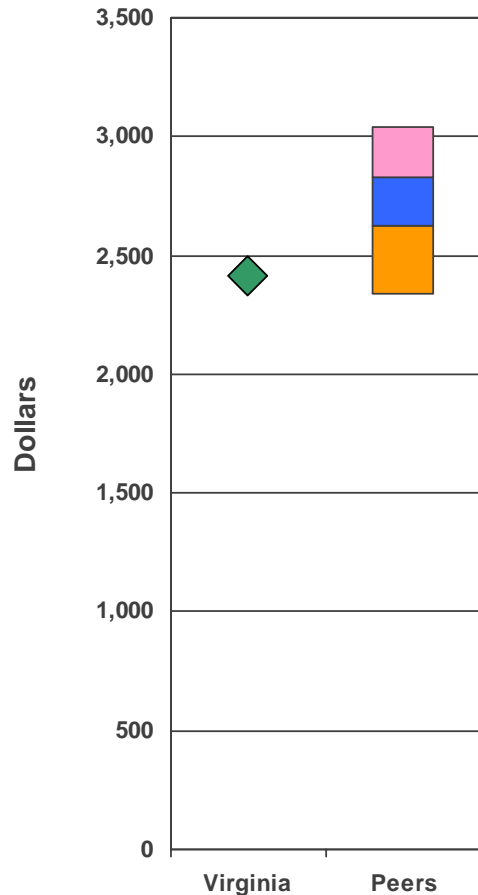
◆ Your Value
 ■ 1st Quartile
 ■ Median
 ■ 3rd Quartile
 ■ 4th Quartile

Paid Time Off



- Fourteen organizations (including Virginia) do not provide a paid time off plan
- Three peers provide a PTO plan
- Two of these peers maintain separate paid holidays from the paid time off allocation
- One of these peers ultimately provides more Paid Leave value than Virginia; Paid Leave includes paid time off, vacation, holidays, personal leave, and sick leave

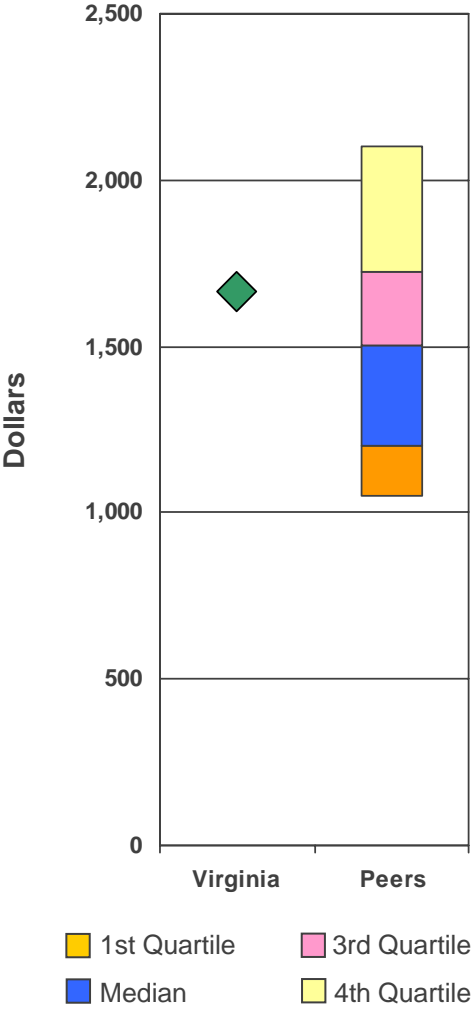
Vacation



■ 1st Quartile ■ 3rd Quartile
■ Median ■ 4th Quartile

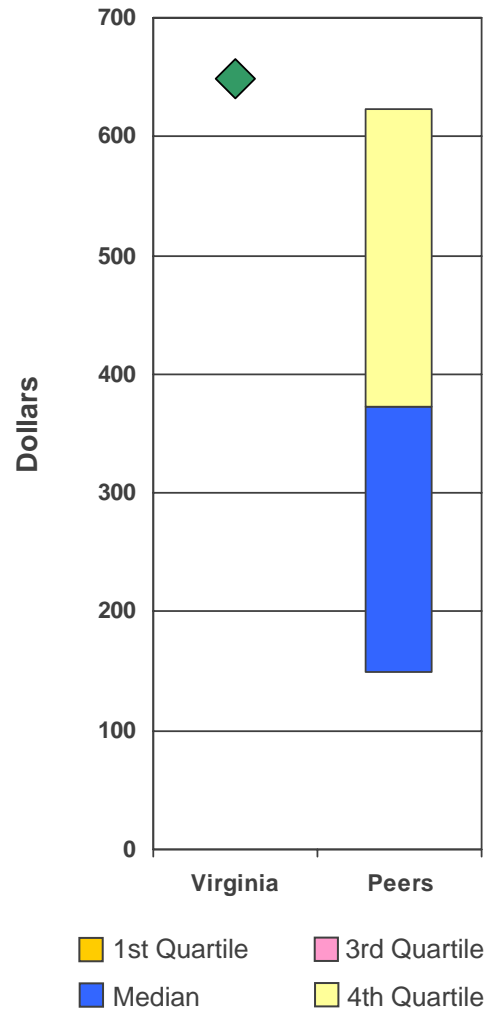
- Rank: 12 out of 14; Index: 85
 - Virginia provides a fewer number of vacation days than the median number at all service levels examined except years 1, 15 and 25
 - Virginia also compares unfavorably due to cash compensation being lower than the peer group
- | Median days | <u>Virginia</u> | <u>Peers</u> |
|-------------|-----------------|--------------|
| – Year 1: | 12 | 10 |
| – Year 5: | 15 | 16 |
| – Year 10: | 18 | 20 |
| – Year 15: | 21 | 20 |
| – Year 20: | 24 | 25 |
| – Year 25: | 27 | 26 |

Holidays



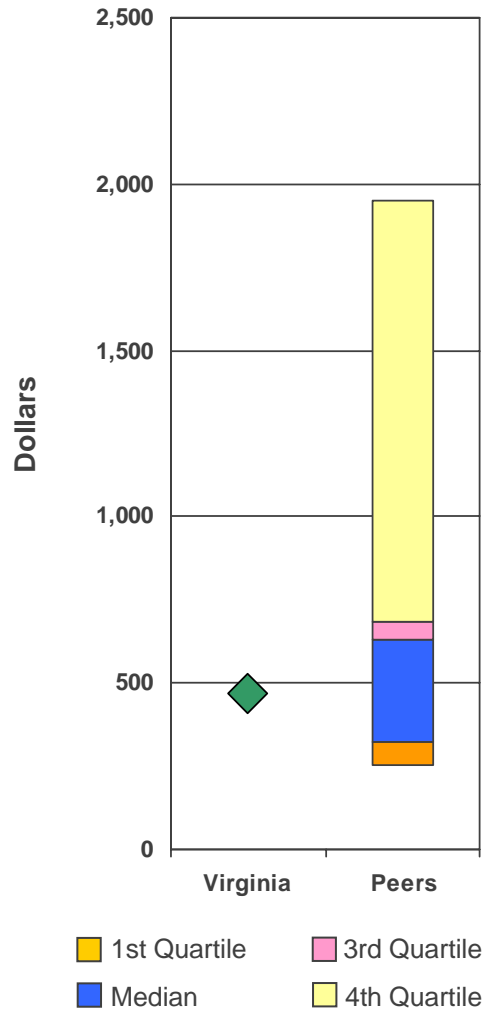
- Rank: 5 out of 16; Index: 111
- Virginia provides 12 holidays
- One peer combines holidays with PTO
- Holidays provided by the remaining peers range from 7 to 14 days with a median of 10 days

Personal Leave



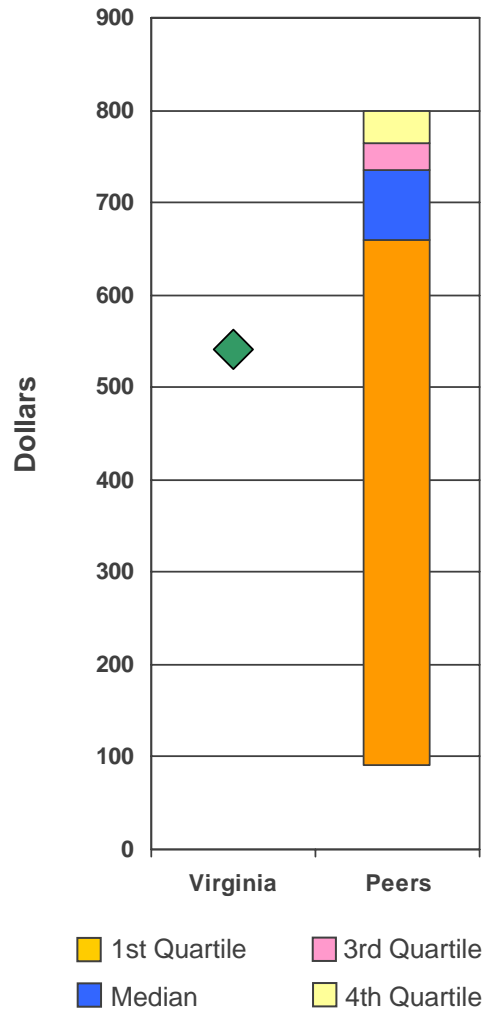
- Rank: 1 out of 5; Index: 174
- Virginia provides 4-5 personal days based on service
- Twelve peers do not provide personal days; three of these include personal days in their paid time off plan
- One peer allows employees to use sick leave as personal leave; 5 days for exempt employees (3.25 days valued) and 9 days for nonexempt employees (5.85 days valued)
- Personal days granted by the remaining peers range from 1 - 3 days

Sick Leave



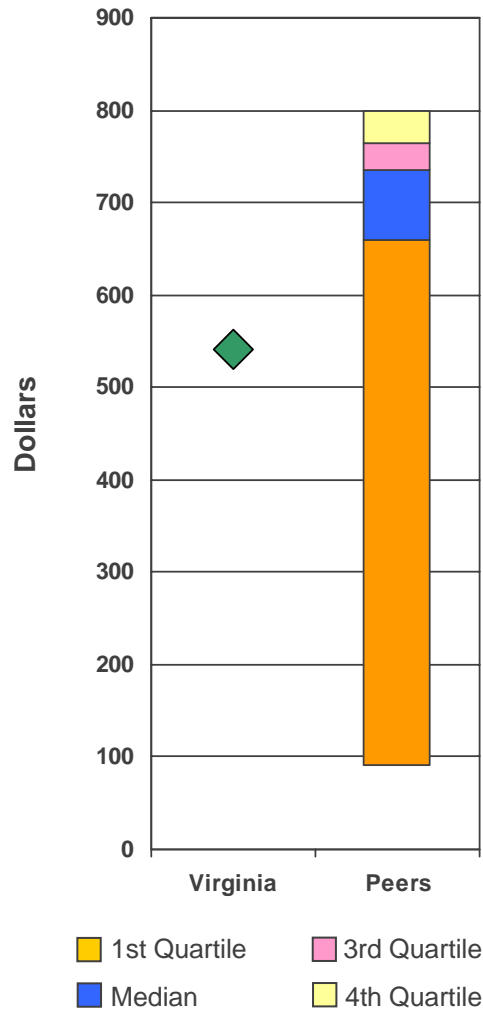
- Rank: 10 out of 14; Index: 75
- Virginia grants 8 - 10 days based on service; its unfavorable comparison is also due to having cash compensation that is lower than the peers
- Three peers do not provide a sick leave plan and use PTO or salary continuation to cover sick leave
- Two peers leave sick leave to management discretion (10 days were valued)
- Sick leave provided by the remaining peers ranges from 5 to 13 days with a median of 12 days
- Eight peers allow carryover of sick leave; one up to 60 days; the rest have unlimited carryover
- Two peers allow cash-out of sick leave at termination and/or retirement; one of these allows cash-out only to nonexempt employees

STD



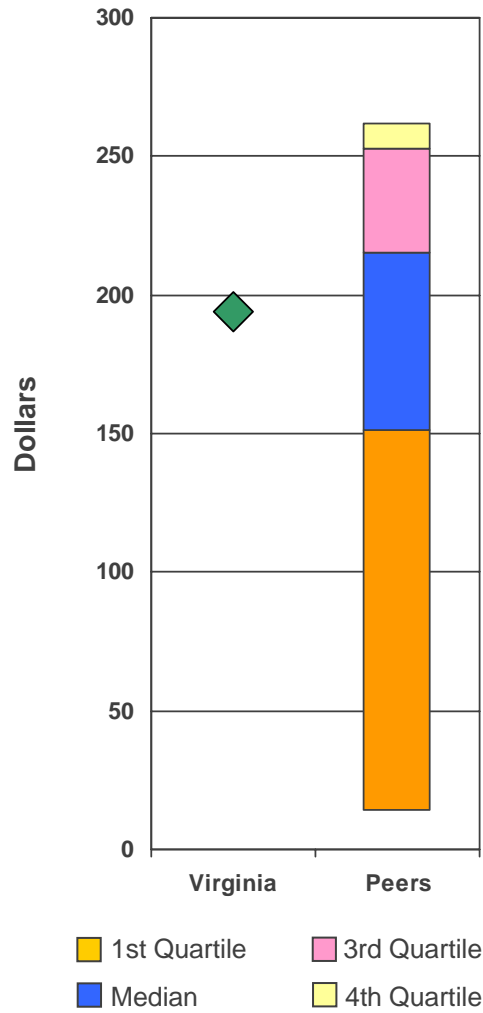
- Rank: 13 out of 16; Index: 74
- STD benefit values are based on amounts payable in the first 6 months of disability, including sick leave carryover and LTD starting before 6 months
- Virginia's plan compares unfavorably because it does not allow sick leave carryover and has a maximum 100% benefit of 5 weeks; this is combined with having lower cash compensation
- Eight peers either do not have a formal STD plan or require employees to pay 100% of the cost; seven of these use sick leave carryover and/or LTD to cover the 26-week period

STD (continued)



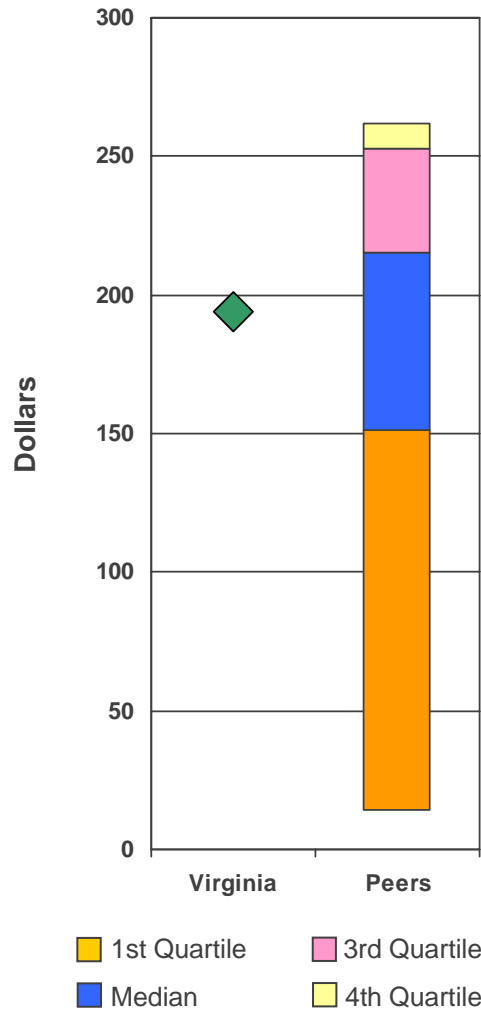
- Six organizations (including Virginia) provide a 100% benefit for at least some portion of the 26-week period
- The waiting period of the peers for benefits to begin ranges from 0 to 30 days for accidents, sickness, or hospitalization; Virginia requires 7 days
- No organization (including Virginia) limits the weekly benefit

LTD

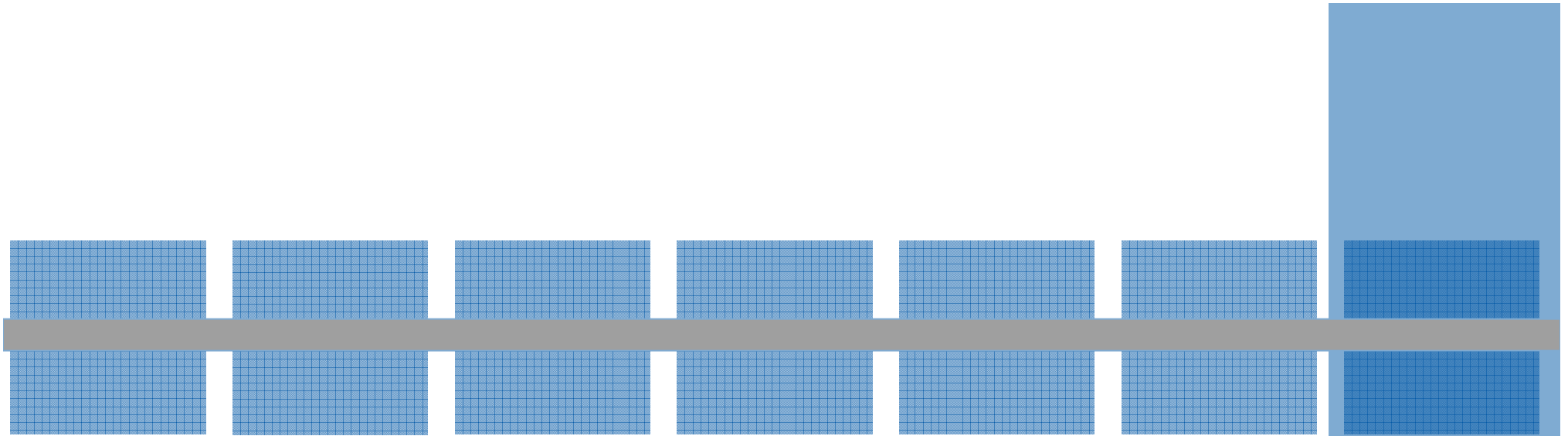


- Rank: 10 out of 14; Index: 90
- LTD benefit values are based on amounts payable after 6 months of disability
- Virginia compares unfavorably due to having lower cash compensation
- Four peers require employees to pay 100% of the cost of LTD; one of these provides a very small value attributed to STD lasting longer than 6 months
- Benefit levels
 - One peer has 67% of pay
 - Eight peers provide 60%
 - Three peers provide 50%
 - Virginia provides 60%

LTD (continued)



- Six organizations (including Virginia) do not have a maximum monthly benefit amount; maximums for the remaining peers range from \$2,500 - \$20,833 per month
- Nine organizations (including Virginia) offset the benefit with the family Social Security amount; four peers offset the benefit with the individual amount

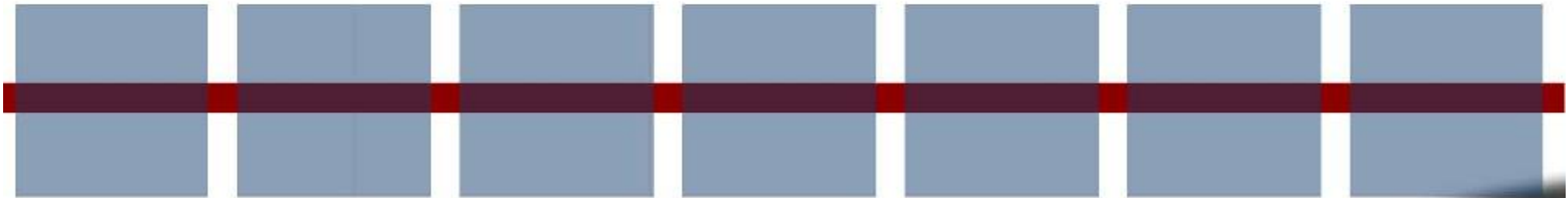


Appendix II

MERCER



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN



February 2008

Benefits Valuation Report Executive Summary

Prepared for:
JLARC/Commonwealth of Virginia



Consulting. Outsourcing. Investments.

Benefits Valuation Report

- Quantifies the relationship of the value of JLARC/Commonwealth of Virginia's benefits to the value of benefits provided by its selected peers
- Focus is on employer-provided value
- "Value" is determined from the employee's perspective, i.e., dollar values represent the amount of pre-tax dollars required for the employee to purchase or reproduce the benefit outside of employment with the organization
- Aggregate plan values reported on a Total Benefits basis
 - Total Benefits is the sum of Retirement/Savings, Health/Group, and Time Loss
- The plans that are valued are those plans that are provided to newly-hired employees; "grandfathered" or "frozen" plans are not considered in the valuation

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer



Peer Group

- Commonwealth of Kentucky
- State of Georgia
- State of Maryland
- State of North Carolina
- State of South Carolina
- State of Tennessee
- State of West Virginia

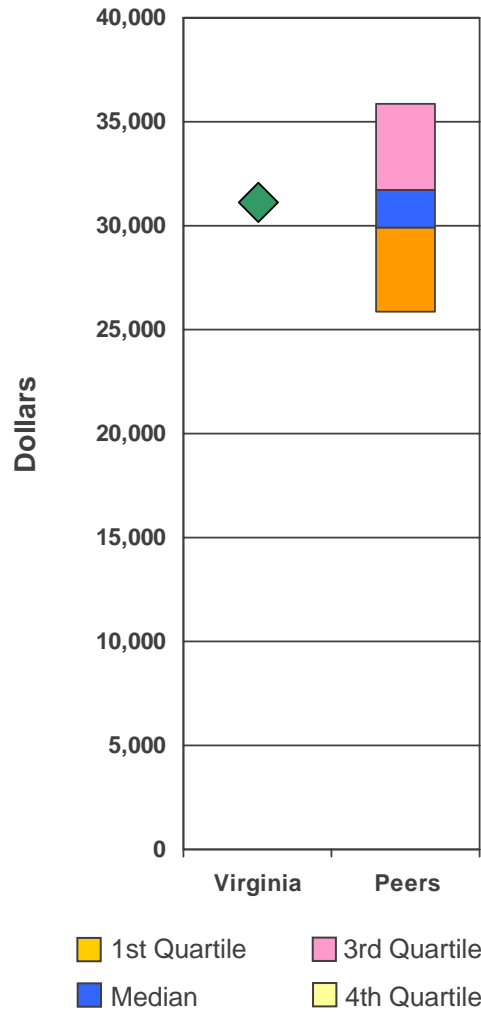
About the Charts

- The green diamond (Virginia) represents JLARC/Commonwealth of Virginia's value
- The stacked bar (Peers) illustrates the distribution of observed values among the peer group. On the peer stacked bar:
 - The orange segment represents the 1st quartile (25th percentile) value, i.e., 25% of the observed values fall below this level
 - The blue segment represents the median (50th percentile) value, i.e., 50% of the observed values fall below this level
 - The pink segment represents the 3rd quartile (75th percentile) value, i.e., 75% of the observed values fall below this level
 - The yellow segment represents the 4th quartile (100th percentile) value, i.e., 100% of the observed values fall below this level
- The values shown are values for the composite workforce; values for the 11 individual employee profiles are shown in the Employee Profile Comparisons section of the Benefits Valuation Report

About the Charts (continued)

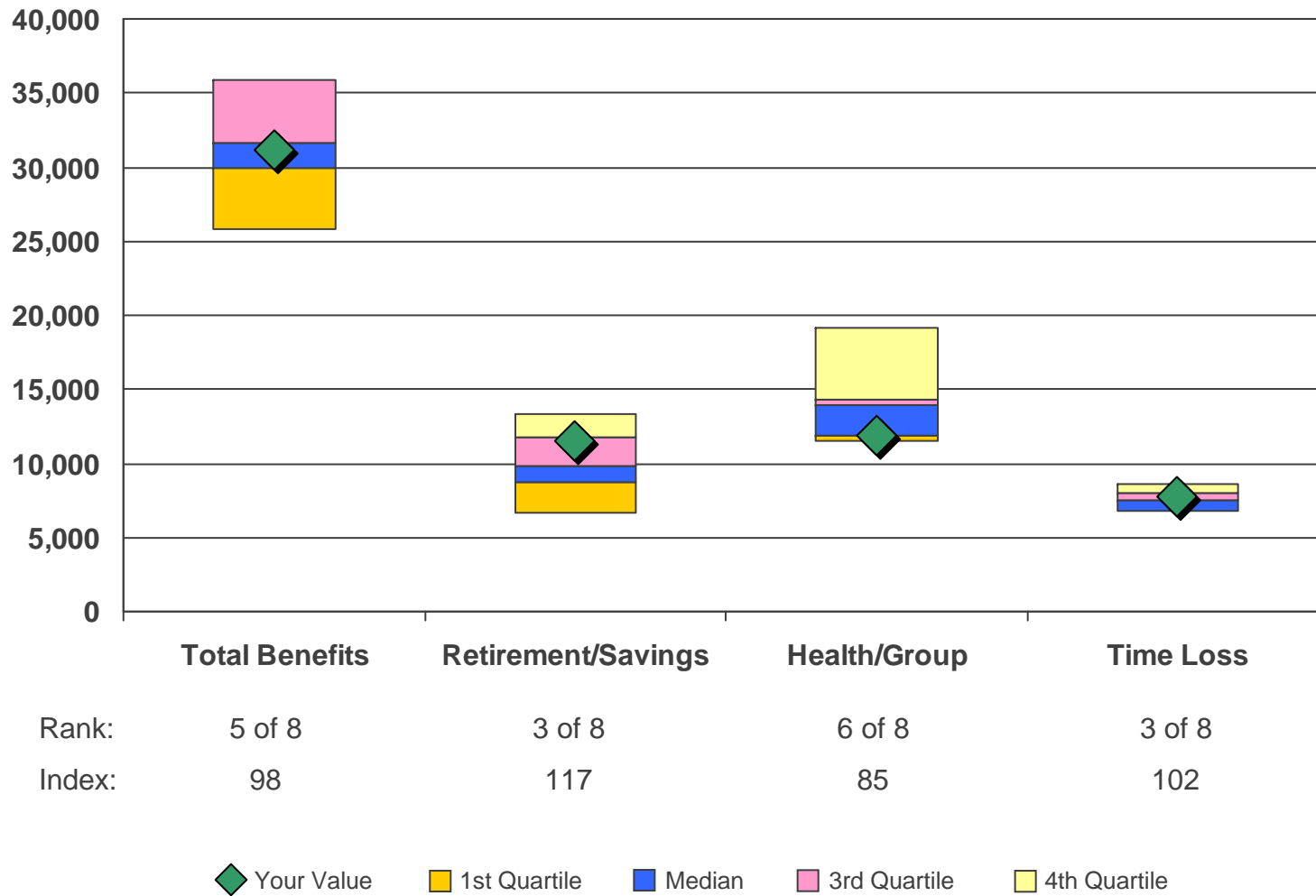
- Index is the percentage relationship of your values to the median values of the peer group -- 100 represents the median
- Rank is the ordered position of your value for a benefit or total when compared to all organizations with that benefit
 - A rank of 1 signifies the highest value
 - When your organization ties in value with another organization or organizations, your rank will be the higher position

Total Benefits



- Rank: 5 out of 8; Index: 98
- Virginia's position is driven by a favorable comparison in the Retirement/Savings area combined with a competitive comparison in the Time Loss area, offset by an unfavorable comparison in the Health/Group area
 - Retirement/Savings index: 117
 - Health/Group index: 85
 - Time Loss index: 102

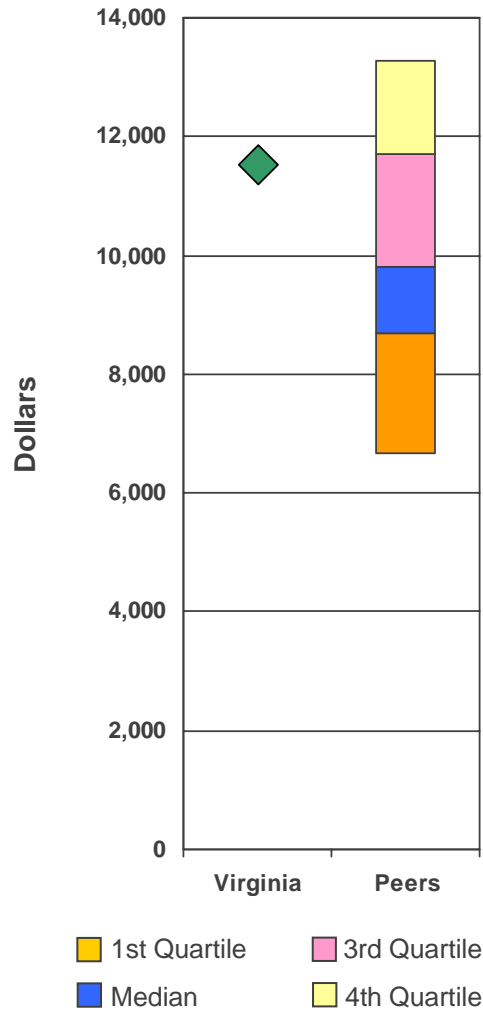
Total Benefits (continued)



	Total Benefits	Retirement/Savings	Health/Group	Time Loss
Rank:	5 of 8	3 of 8	6 of 8	3 of 8
Index:	98	117	85	102

◆ Your Value
 ■ 1st Quartile
 ■ Median
 ■ 3rd Quartile
 ■ 4th Quartile

Retirement/Savings



- Rank: 3 out of 8; Index: 117
- Virginia's position is driven by favorable comparisons in the defined benefit and defined contribution areas
 - Defined benefit index: 113
 - Defined contribution index: 169
- All eight organizations (including Virginia) offer both a defined benefit and defined contribution plan

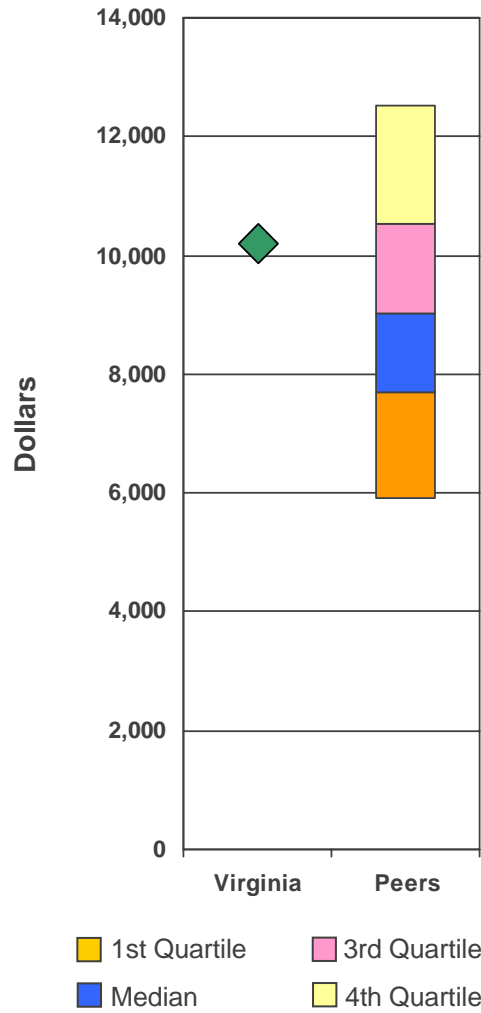
Retirement/Savings (continued)



Rank:	3 of 8	3 of 8	1 of 8	N/A
Index:	117	113	169	N/A

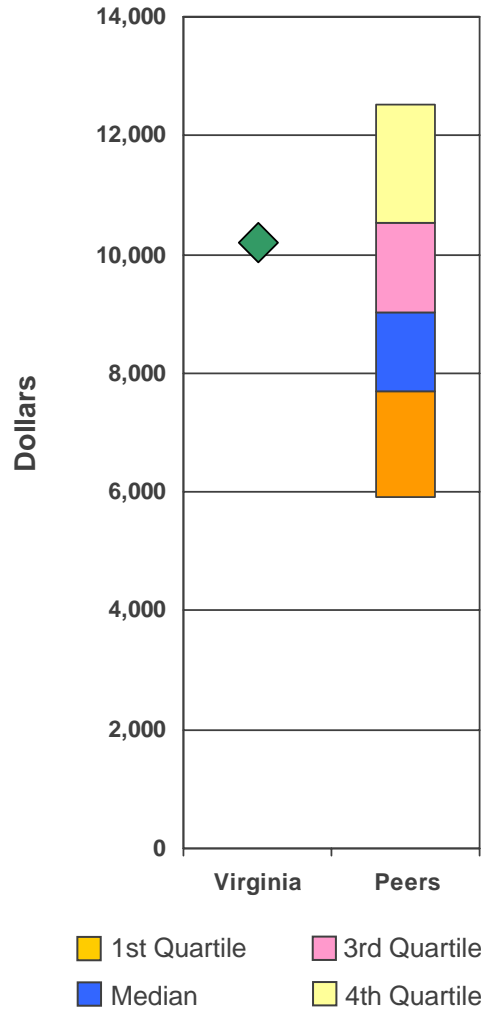
◆ Your Value
 ■ 1st Quartile
 ■ Median
 ■ 3rd Quartile
 ■ 4th Quartile

Defined Benefit



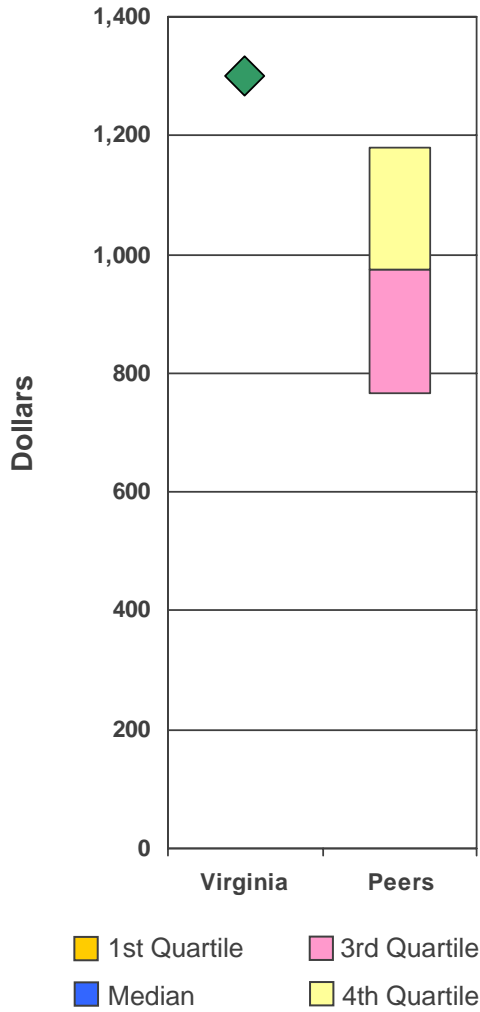
- Rank: 3 out of 8; Index: 113
- The two peers that rank ahead of Virginia have a richer benefit formula
- Plan types
 - One peer uses 2-year final average pay
 - Three use 3-year final average pay
 - One uses 4-year final average pay
 - Two have 5-year final average pay
 - Virginia uses 3-year final average pay
- Six organizations (including Virginia) provide unreduced benefits at certain age and/or service levels

Defined Benefit (continued)



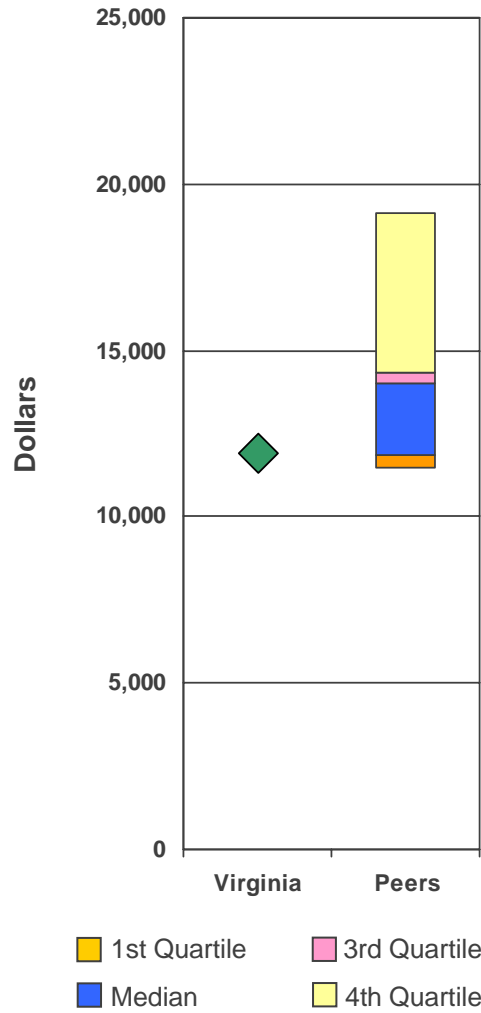
- Six organizations (including Virginia) provide annual cost-of-living adjustments
- No organization (including Virginia) provides temporary benefits to early retirees
- Six peers require employee contributions
- No organization (including Virginia) provides excess plans removing legislated limits on salary and/or benefits

Defined Contribution



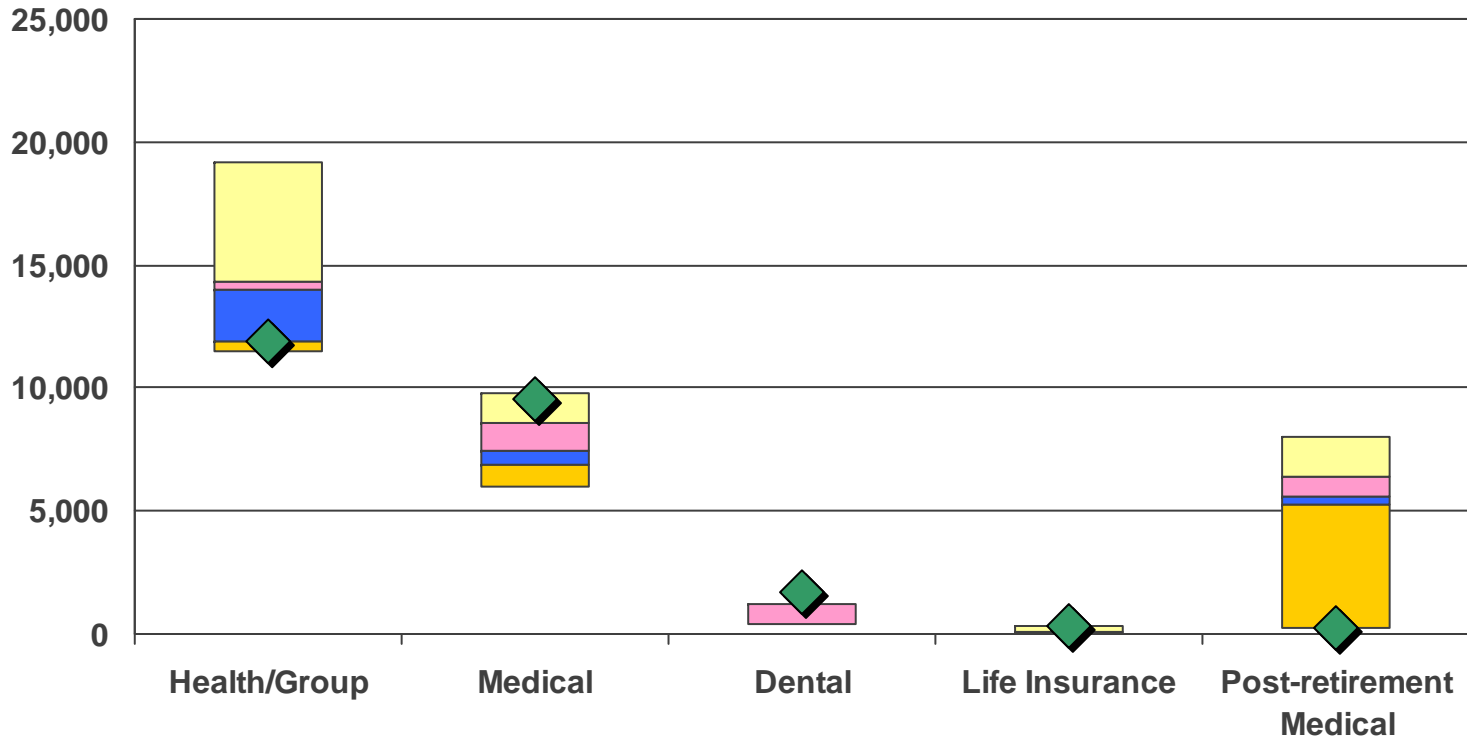
- Rank: 1 out of 8; Index: 169
- Six peers provide plans funded with employee pre-tax dollars only
- Virginia and the remaining peer both match employee contributions 100% up to \$480/year
- Three organizations (including Virginia) include bonus in the pay definition
- No organization (including Virginia) provides excess plans removing legislated limits on salary and/or benefits

Health/Group



- Rank: 6 out of 8; Index: 85
- Virginia's position results from favorable comparisons in the medical, dental, and life insurance areas combined with competitive comparisons in the health care and dependent care FSA areas, offset by an unfavorable comparison in the post-retirement medical area
 - Medical index: 128
 - Dental index: 376
 - Life Insurance index: 468
 - Health Care FSA index: 100
 - Dependent Care FSA index: 100
 - Post-Retirement Medical index: 4

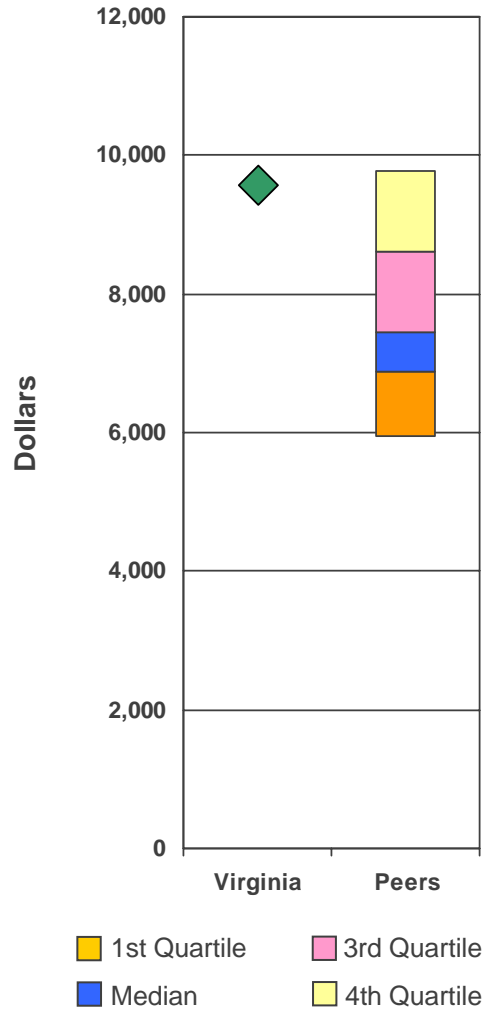
Health/Group (continued)



Rank:	6 of 8	2 of 8	1 of 8	1 of 5	8 of 8
Index:	85	128	376	468	4

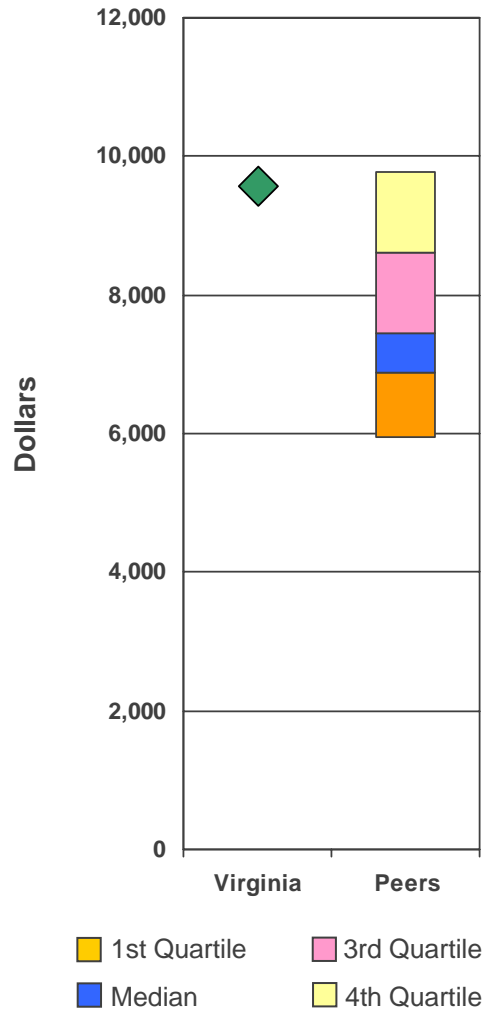
◆ Your Value
 ■ 1st Quartile
 ■ Median
 ■ 3rd Quartile
 ■ 4th Quartile

Medical



- Rank: 2 out of 8; Index: 128
- Virginia's favorable comparison results from having employee contributions that are low relative to the peer group combined with plan provisions that are competitive with the peer group
- The most prevalent medical plans were valued for all organizations; the COVA Care without Out-of-Network coverage was valued for Virginia
- HMO plans were valued for two peers
- An indemnity plan was valued for one peer
- PPO or POS plans were valued for four peers; since most of the value for PPO and POS plans comes from inside network provisions, only inside network provisions are discussed on the following pages

Medical (continued)



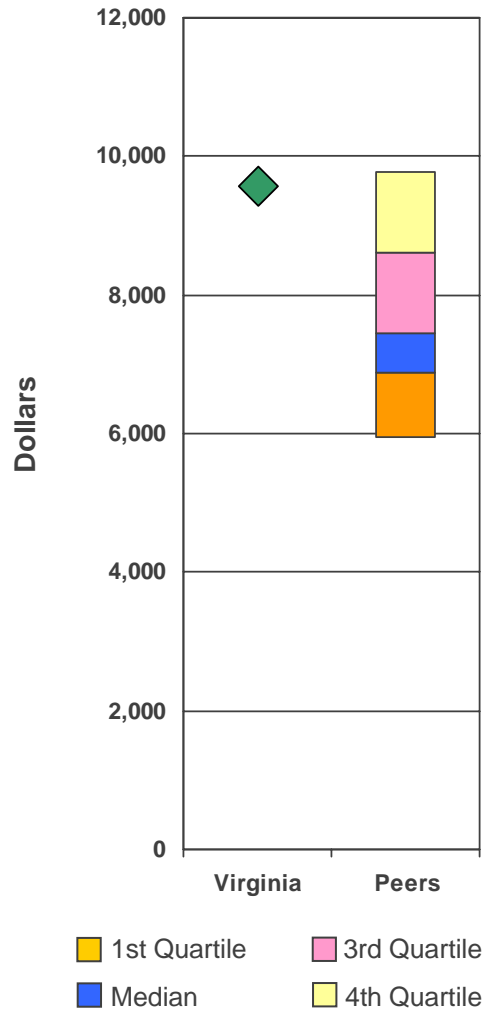
■ Deductibles

- Two peers do not have deductibles
- Deductibles for the remaining peers range from \$250 - \$500 individual and \$500 - \$1,500 family; Virginia has \$200/\$400

■ Out-of-pocket limits

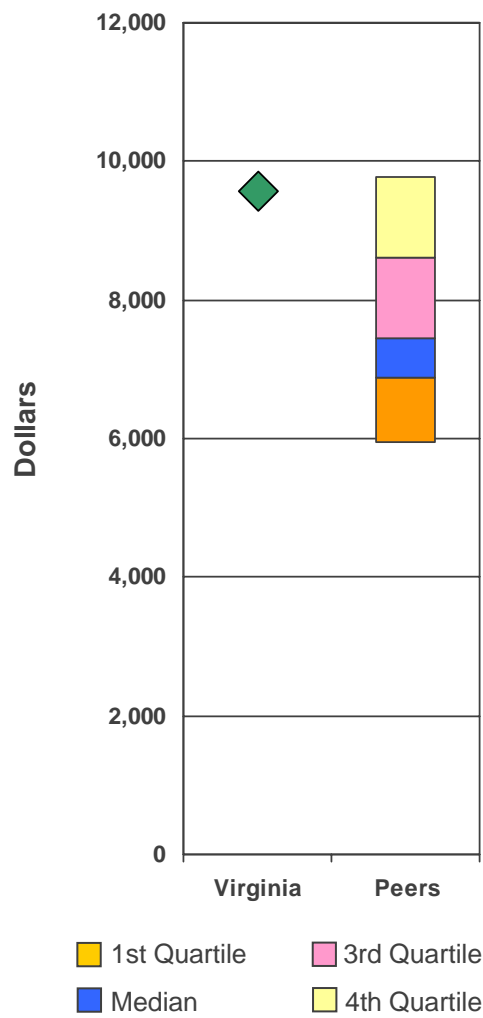
- One peer does not have out-of-pocket limits
- Out-of-pocket limits for the remaining peers range from \$1,100 - \$2,350 individual and \$2,200 - \$6,000 family; Virginia has \$1,500/\$3,000

Medical (continued)



- Employee coinsurance/copayments
 - Most services
 - One peer does not have employee coinsurance
 - Three have 10%; three have 20%
 - Virginia does not have coinsurance
 - Office visits
 - Two peers have a \$10 copayment
 - One has \$15; one has \$30
 - One has 10%
 - One has \$10 plus 20%
 - One has \$15 plus 20%
 - Virginia has \$25

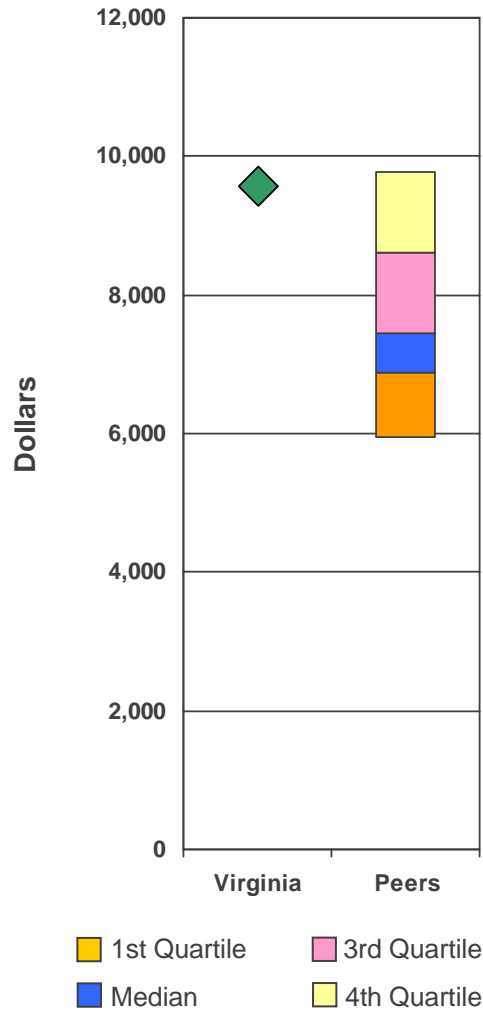
Medical (continued)



- Employee coinsurance/copayments (continued)
 - Inpatient hospital (base plan)
 - Two peers have \$250/admission plus 10% coinsurance
 - One has \$150/admission plus 20% coinsurance
 - Virginia has \$300/admission

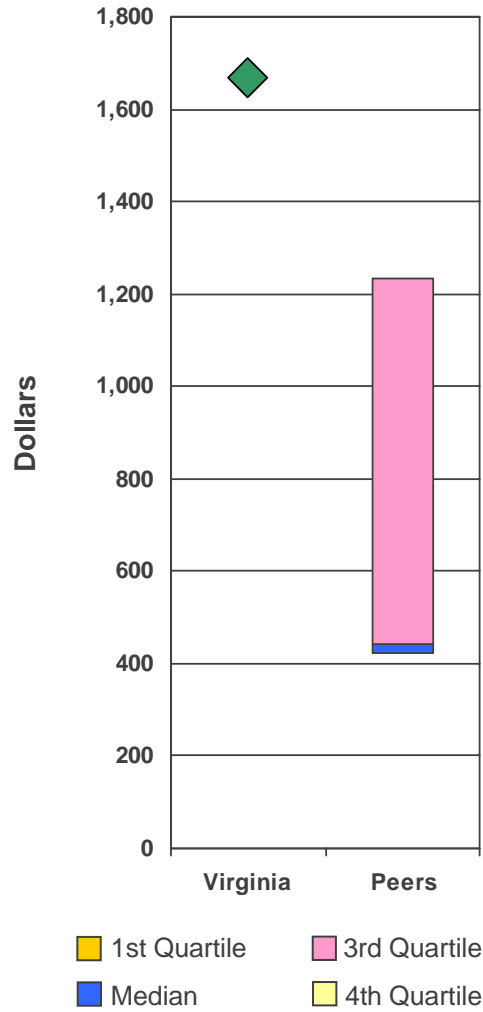
- Prescription Drugs
 - Retail brand formulary (inside network)
 - Two peers have \$15 copayments
 - Two have \$20; two have \$25
 - One has \$30
 - Virginia has a \$20 copayment

Medical (continued)



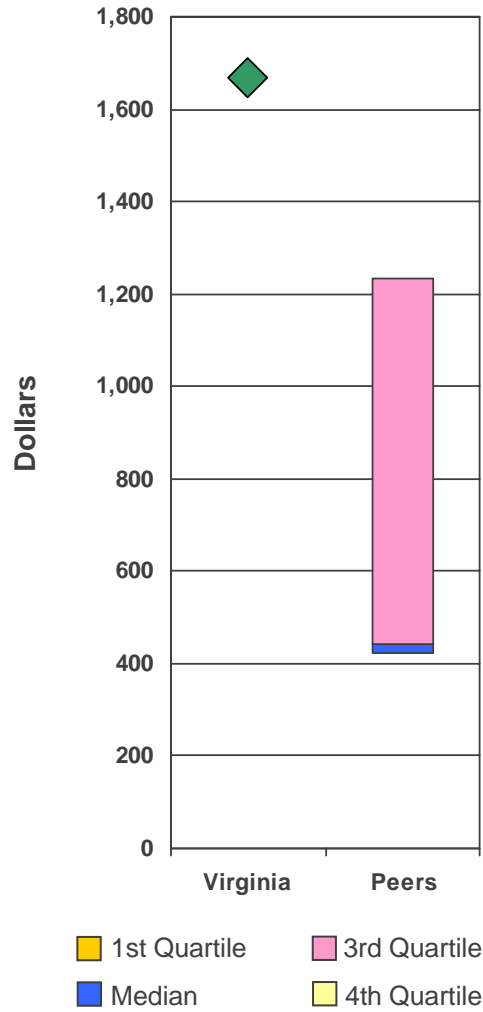
- Employee contributions
 - One peer bases contributions on pay
 - Contributions of the remaining peers for employee only coverage range from 0% - 29% with a median of 17%
 - Contributions of the peers for dependent coverage range from 16% - 60% with a median of 24 - 31%
 - Virginia combines dental contributions with medical contributions; contributions are 10% for employee only coverage and 12% - 13% for dependent coverage

Dental



- Rank: 1 out of 8; Index: 376
- Virginia's favorable comparison results from employee contributions that are significantly lower than the peer group median combined with plan provisions that are competitive with the peer group
- The most prevalent dental plans were valued for all organizations; the COVA Care with Non-Network Enhanced was valued for Virginia

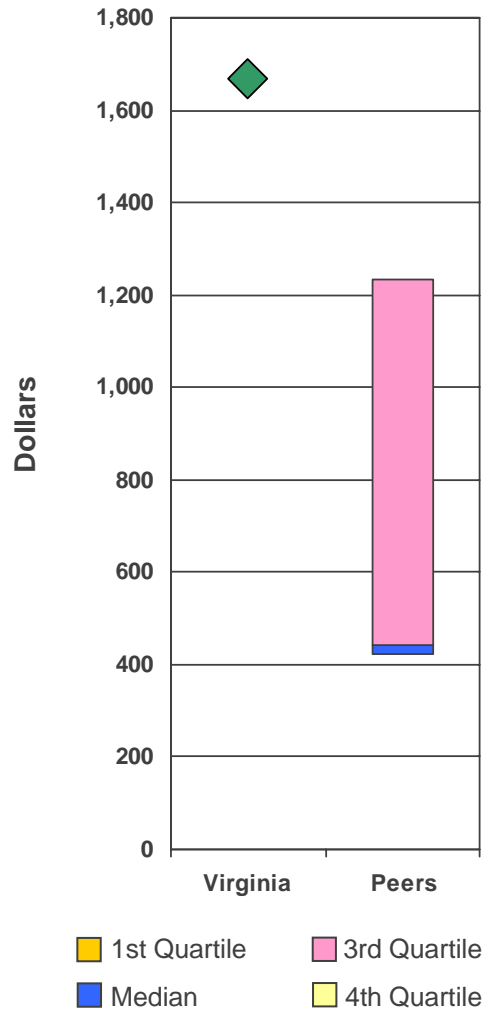
Dental (continued)



■ Deductibles

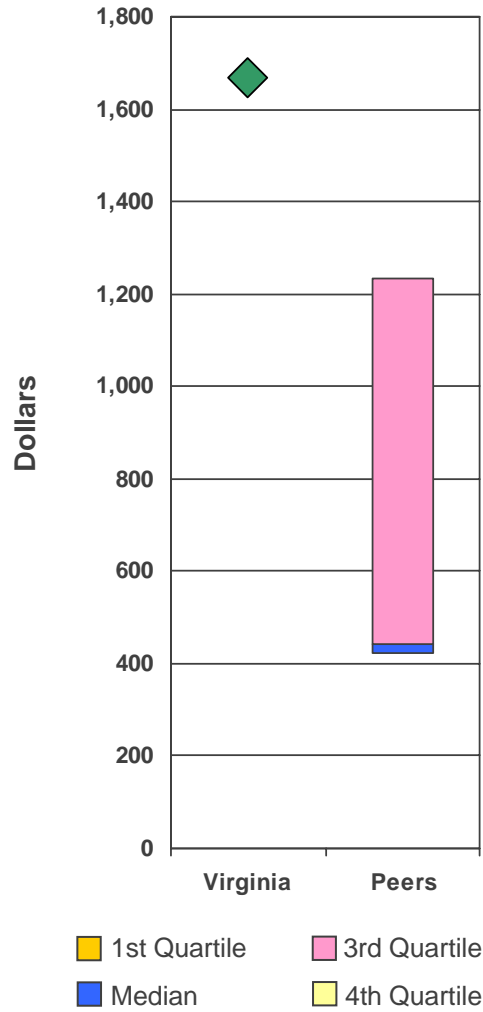
- No organization (including Virginia) has preventive deductibles
- Two peers do not have Basic/Major deductibles; deductibles for the remaining peers range from \$25 - \$50 individual and \$75 - \$150 family; Virginia has \$25/\$75
- None of the peers have orthodontia deductibles; Virginia has \$25/\$75

Dental (continued)



- Employee coinsurance
 - Two peers reimburse some services according to a schedule of payments; these peers both cover preventive care at 100%; one offers a 25% discount on orthodontia
 - Of the remaining peers
 - None have preventive coinsurance
 - Five have 20% for basic services
 - Five have 50% for major services
 - Five have 50% for orthodontia
 - Virginia has 0%/20%/50%/50%

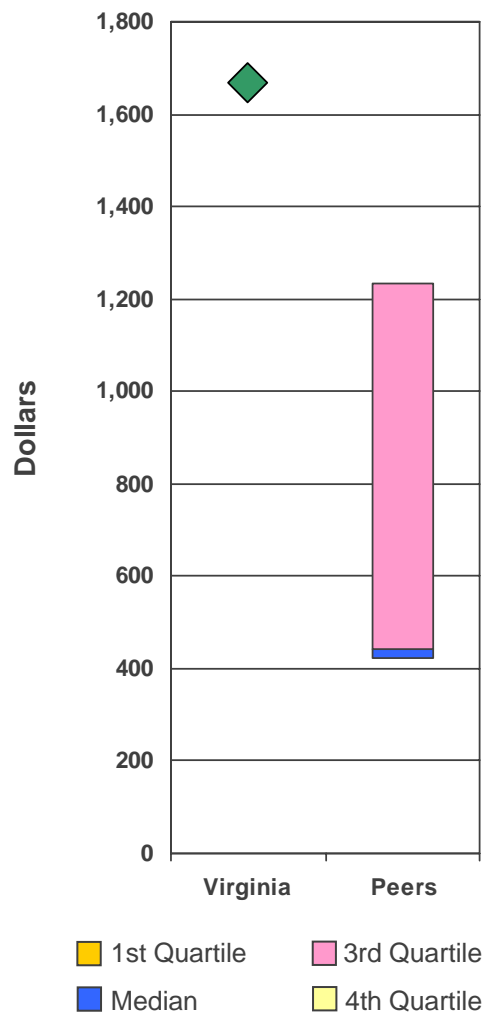
Dental (continued)



■ Maximums

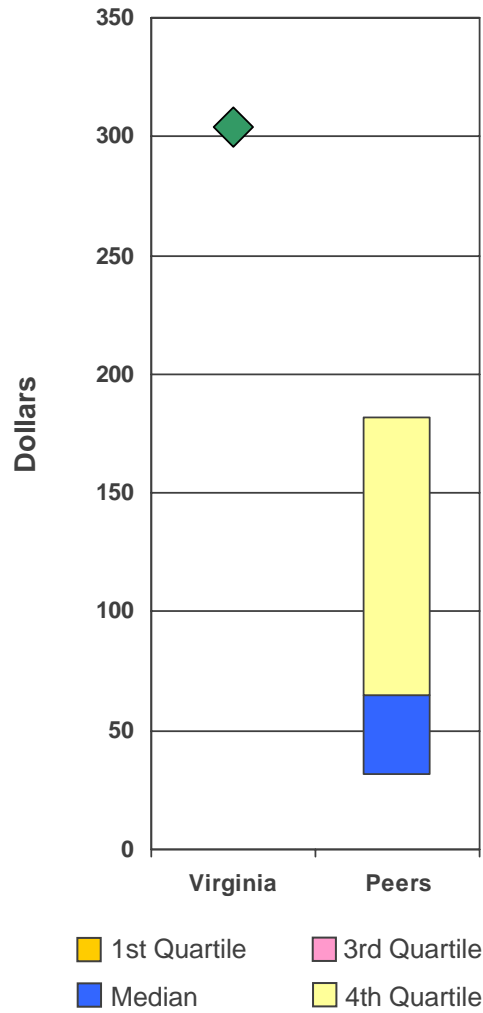
- Annual maximums of the peers for preventive, basic, and major services range from \$1,000 - unlimited; Virginia has \$1,500
- Lifetime maximums of the peers for orthodontia services range from \$1,000 - unlimited; Virginia has \$1,200

Dental (continued)



- Employee contributions
 - Five peers require employees to pay 100% of the cost
 - The remaining two peers require 0% - 51% for employee only coverage and 40% - 65% for dependent coverage
 - Virginia combines dental contributions with medical contributions; contributions are 10% for employee only coverage and 12% - 13% for dependent coverage

Life Insurance

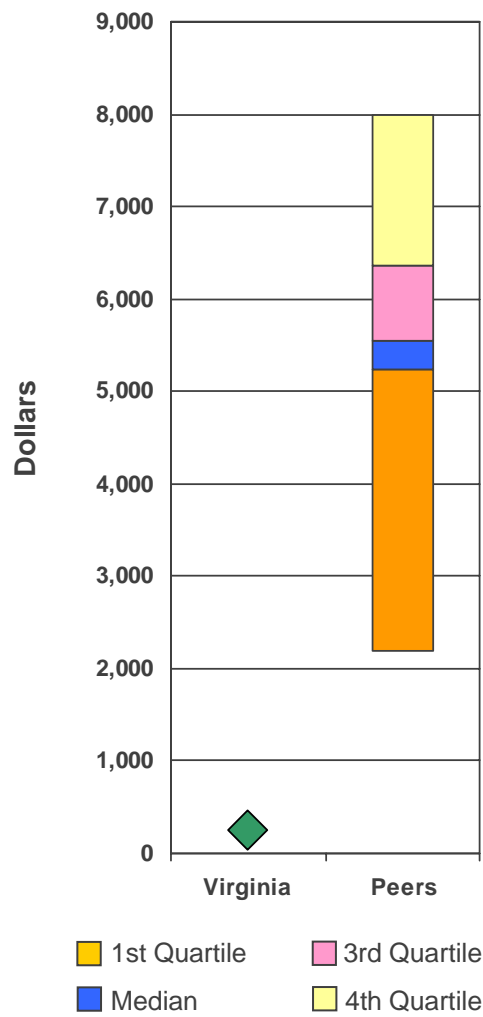


- Rank: 1 out of 5; Index: 468
- Virginia's favorable comparison results from its providing a 2 x pay benefit
- Three peers do not provide employer-paid life insurance
- Basic life insurance
 - One peer has 1 x pay
 - Two provide a \$20K flat amount
 - One provides \$10K
- Both Virginia and the one peer with a multiple-of-pay benefit do not limit the maximum benefit
- No organization (including Virginia) include bonus in the pay definition

Flexible Spending Accounts

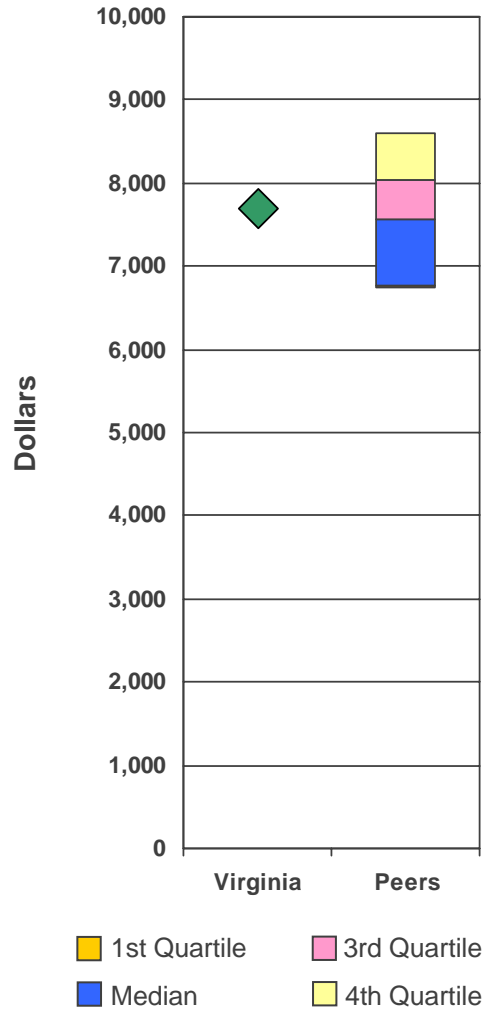
- All organizations (including Virginia) offer both Health Care and Dependent Care FSAs
- No organization (including Virginia) provides employer money in addition to an employee's own contributions to FSAs
- The employee contribution limits on these plans exceed the projected need such that all organizations (including Virginia) have the same value for all employee profiles

Post-retirement Medical



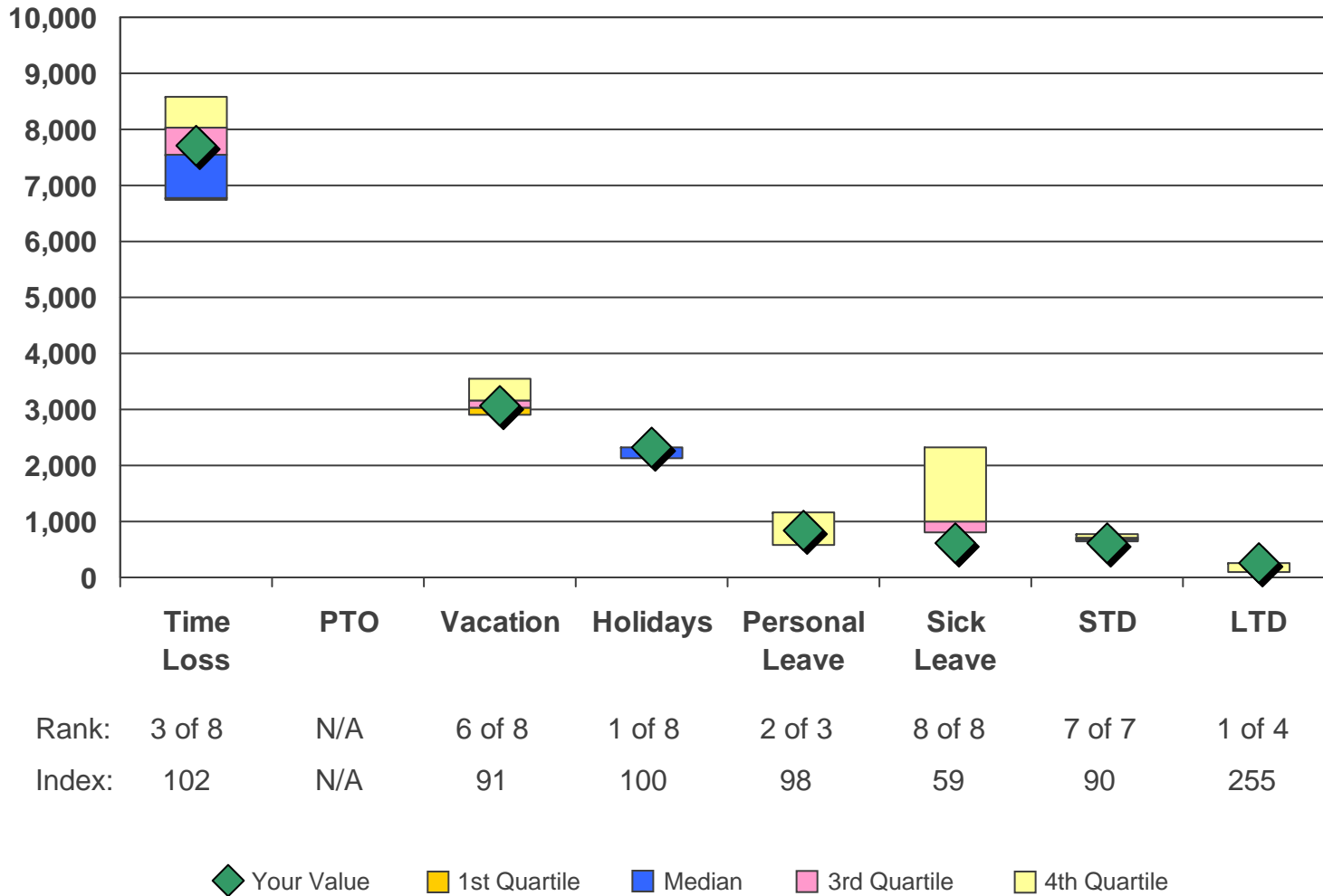
- Rank: 8 out of 8; Index: 4
- Virginia compares unfavorably due to providing a defined-dollar amount based on service
- All seven peers provide traditional pre-65 and post-65 coverage
- Three peers vary employee contributions based on service
- Three peers require retirees to pay 100% of spousal coverage

Time Loss



- Rank: 3 out of 8; Index: 102
- Virginia's position is driven by a favorable comparison in the LTD area combined with competitive comparisons in the holidays and personal leave areas, offset by unfavorable comparisons in the vacation, sick leave and STD areas
 - Vacation index: 91
 - Holidays index: 100
 - Personal Leave index: 98
 - Sick Leave index: 59
 - STD index: 90
 - LTD index: 255

Time Loss (continued)



Rank:	3 of 8	N/A	6 of 8	1 of 8	2 of 3	8 of 8	7 of 7	1 of 4
Index:	102	N/A	91	100	98	59	90	255

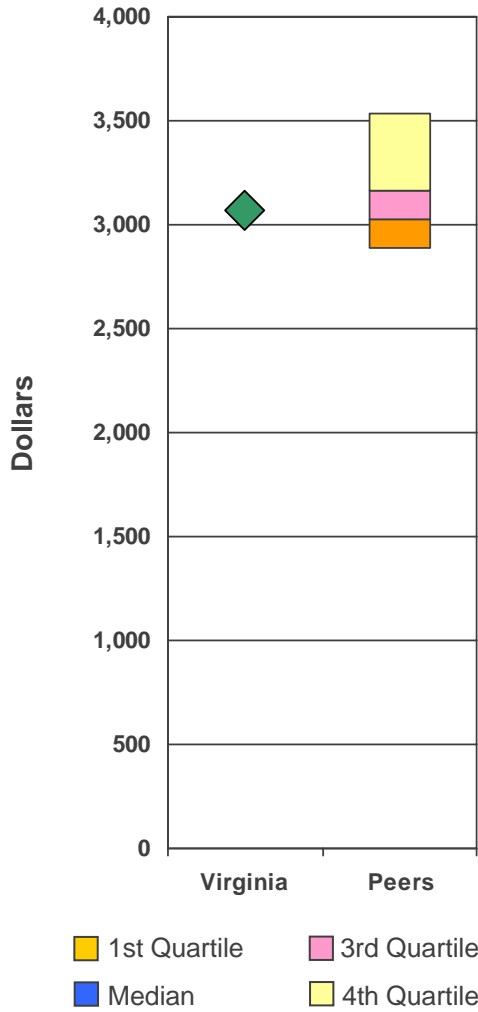
◆ Your Value
 ■ 1st Quartile
 ■ Median
 ■ 3rd Quartile
 ■ 4th Quartile



Paid Time Off

- No organization (including Virginia) has a PTO plan

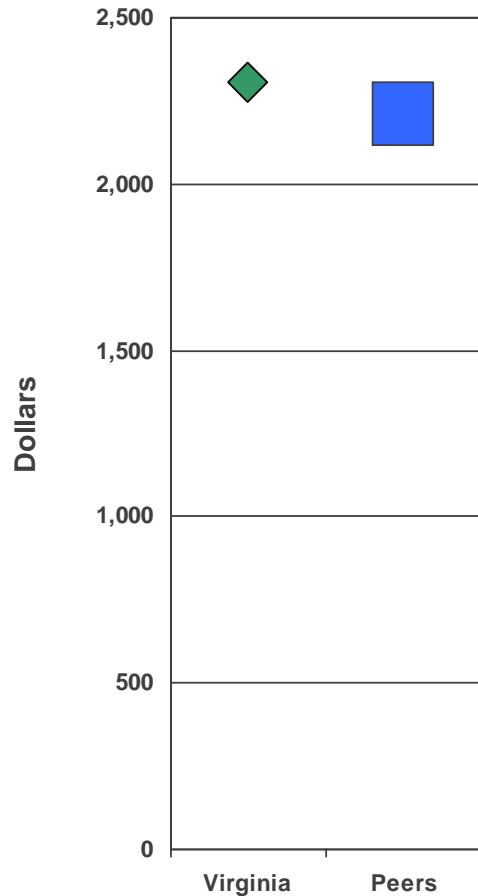
Vacation



- Rank: 6 out of 8; Index: 91
- Virginia provides a number of days fewer than or equal to the median number of days provided by the peers at all but the highest service level examined

Median days	<u>Virginia</u>	<u>Peers</u>
– Year 1:	12	12
– Year 5:	15	17
– Year 10:	18	20
– Year 15:	21	21
– Year 20:	24	24
– Year 25:	27	24

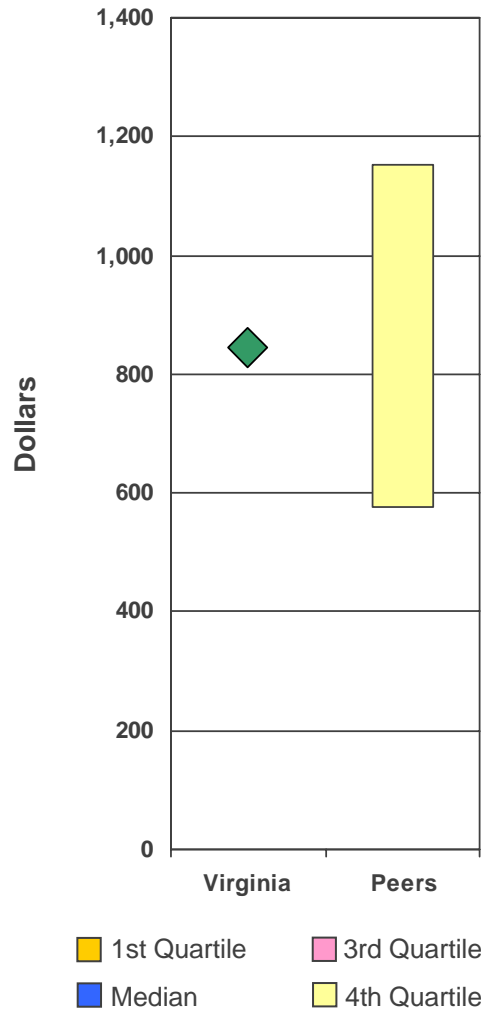
Holidays



- Rank: 1 out of 8; Index 100
- Virginia provides 12 holidays
- Holidays provided by the peers range from 11 to 12 days with a median of 12 days

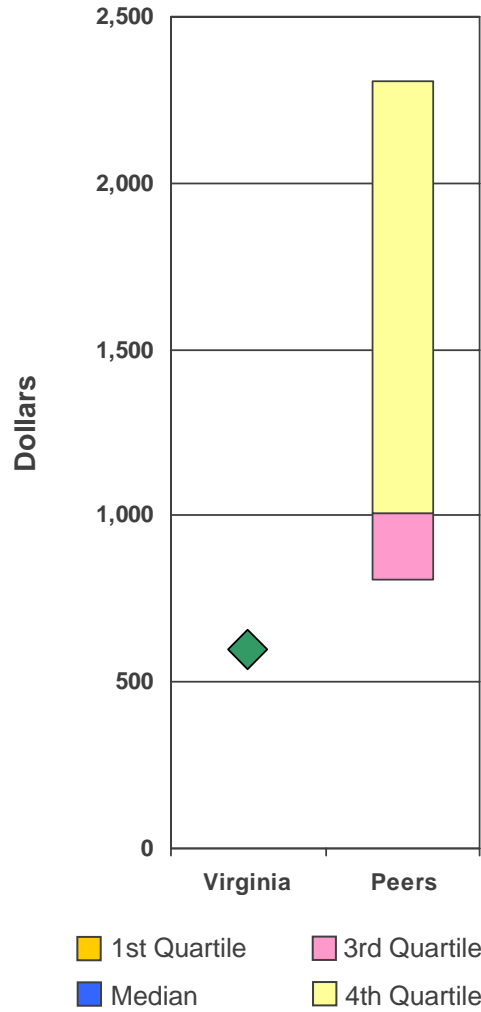
■ 1st Quartile ■ 3rd Quartile
■ Median ■ 4th Quartile

Personal Leave



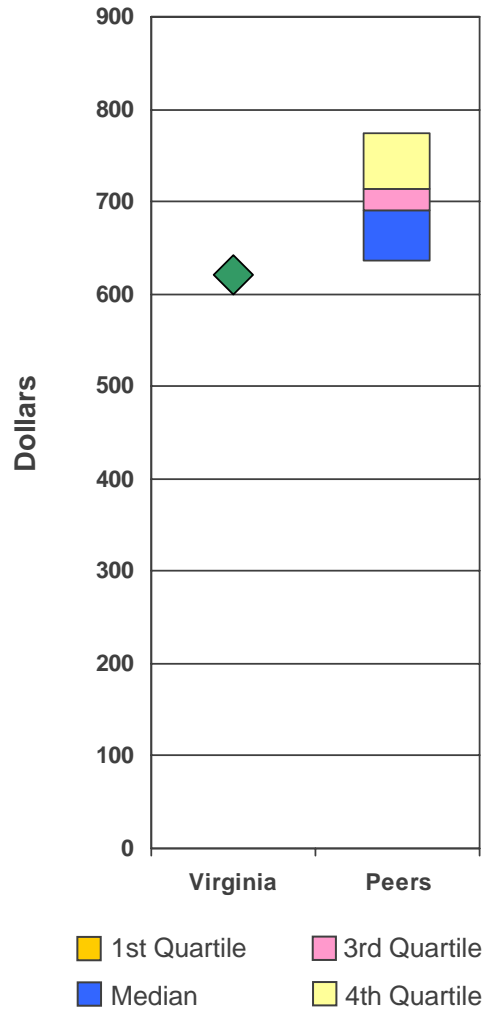
- Rank: 2 out of 3; Index: 98
- Five peers do not provide personal leave
- Virginia provides 4-5 personal days based on service
- One peer allows employees to use up to 3 sick days as personal days (3 days were valued)
- The remaining peer provides 6 days

Sick Leave



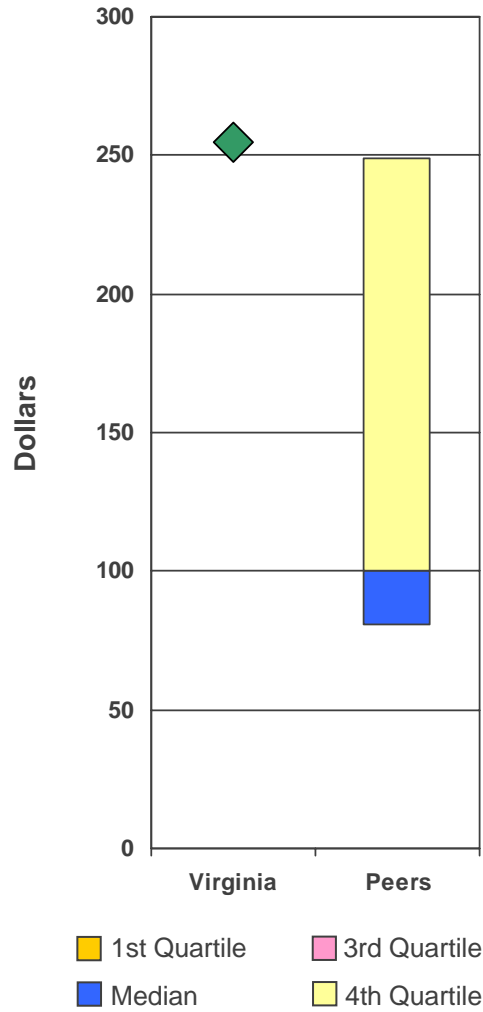
- Rank: 8 out of 8; Index: 59
- Virginia provides 8 - 10 days based on service
- Sick leave provided by the peers ranges from 12 - 18 days (due to methodology assumptions, days in excess of 15 are valued only in STD)
- All seven peers allow carryover of sick leave; carryover limits range from 90 days - unlimited
- One peer allows sick leave to be cashed out at retirement

STD



- Rank: 7 out of 7; Index: 90
- STD benefit values are based on amounts payable in the first 6 months of disability, including sick leave carryover and LTD starting before 6 months
- Virginia's plan compares unfavorably because it does not allow sick leave carryover and has a maximum 100% benefit of 5 weeks combined with a waiting period of 7 days
- All seven peers either do not have an STD plan or require employees to pay 100% of the cost
- Six peers use sick leave carryover to cover the 26-week period
- One peer does not have a value since all sick leave was already valued in the sick leave area for the cash out at retirement

LTD



- Rank: 1 out of 4; Index: 255
- LTD benefit values are based on amounts payable after 6 months of disability
- Four peers either do not offer a plan or require employees to pay 100%, resulting in no value
- Benefit levels
 - One peer has 65%
 - One peer provides 63%,
 - One provides 20%
- Virginia and one peer do not have a maximum monthly benefit amount; maximums for the other two peers are \$800/month and \$3,900/month
- Three peers offset the benefit with the individual Social Security amount; Virginia offsets with the family amount