

Total Rewards

2012 Edition



YOUR PJM TOTAL REWARDS PROGRAM

At PJM, we are committed to providing competitive rewards to attract and retain top talent, while fostering a culture where high quality work is expected, recognized and rewarded. In an effort to honor this commitment, we continually evaluate our Total Rewards program to ensure that it is comprehensive and competitive in the market and supports our business objectives and future goals.

We hope life at PJM is more than just a job - we want it to be a fulfilling experience where you find challenging and rewarding opportunities, respect among colleagues, competitive pay, benefits that protect you and your family, and a culture that recognizes and values your contributions. To that end, your compensation is just one part of the benefits you receive as a PJM employee. PJM invests in you through our Total Rewards program, which is carefully designed to help you enhance your professional, personal and financial life.

PJM is pleased to offer a Total Rewards package that includes:

- Compensation
- Benefits
- Work-Life Balance
- Performance & Recognition
- Development and Career Opportunities

COMPENSATION

PJM's compensation philosophy is closely aligned with our vision, mission, core values and business objectives. Our compensation program is designed to reward our people competitively and motivate them to achieve.

Your compensation is linked to your job responsibilities, what and how other employers pay for similar work, your individual performance and overall business results.



PJM offers the following components as part of Total Rewards – COMPENSATION

- Base Compensation
- Incentive Compensation Plan Awards
- Overtime Compensation (for non-exempt and some exempt employees)
- On-call Pay (for employees who are formally designated as “on call”)
- Paid meal for employees who work over 3 hours of overtime in one day

Base Compensation

Base compensation recognizes individual skill, experience and performance. The company continually reviews base pay levels internally, and against those of our peer competitors to ensure we are competitive. Our base compensation is targeted at the 75th percentile, which means we pay in the top quartile of our comparator companies.

Employees are eligible for merit increases on an annual basis.

Incentive Compensation Plan (ICP)

PJM's ICP is designed to provide variable, at risk compensation to employees who have contributed to PJM's success. ICP awards recognize employees for their contributions during the previous calendar year and are calculated based on individual performance and overall business results.

All exempt and non-exempt employees working full time or part time are eligible to participate in the ICP award program. Note: Employees hired on and between Oct. 1 – Dec. 31 in any year are not eligible for an ICP award for that year.

BENEFITS

Benefits are a key component of your Total Rewards package. PJM is proud to offer competitive and comprehensive benefits for employees and retirees. The following provides a brief overview of the benefits available to you.



PJM offers the following components as part of your Total Rewards – BENEFITS

- Medical (including Health Savings Account, Vision and Prescription Drug coverage)
- Dental
- Health Care Flexible Spending Account
- Dependent Care Flexible Spending Account
- Life Insurance (including Dependent Life Insurance)
- Accidental Death and Dismemberment (AD&D)
- Short- and Long-Term Disability
- Pension Plan
- 401(k) Savings Plan
- Pre- 65 Retiree Medical Coverage
- Time Off
- Leaves of Absence (including Sick Leave and Bereavement Leave)
- Unemployment Insurance
- Worker's Compensation
- Sittercity (dependent care services)
- Insurance Discounts
- Domestic Partner Benefits
- Credit Union Membership
- Personal Leadership and You (PLAY)
- Business Travel Accident Insurance
- And more...

One of the cornerstones of PJM's benefits program is our health care program, which provides you with the coverage you need at a cost that both you and the company can afford. PJM offers two medical plan options through Independence Blue Cross:

- Preferred Provider Organization Plan (PPO Plan)
- High Deductible Health Plan with Health Savings Account (HSA Plan)

Preferred Provider Organization Plan (PPO Plan)

With the PPO Plan, you have the freedom to receive services from in-network or out-of-network providers, although higher deductibles and coinsurance may apply to out-of-network services. When you receive care, you will pay a modest co-pay.

High Deductible Health Plan with Health Savings Account (HDHP/HSA) Plan

The HDHP/HSA Plan offers the same medical coverage – network doctors, covered services and prescription drug coverage – as the PPO plan, with slightly different premiums, coinsurance and deductible. The deductible (i.e., the amount you will pay out of pocket before your plan pays) is higher than that of more traditional plans, in order to qualify the plan for the tax-advantaged HSA.

The HSA is flexible, portable and offers employees the opportunity to save pre-tax dollars for health care costs today or in the future. The HSA is set up in the employee's name to help save for medical expenses. PJM contributes to the HSA annually – \$750 for employee only coverage and \$1,500 for employee plus dependent(s) coverage. Employees may choose to increase their balance by making additional pre-tax contributions.

It is important to understand two key features of the HSA:

- The HDHP/HSA is flexible, portable and offers employees the opportunity to save pre-tax dollars for health care costs today or in the future.
- The HSA is portable – The money in your HSA is always yours – you own the full balance of your HSA, even if you retire or leave PJM.

With a HDHP/HSA, your deductible is higher, but you can use your HSA money to meet your deductible. In addition, you are covered by an out-of-pocket maximum, which sets an annual limit on what you pay for your deductible and coinsurance. If your costs exceed this amount, the plan pays 100 percent of covered expenses for the rest of the year.

Important Benefits Under Both Plans

Adult children may be covered under PJM's medical plan until the end of the year in which they reach age 26, as long as they are not eligible for alternate group coverage regardless of their marital tax or student status.

Preventive services are covered at 100% when care is provided by an in-network provider. For more information about what services are considered preventive care, visit <http://www.healthcare.gov/law/about/provisions/services/lists.html>.

Medical Cost-Sharing

When selecting your medical plan, remember to consider the total cost of your coverage (i.e., your biweekly contributions and cost when you receive care). In addition, if you are considering the HDHP/HSA Plan, think about the impact of PJM's contribution to your HSA.

Coverage Option		2012 Biweekly Cost
PPO Plan	Employee Only	\$32.17
	Employee and Child(ren)	\$69.88
	Employee and Spouse or Domestic Partner	\$71.82
	Family	\$88.25
HDHP/HSA Plan	Employee Only	\$15.83
	Employee and Child(ren)	\$35.18
	Employee and Spouse or Domestic Partner	\$36.43
	Family	\$46.92

Medical

Feature	PPO Plan (in-network)	HSA Plan (in-network)
Premium Contribution	10%	7%
Annual Deductible	\$0	\$1,500 (employee only) \$3,000 (employee + dependents)
Co-pay or Coinsurance	\$10	90%
Out-of-Pocket Maximum	n/a	\$3,000 (employee only) \$6,000 (employee + dependents)
PJM's Contribution to Your HSA	n/a	\$750 (employee only) \$1,500 (employee + dependents)

Prescription Drug

Both medical plan options include the following prescription drug coverage for a retail 30-day supply:

Drug Tier	Co-pay
Generic drug	\$5
Brand-name preferred formulary drug	\$20
Brand-name non-preferred formulary drug	\$45

Mail Order - A 90-day supply may be obtained for 2x copayments.

Vision

Both medical plan options include a vision benefit. The vision coverage is administered by Davis Vision and includes the following:

- Free eye exam at a participating provider once every two calendar years, or reimbursement of up to \$35 for an eye exam at a non-participating provider once every two calendar years
- Frames, covered in full, once every two calendar years from a participating Davis Vision provider's Davis Collection of Frames, or reimbursement of up to \$65 toward other frames once every two calendar years
- Single vision, bi-focal, trifocal and lenticular lenses, covered in full, at a participating provider once every two calendar years
- Reimbursement of up to \$100 for frames, lenses or contacts at a non-participating provider once every two calendar years
- Certain discounts for laser vision correction surgery.

Dental

PJM offers the MetLife Preferred Dentist Program (PDP). The plan has a network of participating providers who agree to accept a negotiated fee for service as contracted with MetLife. If you use non-participating providers, you may be billed for the difference between what MetLife pays and the actual charge.

Feature	In-network	Out-of-network
Premium Contribution		7%
Annual Deductible	\$25 (employee only) \$75 (family)	
Diagnostic & Preventive Services	100%	100% of Reasonable and Customary Rate
Basic Restoration	80%	80% of Reasonable and Customary Rate
Major Restoration	80%	80% of Reasonable and Customary Rate
Orthodontia (braces)	50%	50% of Reasonable and Customary Rate
Orthodontia Lifetime Maximum	\$1,500	

Dental Cost-Sharing

The chart below provides the 2012 biweekly cost for your dental coverage. These amounts are deducted from your paycheck on a pre-tax basis. The percentage contribution level for dental coverage remains at seven percent of the premium. The specific contribution amount for each coverage level is outlined below.

Coverage Option	2012 Biweekly Cost
Employee Only	\$1.62
Employee and Child(ren)	\$3.06
Employee and Spouse or Domestic Partner	\$3.22
Family	\$5.05

Flexible Spending Accounts (FSAs)

Flexible Spending Accounts (FSAs) can save you money by allowing you to set aside pre-tax dollars to pay for many health care and/or dependent care expenses. You may elect to contribute up to \$5,000 per account. However, it is important to plan your FSA contributions carefully as any money remaining in your fund by March 15 of the following year will be forfeited.

Health Care FSA

If you are enrolled in the PPO Plan, a Health Care FSA can be used help pay deductibles, coinsurance, dental expenses, hearing aids, eyeglasses and contacts, and some over-the-counter medicines and products.

You may not use a General Purpose Health Care Flexible Spending Account (FSA) to pay for over-the-counter (OTC) medications unless the medications are prescribed by your doctor. You are able to use your account to pay for a wide range of eligible medical expenses, including bandages and expenses that count toward your medical plan's deductible.

If you enroll in the HDHP/HSA Plan, you may use a Health Care FSA for dental and vision expenses only (called a limited purpose Health Care FSA). If you or a spouse participates in a traditional FSA that covers your medical expenses, you are ineligible to make or receive HSA contributions.

Dependent Care FSA

A Dependent Care FSA can be used to set aside money for day care expenses for dependent children under age 13, or dependents of any age who are physically or mentally incapable of self-care and are claimed as a dependent on your federal tax return.

Life Insurance and Accidental Death and Dismemberment (AD&D)

PJM helps you provide financial security for your family in the event of death or injury through company-paid and supplemental life and AD&D insurance.

Life Insurance

PJM offers company-paid life insurance in the amount of one times base pay, up to a maximum of \$175,000. Employees may purchase additional life insurance from one to five times base pay, up to a maximum of \$400,000. The cost for this Supplemental Life Insurance is based on age, and whether or not you smoke.

Dependent Life Insurance

Employees may purchase life insurance for a spouse or domestic partner in amounts from \$10,000 to \$200,000 and for children in the amount of \$5,000 or \$10,000 per child.

Accidental Death and Dismemberment (AD&D)

Accidental Death and Dismemberment (AD&D) coverage protects you 24 hours a day, 365 days a year if an accident occurring in the course of business or pleasure results in death or serious injury. Benefits are payable in addition to any other insurance in effect. All employees receive company-paid AD&D insurance in the amount of one times base pay, up to a maximum of \$175,000. Employees may purchase additional AD&D insurance from one to five times base pay, up to a maximum of \$400,000. Employees also have the option of electing Family AD&D insurance from one to five times base pay.

Short- and Long-Term Disability

If you are unable to work due to illness or injury, PJM disability benefits provide you with continued income.

Short-Term Disability (STD) coverage provides you with 100 percent pay continuation for up to 26 weeks in the event of a qualifying disability. If you are still unable to work after 26 weeks on STD, you may be eligible for company-provided Long-Term Disability (LTD). PJM offers a benefit of 60 percent of base pay, with a monthly maximum benefit of \$10,000. Employees may purchase additional coverage for a total benefit of 66 2/3 percent of base pay, with a maximum benefit of \$13,000 per month.

Retirement Benefits

PJM encourages you to save for your future regardless of where you are in your career. To help you, we offer a Pension Plan and a 401(k) Savings Plan.

Pension Plan

PJM is pleased to offer a Pension Plan to all employees. Employees are fully vested in their pension benefit after five years of service. Employees are eligible to retire at:

- Age 65 with at least five years of service (normal retirement date)
- Age 55 with at least 10 years of service (early retirement)
- Age 50 with at least 25 years of service (early retirement)
- Age 62 with at least 10 years of service (phased retirement – employee can continue to work and draw on their pension benefit at the same time)

The Pension Plan benefit is calculated as follows:

5% times final average earnings + 1.4% times final average earnings times benefit service years (capped at 35 years)

Pre-65 Coverage

To show our appreciation for your years of service with PJM, we want to help you manage the cost of health care in retirement. PJM's retiree medical plan can help reduce the cost of your coverage, and the HSA medical plan offers a tax-advantaged way to save for your medical expenses both now and in retirement.

401(k) Savings Plan

PJM also offers a 401(k) Savings Plan to help you save for a financially secure future. Employees may contribute up to a maximum of \$16,500 in 2011 (adjusted annually by IRS) for those age 49 and below or \$22,000 in 2011 (adjusted annually by IRS) for those age 50 and above of eligible compensation per year to the plan through pre-tax salary deferrals and Roth 401(k) after-tax contributions. 2012 limits will be provided as soon as they are announced by the IRS.

Employees are eligible for matching contributions as of the first month following six months of service with PJM. PJM will match 100 percent of the first 5 percent that the employee contributes. Employees are immediately 100 percent vested in all 401(k) funds (i.e., employee contributions and the company match).

Employees can choose to invest their 401(k) account in a variety of investment options available through Fidelity.

Retireewise Program

To help you achieve your future financial goals, we are offering the MetLife Retireewise retirement planning program. Retireewise is a series of sessions offered through MetLife designed to help you build a financial foundation for your future, and to learn to grow and protect your wealth. Spouses and domestic partners also are welcome to attend the sessions.

Time Off

PJM appreciates that everyone needs a break from work for rest, recreation and personal activities.

Vacation

The amount of vacation time you earn depends upon your length of service and Career Band assignment.

Holidays/Paid Time Off (PTO)

PJM offers the following time off to all employees each calendar year:

- Nine holidays
- Three floating holidays to be used to observe religious holidays or for other personal reasons
- Seven PTO days for illness or other pressing personal business
- One day for a community volunteer activity

WORK-LIFE BALANCE

It's up to all of us to help make PJM a great place to work. It's essential that we understand our colleagues' needs and enable their success. The goal of our Work-Life programs is to encourage employees to balance their work obligations with their life priorities.



PJM offers the following components as part of your Total Rewards – Work-Life

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| <ul style="list-style-type: none">• Flextime• Telecommuting• Cell phones and iPads (for management and some staff)• Remote VPN access for most employees• WebMail e-mail access from any computer• Matching gifts• On-site health screenings and flu shots• Employee Assistance Program (EAP) | <ul style="list-style-type: none">• Sunshine Club• Adoption assistance• Family-friendly events (e.g., open house, holiday parties)• Work-Life month activities• Wellness month activities• PJM Outreach• PJM Fit• Free coffee, tea and hot chocolate• On-site fitness center |
|--|--|

Flextime/Telecommuting

Flextime allows you and your manager to explore flexible ways of ensuring that the company's daily work is accomplished. PJM may consider proposals for flextime, telecommuting and remote work in an attempt to integrate business interests with the well-being of our employees.

Matching Gifts

PJM will match, on a dollar-for-dollar basis, contributions to cultural, educational and qualified charitable organizations up to a maximum of \$5,000 per eligible participant per calendar year. A minimum gift of \$25 is required to qualify for the matching gift.

Employee Assistance Program (EAP)

PJM offers access to the EAP to help employees manage stress or other challenges in life, or to get referrals for local services such as day care or financial counseling. EAP is staffed 24 hours a day, 7 days a week by experienced professionals. Any contact you have with EAP is voluntary and strictly confidential.

Adoption Assistance

PJM provides financial assistance to employees who add to their families through adoption. You may request reimbursement up to \$13,360 for eligible adoption-related expenses.

PERFORMANCE & RECOGNITION

Your performance drives PJM's leadership in the market and is recognized and rewarded through our pay and recognition programs. Our performance management program is designed to keep you focused on delivering results and reward you for your accomplishments.



PJM offers the following components as part of your Total Rewards – PERFORMANCE & RECOGNITION

- Performance Management Process/Pay for Performance
- Service awards
- Retirement awards
- Club 25 awards/dinner
- Spot awards
- Core Values awards
- Division awards
- Mission Success awards
- President's awards

Pay for Performance

Performance ratings are based on a four point scale – Does Not Meet Standards, Meets Standards, Exceeds Standards and Far Exceeds Standards. The performance rating factor associated with these ratings impacts employees' merit increase and ICP award. The pay for performance structure is as follows:

Rating	Performance Rating Factor %	Estimated % of Employees
Does Not Meet Standards	50%	0% - 5%
Meets Standards	100%	50% - 55%
Exceeds Standards	115%	35% - 40%
Far Exceeds Standards	135%	0% - 5%

PJM encourages employees and their managers to engage in regular planning, feedback and communication. To help ensure that all employees have a clear understanding of what is expected of them and how they are performing against those expectations, managers conduct formal performance evaluations once per year. The results of performance evaluations directly influence all forms of compensation received.

Awards

The wide range of awards we offer are an important element in our Total Rewards program, reflecting our commitment to workplace and marketplace leadership.

- Service and retirement awards provide recognition for continued dedicated service; employees who have at least 25 years of service will receive a Club 25 award during a dinner celebration.
- Spot awards provide a way to quickly recognize outstanding effort on a project.
- Core Values awards honor employees who demonstrate the core values in both work and attitude.
- Division awards are provided to employees whose performance exceeds that of peers and includes significant and/or unique contributions.
- Mission Success awards recognize employee and/or team performance that significantly exceeds expectations and furthers the achievement of PJM's mission and vision.
- President's award recipients are chosen by the President and CEO and are awarded to an employee or team that best exemplifies PJM's mission, vision and core values.

DEVELOPMENT & CAREER OPPORTUNITIES

PJM is dedicated to providing its employees a challenging workplace where each individual is encouraged to reach his or her maximum potential. We offer an array of development and learning opportunities to enable employees to reach their career goals.



PJM offers the following components as part of your Total Rewards – DEVELOPMENT & CAREER OPPORTUNITIES

- Annual Employee Training Curriculum
- Books 24x7
- Business orientations
- Co-op program partnership with Drexel University
- Education advisory services through Council for Adult & Experimental Learning (CAEL)
- Invest in Yourself program
- Manager Assimilation Program for new managers
- Member site tours
- Mentoring program
- Online AS, BS of Electrical Engineering programs
- Paid professional memberships, dues and subscriptions
- Power Talks
- Rosetta Stone Language Program
- Skillsoft eLearning Courses
- Tuition Reimbursement/Loan program
- 360 degree feedback tool

Training Curriculum

Each year, PJM offers a variety of training courses designed to help employees develop both technical and personal skills and competencies. PJM is committed to providing high-quality training opportunities to our employees in a timely manner. It is our goal to develop and deliver learning experiences that will build competencies and drive fundamental change. PJM strives to align training and learning with business objectives and to give employees the tools they need to successfully develop meaningful business solutions.

Tuition Reimbursement

PJM will reimburse 100 percent of tuition and registration costs is employees who take approved courses outside of working hours at accredited schools.

WHERE TO GO FOR MORE INFORMATION

This brochure provides an overview of the PJM Total Rewards program and highlights certain components. However, the information provided does not detail all programs available to you or describe how to take advantage of them. Please refer to the intranet or contact your Human Resources Business Partner for more information on any of the programs or benefits described here.

PJM reserves the right to amend, modify, withhold or discontinue all or part of any part of the Total Reward Program components at any time and in accordance with applicable legal requirements.

