

AGENDA
EXECUTIVE COMPENSATION COMMITTEE OF THE
EL CAMINO HOSPITAL BOARD OF DIRECTORS

Thursday, May 28, 2020 – 4:00pm

El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

PURSUANT TO STATE OF CALIFORNIA EXECUTIVE ORDER N-29-20 DATED MARCH 18, 2020, EL CAMINO HEALTH WILL NOT BE PROVIDING A PHYSICAL LOCATION FOR THIS MEETING. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

1-669-900-9128, MEETING CODE: 369-007-4917#. No participant code. Just press #.

PURPOSE: To assist the El Camino Hospital (ECH) Board of Directors (“Board”) in its responsibilities related to the Hospital’s executive compensation philosophy and policies. The Executive Compensation Committee shall advise the Board to meet all applicable legal and regulatory requirements as it relates to executive compensation.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER/ROLL CALL	Bob Miller, Chair		4:00-4:01pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		4:01 – 4:02
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Bob Miller, Chair		information 4:02 – 4:05
4. CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval a. Minutes of the Open Session of the ECC Meeting (5/5/2020) Information b. Progress Against FY20 ECC Goals c. Article of Interest	Bob Miller, Chair	<i>public comment</i>	motion required 4:05 – 4:06
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	Bob Miller, Chair		information 4:06 – 4:11
6. PROPOSED FY21 ECC GOALS ATTACHMENT 6	Kathryn Fisk, CHRO	<i>public comment</i>	possible motion 4:11 – 4:16
7. ADJOURN TO CLOSED SESSION	Bob Miller, Chair		motion required 4:16 – 4:17
8. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		information 4:17 – 4:18
9. CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval Gov’t Code Section 54957.2: a. Minutes of the Closed Session of the ECC Meeting (5/5/2020)	Bob Miller, Chair		motion required 4:18 – 4:19

A copy of the agenda for the Regular Committee Meeting will be posted and distributed at least seventy-two (72) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at (650) 988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
10. <i>Health & Safety Code Section 32016(b)</i> for a report and discussion involving health care facility trade secrets and <i>Health & Safety Code Section 32155</i> for a report of the Medical Staff; deliberations concerning reports on Medical Staff quality assurance matters: - Incentive Goal Structure	Dan Woods, CEO		discussion 4:19 – 5:05
11. <i>Gov't Code Section 54957</i> and <i>54957.6</i> for a report and discussion on personnel matters: - Market Review	Lisa Stella, Mercer		discussion 5:05 – 5:20
12. <i>Gov't Code Section 54957.6</i> for a conference with labor negotiator Dan Woods: - Proposed FY21 Executive Salary Ranges	Dan Woods, CEO		discussion 5:20 – 5:30
13. <i>Gov't Code Section 54957.6</i> for a conference with labor negotiator Bob Miller: - Proposed FY21 CEO Salary Range	Lisa Stella, Mercer		discussion 5:30 – 5:35
14. ADJOURN TO OPEN SESSION	Bob Miller, Chair		motion required 5:35 -5:36
15. RECONVENE OPEN SESSION/ REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	Bob Miller, Chair		information 5:36– 5:37
16. PROPOSED INCENTIVE GOAL STRUCTURE	Dan Woods, CEO	<i>public comment</i>	possible motion 5:37 – 5:39
17. PROPOSED FY21 EXECUTIVE SALARY RANGES	Bob Miller, Chair	<i>public comment</i>	possible motion 5:39 – 5:41
18. PROPOSED FY21 CEO SALARY RANGE	Bob Miller, Chair	<i>public comment</i>	possible motion 5:41 – 5:43
19. EXECUTIVE COMPENSATION CONSULTANT 6-MONTH REVIEW AND RFP PROCESS ATTACHMENT 19	Bob Miller, Chair	<i>public comment</i>	possible motion 5:43 – 5:58
20. PROPOSED FY21 PACING PLAN ATTACHMENT 20	Bob Miller, Chair	<i>public comment</i>	possible motion 5:58 – 6:08
21. CLOSING COMMENTS	Bob Miller, Chair		discussion 6:08 – 6:09
22. ADJOURNMENT	Bob Miller, Chair	<i>public comment</i>	motion required 6:09 – 6:10pm

Upcoming Meetings: Regular Meetings (pending Board approval): September 15, 2020; November 5, 2020; March 4, 2021; May 27, 2021



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Tuesday, May 5, 2020**

Pursuant to State of California Executive Order N-29-20 dated March 18, 2020, El Camino Health did not provide a physical location for this meeting. Instead, the public was invited to join the open session meeting via teleconference.

Members Present

Teri Eyre**
Jaison Layney**
Julie Kliger**, Vice Chair
Bob Miller**, Chair
George Ting, MD**
Pat Wadors**
John Zoglin**

Members Absent

None
**via teleconference

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Executive Compensation Committee of El Camino Hospital (the “ <u>Committee</u> ”) was called to order at 4:00pm by Chair Bob Miller. A verbal roll call was taken. Pat Wadors and George Ting, MD joined the meeting during the closed session. All Committee members were present and participated via teleconference and videoconference pursuant to Santa Clara County’s shelter in place order. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Miller asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	None.	
4. CONSENT CALENDAR	Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar. Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (4/2/2020); and for information: Article of Interest Movant: Kliger Second: Layney Ayes: Eyre, Kliger, Layney, Miller, Zoglin Noes: None Abstentions: None Absent: Ting, Wadors, Recused: None	<i>Consent calendar approved</i>
5. ADJOURN TO CLOSED SESSION	Motion: To adjourn to closed session at 4:04pm. Movant: Zoglin Second: Eyre Ayes: Eyre, Kliger, Layney, Miller, Zoglin Noes: None Abstentions: None Absent: Ting, Wadors, Recused: None	<i>Adjourned to closed session at 4:04pm</i>

6. AGENDA ITEM 10: RECONVENE OPEN SESSION/ REPORT OUT	Open session was reconvened at 5:36pm. Agenda items 6-9 were addressed in closed session. Ms. Wadors left the meeting during the closed session. During the closed session, the Committee approved the Minutes of the Closed Session of the Executive Compensation Committee Meeting (4/2/2020) by a unanimous vote in favor of all members present by teleconference (Eyre, Kliger, Layney, Miller, Wadors, Ting, Zoglin).	
7. AGENDA ITEM 11: REASSESSMENT OF FY20 ORGANIZATIONAL PERFORMANCE INCENTIVE GOAL STRUCTURE AND REVIEW OF POSITIONING/ RECOVERY GOALS	There was no action taken on this item.	
8. AGENDA ITEM 12: CLOSING COMMENTS	There were no further comments from the Committee.	
9. AGENDA ITEM 13: ADJOURNMENT	Motion: To adjourn at 5:48pm. Movant: Ting Second: Layney Ayes: Eyre, Kliger, Layney, Miller, Ting, Zoglin Noes: None Abstentions: None Absent: Wadors, Recused: None	<i>Meeting adjourned at 5:48pm</i>

Attest as to the approval of the foregoing minutes by the Executive Compensation Committee and the Board of Directors of El Camino Hospital.

Bob Miller
Chair, Executive Compensation Committee

Julia E. Miller
Secretary, ECH Board of Directors

Prepared by: Sarah Rosenberg, Contracts Administrator/Governance Services EA

FY20 COMMITTEE GOALS

Executive Compensation Committee

Update for 5/28/20 Meeting

PURPOSE

The purpose of the Executive Compensation Committee (the "Committee") is to assist the El Camino Hospital (ECH) Hospital Board of Directors ("Board") in its responsibilities related to the Hospital's executive compensation philosophy and policies. The Committee will advise the Board to meet all legal and regulatory requirements as it relates to executive compensation.

STAFF: **Kathryn Fisk**, Chief Human Resources Officer (Executive Sponsor); **Julie Johnston**, Director, Total Rewards; **Cindy Murphy**; Director of Governance Services

The CHRO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair's consideration. The CEO, and other staff members as appropriate, may serve as a non-voting liaison to the Committee and may participate at the discretion of the Committee Chair. These individuals shall be recused when the Committee is reviewing their individual compensation.

GOALS	TIMELINE	METRICS
1. Advise the Board ensuring strategic alignment and proper oversight of compensation-related decisions including performance incentive goal-setting and plan design	<ul style="list-style-type: none"> - Review and recommend FY19 Org Scores (Q1) - Review and approve FY19 Individual Scores and Payout amounts (Q1) - Review and recommend approval of letter of reasonableness (Q3) - Review and approve FY21 executive base salaries (not including the CEO) (Q4) - Review and recommend proposed FY21 organizational goals (Q4) - Review and approve FY21 individual goals (Q4) 	<ul style="list-style-type: none"> - Board approves FY19 organizational score (Q1/2) – COMPLETED - Committee approves FY19 Executive Performance Incentive Scores and Payouts (Q1) – COMPLETED - Board approves Letter of Reasonableness (Q3) – COMPLETED - Committee approves FY21 executive base salaries (not including the CEO) (Q4) – DEFERRED UNTIL SEPTEMBER - Board approves FY21 organizational goals (Q4) – IN PROCESS - Committee approves FY21 individual goals (Q4) – DEFERRED
2. Evaluate the effectiveness of the independent compensation consultant and the Committee	<ul style="list-style-type: none"> - Review consultant performance (Q2) - Complete ECC self-assessment (Q3) 	<ul style="list-style-type: none"> - Complete assessment of consultant (Q2) – COMPLETED - Committee Chair reviews cost/value of consultant (Q2) – COMPLETED - Committee discusses results of self-assessment (Q4) – DEFERRED; all Committee assessments will be conducted later in 2020
3. Review Leadership Development/Succession Planning	<ul style="list-style-type: none"> - Review CEO FY19 performance review process (Q1) - Review Leadership Development and Succession Plan (Q4) 	<ul style="list-style-type: none"> - Committee completes review of the CEO review process and makes recommendation(s) to the Board (Q1) – COMPLETED - CHRO updates Committee on leadership (Q4) – COMPLETED

SUBMITTED BY: Chair: Bob Miller | **Executive Sponsor:** Kathryn Fisk

Approved by the ECH Board of Directors 6/12/2019

COVID-19:

Impact on Executive Compensation



Introduction

Corporate boards and senior management teams face unprecedented challenges to govern and manage through the demand shock and substantial market downturn caused by the COVID-19 pandemic. Some industries face more serious and fundamental challenges than others. After companies address the immediate business implications, they will eventually need to address a range of governance, design and administration challenges

of executive and non-employee director compensation programs. In particular, the companies that benefit from the CARES Act will now have to take into consideration the restrictions on executive compensation in their plans.

This white paper provides perspectives on how to address the disruptive effects of COVID-19 across a range of compensation areas.

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Meridian Compensation Partners

Meridian Compensation Partners has a singular focus: to provide the most effective solutions and independent advice in executive compensation and corporate governance consulting. With over 80 associates in ten offices in the US and Canada, Meridian provides top management, boards and compensation committees at public and private corporations with core services that include board level advisory services, compensation program design, research and competitive market intelligence on executive pay and governance matters.

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- Executive Compensation Benchmarking
- Corporate Governance Risk Monitoring
- Glass Lewis Partnership

1 | Corporate Governance

As business strategies change in response to the current health and economic crisis, issues cascade to all board committees, including the compensation committee. The situation may require compensation committees to be even more flexible, adaptable and creative than in recent years.

Compensation committees should develop guiding principles to inform their near-term decision making on these issues. These guiding principles might include the following:

- Consider and, if necessary, modify long-held philosophies and policies.
- Consider non-conventional program designs to keep management and employees motivated, engaged and aligned with current and rapidly changing business strategies.
- Consider proxy advisory firm perspectives but do not let their strict guidelines restrict or limit the compensation committee from taking actions appropriate for their organizations. Proxy advisory firm guidelines may likewise evolve in response to the current circumstances.
- Consider how executives should share in the compensation burdens born of other employees across the organization.
- Consider the impact on all company stakeholders, including employees, shareholders, supply chain members, consumers and communities in which the company has an interest.

While it may be too soon to make any decisions or take action concerning 2020 pay for most companies, there are steps companies may consider, including:

- If the 2020 proxy has not been filed, add the following disclosure: (i) the proxy relates to 2019 performance and compensation, neither of which were affected by the COVID-19 pandemic, (ii) the COVID-19 pandemic could significantly impact 2020 financial results and compensation outcomes and (iii) the COVID-19 pandemic could impact the specific actions taken by the board and executives to address the effect of the COVID-19 pandemic on business operations.
- Sharing guiding principles with management to ensure continued motivation and common expectations. Develop a cadence of information sharing both business impact and potential compensation implications throughout the year.
- Engage shareholders to discuss and obtain feedback on significant changes in compensation program design.

2 | Base Salary

Certain industrial sectors have shored up their liquidity through salary decreases or headcount reductions. In some cases, top executives have volunteered salary reductions or extended salary abstentions as important demonstrations of solidarity with impacted employees.

Approximately 300 major public companies to date have disclosed executive salary reductions. Many of these companies are either in the airline or hospitality industries (e.g., United Airlines, Delta,

Marriot International, Norwegian Cruise Line, Hyatt Hotels). In other situations, companies have delayed or rescinded previously approved salary increases for management and employees. Compensation committees and management should note that unless specifically addressed, reductions in base salary may directly affect other pay elements and protections (e.g., bonus determination, severance calculations, retirement benefits, life and disability insurance coverage).

3 | Performance Based Compensation

Reduced commercial activity will have the greatest impact on both short- and long-term performance-based compensation. In most instances, outstanding business plans and performance goals have been rendered challenging or obsolete, and companies have no current certainty about the timing or pace of a recovery to restate their plans with confidence. Situations differ across industries and companies, and therefore the considered actions and potential responses differ as described below.

Potential Strategies for Outstanding Short- and Long-Term Incentive Awards (where performance metrics and goals have been set)

- Maintain status quo and take a wait and see attitude until later this year (given the current uncertainty, any changes made now could become quickly obsolete, so we suggest considering a “reflection” period mid-year once companies have a better sense of the crisis and its impact on business).
- Exercise greater discretion in cash/long-term incentive outcomes and consider the impact of COVID-19 on prescribed metrics, or even the affordability of a bonus altogether despite certain metric achievements. (We believe most companies expect to exercise more discretion than usual of 2020 outcomes).

- Modify existing performance goals to reflect COVID-19’s anticipated effects on financial performance (this situation would require reasonable certainty about the extent and impact on financial results, which seems unlikely under current circumstances but could be possible later this year. This could raise accounting issues).

- Eliminate incentive opportunity for 2020 (while a drastic action, we have seen top officers at certain companies agree to forego bonus payouts for the current year and, in some cases, companies already acknowledge they will not pay a 2020 bonus).

For outstanding performance-based equity awards subject to a market condition (e.g., absolute and/ or relative Total Shareholder Return (TSR), generally compensation committees are not currently contemplating any modifications to those awards, despite substantial market declines. However, companies should consider whether to cap payouts if negative TSR would result in a payout.

Potential Strategies for Short- and Long-Term Incentive Awards (where performance metrics have not yet been set)

Short-term incentive awards:

- Allow for end-of-performance period adjustments to earned awards (by calculation or discretion) to take into account the impact of COVID-19 on financial performance (mitigates the need to set performance goals that accurately predict COVID-19's impact on financial performance).
- Incorporate discretion into the determination of incentive award payouts (given ongoing uncertainties about the economic impact of COVID-19, some companies that continue to pay a 2020 bonus may resort to a discretionary evaluation for all award payouts to use hindsight and appropriately reward management's efforts and accomplishments).
- Allocate a portion (e.g., 25% or more) of the incentive awards to the achievement of important strategic, operational and individual objectives not directly tied to financial performance (this can mitigate the adverse effects of COVID-19, if desired).
- Split the annual incentive plan into two six-month performance periods, with metrics for each period set within the first two months of each period (the use of six-month performance periods may enhance a company's ability to develop meaningful goals that reflect current circumstances if there is visibility on appropriate goals).
- Consider shifts from business unit to corporate-wide goals and/or eliminate individual performance goals this year (this encourages a team approach to addressing critical business issues during the pandemic crisis).
- Incorporate ESG goals surrounding human capital such as health, safety and crisis management (a likely focus for investors this year).

Performance-based long-term incentive awards:

- Delay the grant until economic conditions settle (may prove difficult to determine optimal timing of a grant and would upset normal grant practices/commitments; most companies may still grant time-based long-term incentive awards in accordance with a company's normal grant practices, with or without a reduction in grant value to reflect current price-set discussion below).
- Establish shorter performance periods within a new long-term incentive award (e.g., three one-year periods, three-year service period with a one-year performance period may ease the development of appropriate performance goals; however, not preferred by proxy advisory firms).
- Include a qualitative component (in conjunction with a financial metric) to allow for a more holistic assessment of performance (e.g. 50% TSR, 50% Strategic Performance. This approach can permit greater committee judgement in the performance evaluation, but also create adverse accounting outcomes).
- Provide language in award agreements of an end-of-period adjustment to earned long-term incentive awards to take into account the impact of COVID-19 on financial performance (may ease development of long-term performance metrics and goals, but requires some certainty to distinguish and measure the ultimate impact; could also result in adverse accounting consequences).
- Incorporate a relative TSR metric (allows the market to measure the effects of COVID-19 on share price and eliminates the need to adjust performance metrics to identify the extent of COVID-19 effects on financial performance; however, award remains subject to volatile equity markets). Grant only time-based restricted stock/units based on an evaluation of prior year performance and market competitive compensation levels (avoids the need to determine appropriate performance metrics, but has potentially adverse shareholder and advisory group optics).

4 | Time-Based Long-Term Incentive Awards

For time-based long-term incentive awards, such as stock options and time-based restricted stock/unit awards, compensation committees appear headed to maintain the status quo. For a myriad of reasons and despite

the plunge in share price rendering many stock option awards deeply underwater, large cap companies are not likely to consider “repricing” such awards or exchanging those awards for full value grants or cash at this time.

5 | Sizing Equity Awards/Share Usage

We expect companies that have yet to grant their 2020 equity awards to consider the impact of lower stock prices in equity grant sizes. Lower share prices require more shares to deliver comparable grant-date value. Companies may need from 20% to over 300% more shares to deliver comparable Long-Term Incentive (LTI) value in a current (or future) grant.

Most calendar-year companies made their awards prior to the precipitous share price decline. However, for those that make their grants later in the year, share usage will increase considerably. This could put a significant strain on share availability and reduce the life of the current share pool. In certain instances, current share pool levels might be insufficient to fully fund regular annual LTI grant levels. In addition, high share usage may create excessive dilution and leverage, resulting in realized compensation that is not aligned with shareholder experience, particularly if the recovery is faster than anticipated.

Managing Share Usage

To reduce the potential strain on share pool levels, companies could choose to settle some or all equity awards in cash. However, liquidity concerns may make

share monetization impractical. Without committing to either share or cash settlement, compensation committees could consider the following actions:

- The settlement of future awards in cash, shares or a combination of both at the discretion of the compensation committee (this would allow, but not require, the compensation committee to manage the drawdown of the share pool and use of cash without the need to modify overall design and economics of prior equity grants).
- Modify existing awards to settle currently outstanding equity awards in cash, shares or a combination of both at the discretion of the compensation committee (this would allow the compensation committee to further manage the drawdown of the share pool). As an alternative to settling future awards in cash, a company could grant long-term cash performance units rather than equity shares to decrease share usage. (However, this approach has a higher risk of generating compensation outcomes that are not aligned with shareholder experience).

6 | Sizing Equity Awards

To address sizing issues, compensation committees have considered the following actions:

- Maintain status quo grant practices where share pool is large enough to at least fund a full year of anticipated equity grants and where the annual “burn rate” is reasonable in relation to the company’s long-term average.
- Use a higher trailing average share price over the most recent 30, 60 or 90 trading days to size awards.
- Choose an “arbitrary” level of reduction in the dollar value of equity awards – e.g., a reduction of 10% or more in the grant date award value.
- Limit grants to the same number of shares that the company awarded in the most recent award cycle.
- Set a floor stock price to be used for determining shares.
- Set an annual dilution cap and prorate planned awards as needed to stay below the cap.

7 | Equity Pay Mix

Given economic and equity market uncertainties, compensation committees, especially at those companies that have yet to make awards for 2020, may need take a fresh look at the mix of LTI awards and consider the following:

- Maintain the status quo.
- Simplify equity pay mix by moving to one equity vehicle (likely restricted shares).
- Eliminate performance-based equity awards in favor of more time-based restricted stock/unit awards or cash-denominated performance awards (this action would be viewed negatively by the proxy advisory firms and some institutional shareholders as it does not show pay for performance alignment).

8 | Non-Employee Director Compensation

In certain recently announced executive pay actions, we have observed that some boards are making parallel changes to their own compensation, including:

- Elimination or reduction of cash retainers.
 - Rescission of previously approved director fee increases.
- Many companies face large stock price differences between early-year employee stock grants and upcoming director grants planned for the annual shareholder meeting. We have observed that some boards, particularly in industries seriously impacted by COVID-19, may elect to reduce their director grants by a specific percentage, or apply the same price used to size employee equity.

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[More Information](#)



**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Cindy Murphy, Director of Governance Services
Date: May 28, 2020
Subject: Report on Board Actions

Purpose:

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. **Situation:** It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital’s Board Advisory Committees.
2. **Authority:** This is being brought to the Committees at the request of the Board and the Committees.
3. **Background:** Since the last Executive Compensation Committee meeting, the Hospital Board has met twice and the District Board has met twice. In addition, since the Board has delegated certain authority to the Compliance and Audit Committee, the Finance Committee and the Executive Compensation Committee those approvals are also noted in this report.

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
ECH Board	April 15, 2020	<ul style="list-style-type: none"> - Medical Staff Report including the Credentials and Privileges Report - Revised Medical Staff Bylaws (Restructuring Organization, Increasing length of terms etc.) - FY20 Period 7 and 8 Financials - Quality/Safety Performance Improvement and Patient Safety Plan (QAPI) - ECH Resolution 2020-02 Declaring Local Emergency (necessary first step to apply for COVID-19 FEMA funds should the organization decide to do so) - Enterprise Telestroke Agreement - Neurology Inpatient Consult Panel - Revised Executive Compensation Philosophy - Revised Executive Base Salary Administration Policy - Revised Executive Performance Incentive Plan - Urology On-Call Panels (MV and LG) - Infection Control Medical Directors Hours Increase - FY20 Board and Committee Self-Assessment Tools - Resolution 2020-03 Approving Neurology Inpatient Consult Panel Agreement for Peter C. Fung MD
	May 20, 2020	<ul style="list-style-type: none"> - FY20 Period 9 Financials - Medical Staff Report

Report on Board Actions
 May 28, 2020

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
		<ul style="list-style-type: none"> - Imaging Equipment Service Agreements - Revised Investment Policy
ECHD Board	April 15, 2020	- ECHD Resolution 2020-02 Declaring Local Emergency (necessary first step to apply for COVID-19 FEMA funds should the organization decide to do so)
	May 19, 2020	<ul style="list-style-type: none"> - FY20 YTD Financials - Proposed Budget Expense Allocations to ECHD for FY21 (Community Benefit Staff SW&B and Association Memberships) - Resolution 2020-04 Requesting for and Consenting to Consolidation of Election - Funding for District to Provide COVID-19 Community Testing
Finance Committee	March 23, 2020	<ul style="list-style-type: none"> - Annual Summary of Physician Financial Arrangements - Orthopedic and Spine Surgery Co-Management Agreement Expansion
Compliance and Audit Committee	N/A	- None since last report
Exec. Comp Committee	N/A	- None since last report

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments: None.

Suggested Committee Discussion Questions: None.

DRAFT
FY21 COMMITTEE GOALS
 Executive Compensation Committee

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STAFF: **Kathryn Fisk**, Chief Human Resources Officer (Executive Sponsor); **Julie Johnston**, Director, Total Rewards

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GOALS	TIMELINE	METRICS
1. Provide oversight and approvals for compensation-related decisions, including performance incentive goal-setting and plan design	Q1	<ul style="list-style-type: none"> - Review and approve FY21 executive base salaries (not including the CEO) - Review and recommend FY20 Organizational Incentive Score - Approve FY20 individual executive payout amounts (pending Board approval of incentive score)
	Q3	<ul style="list-style-type: none"> - Review and recommend approval of letter of reasonableness
	Q4	<ul style="list-style-type: none"> - Review and recommend proposed FY22 organizational incentive goals - Review and approve FY22 individual executive incentive goals
2. Review executive benefits design	Q2	<ul style="list-style-type: none"> - Review (November 2020) and recommend benefit policy changes to the Board
3. Evaluate the effectiveness of the independent compensation consultant	Q2/Q4	<ul style="list-style-type: none"> - Conduct semi-annual evaluation of ECC consultant
	Q1 – Q4	<ul style="list-style-type: none"> - Appoint an Ad Hoc Committee (if desired) - Conduct Interviews - Interview finalists with the whole Committee - Select consultant and sign contract
4. Review Executive Leadership Development Plan/Succession Planning	Q3	<ul style="list-style-type: none"> - Presentation in March 2021

SUBMITTED BY:

Chair: Bob Miller

Executive Sponsor: Kathryn Fisk

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Executive Compensation Committee
From: Kathryn Fisk, CHRO
Date: May 28, 2020
Subject: Executive Compensation Consultant 6-Month Review and RFP

Recommendation(s): (Possible Motion)

To create an Ad Hoc Committee to facilitate the request for proposal (RFP) process and selection of 2-3 finalists for an executive compensation consultant.

Summary:

1. **Situation:** The Committee uses the services of an independent consulting firm to inform the executive compensation decisions and help ensure regulatory compliance. The Committee periodically issues an RFP which was last completed four years ago
2. **Authority:** Per the Committee’s Charter, “the Committee has the authority to select, engage and supervise a consultant to advise the Board and the Committee on executive compensation issues.”
3. **Background:** The current consulting firm has been in place for four years.
4. **Assessment:** For discussion by the Committee.
5. **Other Reviews:** N/A
6. **Outcomes:** If an RFP is conducted, the Committee may elect to continue with current consulting firm or select another qualified firm.

List of Attachments:

1. Consultant Evaluation Dashboard
2. Draft Criteria
3. Sample Timeline for RFP

Suggested Committee Discussion Questions:

1. Does the Committee want to issue an RFP?
2. What criteria are important to vet before making a selection?
3. How does the Committee want to facilitate the process for the RFP? (i.e., Ad Hoc Committee, assign to staff, combined member/staff oversight)
4. What firms does the Committee wish to consider?
5. How does the Committee wish to pace the RFP process relative to goals and work plan?

COMPENSATION CONSULTANT FEEDBACK

Technical Expertise	Consistently demonstrates valuable expertise, technical depth, industry knowledge, leading edge ideas, and market-driven information to support decisions.	
Analysis and Due Diligence	Presents thorough, accurate analysis that is placed in the context of industry practice, market data, and the organization's compensation philosophy and practices.	
Responsive	Anticipates emerging issues and red flags, and demonstrates initiative in understanding ECH culture, stakeholders, strategy, and success drivers.	
Forward-Thinking	Brings new ideas on an ongoing basis, appropriately asks questions, shares divergent perspectives, and presents alternative solutions for consideration.	
Communication	Engages regularly and appropriately with key stakeholders. Produces clear, focused, accurate deliverables demonstrating understanding of audience knowledge and dynamics. Highlights and prioritizes critical points of materials for committee.	
Independence/Objectivity/Balance	Understands reporting relationship; manages relationships between Board, Compensation Committee, and management appropriately; maintains objectivity and avoids conflicts of interest.	
Trusted Advisor	Strives to build a long-term partnership; places organization interests ahead of their own; understands perspectives of various stakeholders; appropriately challenges and questions.	
Project Management	Establishes a methodical course of action and drives plan to completion according to agreed-upon ownership and timelines. Develops and adheres to a thorough process for working with management, Committee and Board.	

Executive Compensation and Benefits Consultant Selection Criteria – Review of Proposal

Rate on Scale of 1(low) to 5(high)	Vendor
Timeliness and completeness of RFP submission. Ability to meet established timelines	
Presentation and quality of RFP content	
Experience of firm/consulting team working with CA hospitals/health systems, publicly elected Board members, and 501(c)3 organizations	
Executive Compensation and Benefits survey database	
Available tools on governance of executive compensation plans	
Experience working with best practice hospitals on executive compensation and benefits	
Did RFP capture aspects of ECH culture, governance issues, and respond to ECH needs? (vs. standard proposal)	

Sample Timeline for RFP

<u>Target Date</u>	<u>Activity</u>
Week 0	Sub-committee or chair approves RFP
Week 1	RFPs sent to selected firms
Week 2	Question and Answer Conference call with El Camino Notify El Camino of intent to submit proposal
Week 3	Proposals are due
Week 4	Staff prepares summary
Week 5	RFPs reviewed in sub-committee and finalists selected Finalists notified
Week 7	Committee interviews finalists Reference Calls
Week 8	Finalists notified of selection

Executive Compensation Committee

Drafted 5/12/2020

FY21 ECC Pacing Plan – Q1		
July 2020	August 2020	(Tuesday) September 15, 2020
<i>No scheduled Committee meeting</i> <i>**Need to work in timing for ECC consultant RFP</i>	<i>No scheduled Committee meeting</i>	<p><u>Discussion:</u></p> <ul style="list-style-type: none"> - Review CEO FY20 Performance Review Process (including proposed FY21 Process) - Review Committee Self-Assessment <p><u>Committee Actions:</u></p> <ul style="list-style-type: none"> - Approve Minutes - Recommend approval of FY20 Incentive Score - Approve FY20 Executive Individual Goal Scores - Approve FY20 Executive Performance Incentive Payout Amounts (*pending Board approval of FY20 Incentive Score) - Approve FY21 Exec Base Salaries
FY21 ECC Pacing Plan – Q2		
October 2020	(Thursday) November 5, 2020	December 2020
<i>No scheduled Committee meeting</i>	<p><u>Discussion:</u></p> <ul style="list-style-type: none"> - Assess Effectiveness of Delegation of Authority - 6-Month Exec Comp Consultant Review <p><u>Committee Actions:</u></p> <ul style="list-style-type: none"> - Approve Minutes - Recommend Letter(s) of Reasonableness - Review Benefits Program and Policy - Review Executive Performance Management Process - RFP Work 	<i>No scheduled Committee meeting</i>
<p><u>Board Actions:</u></p> <ul style="list-style-type: none"> - Approve FY20 Financial Audit - Approve FY20 Incentive Score/Results - Approve CEO FY20 Individual Score and Performance Incentive Payout - Approve FY20 CEO Base Salary <p><u>Informational Report to Board on:</u></p> <ul style="list-style-type: none"> - FY20 Executive Individual Goal Scores (closed) - FY20 Executive Payout Amounts (open) 		
*Mercer to prepare Letter(s) of Reasonableness	*Mitch Olejko to prepare rebuttable presumption action cover letter for Board meeting	<p><u>Board Actions:</u></p> <ul style="list-style-type: none"> - Approve Letter(s) of Reasonableness

Executive Compensation Committee

Drafted 5/12/2020

FY21 ECC Pacing Plan – Q3		
January 2021	February 2021	(Thursday) March 4, 2021
<p style="text-align: center;"><i>No scheduled Committee meeting</i></p> <ul style="list-style-type: none"> - Approve FY20-21 Positioning/Recovery Incentive Score??? 	<p style="text-align: center;"><i>No scheduled Committee meeting</i></p>	<p><u>Discussion:</u></p> <ul style="list-style-type: none"> - Leadership Development and Succession Plan Update - Strategic Plan Update (and progress against FY21 organizational goals) <p><u>Committee Actions:</u></p> <ul style="list-style-type: none"> - Approve Minutes - Approve FY22 Committee Goals - Approve FY22 Committee Dates - Annual Policy Review: Compensation Philosophy; Salary Administration; Performance Incentive Plan - RFP Work
FY21 ECC Pacing Plan – Q4		
April 2021	(Thursday) May 27, 2021	June 2021
<p style="text-align: center;"><i>No scheduled Committee meeting</i></p>	<p><u>Discussion:</u></p> <ul style="list-style-type: none"> - 6-Month Exec Comp Consultant Review <p><u>Committee Actions:</u></p> <ul style="list-style-type: none"> - Approve Minutes - Approve FY22 Pacing Plan - Approve FY22 Executive Base Salaries and Salary Ranges - Approve FY22 Executive Individual Goals - Recommend Proposed FY22 Incentive Goals - Recommend Proposed FY21 CEO Salary Range 	<p style="text-align: center;"><i>No scheduled Committee meeting</i></p>
<p>Board/Committee Educational Gathering – April 28, 2021</p>		<p><u>Board Actions:</u></p> <ul style="list-style-type: none"> - Approve FY22 Incentive Goals - Approve FY22 CEO Salary Range <p><u>Informational Report to Board on:</u></p> <ul style="list-style-type: none"> - FY22 Executive Individual Goals - FY22 Executive Base Salaries & Salary Ranges