

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

Thursday, March 4, 2021 – 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: 760-083-0558#. 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 (11/5/2020) Information b. Progress Against FY21 Committee 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; Julie Kliger and George Ting, MD, Board Members		information 4:06 – 4:11
6. COMMITTEE PLANNING a. Proposed FY22 Committee Goals b. Proposed FY22 Committee Dates	Bob Miller, Chair	<i>public comment</i>	possible motion(s) 4:11 – 4:16
7. LETTER OF REBUTTABLE PRESUMPTION OF REASONABLENESS ATTACHMENT 7	Heidi O’Brien and Nihar Shah, Mercer	<i>public comment</i>	possible motion 4:16 – 4:26
8. ADJOURN TO CLOSED SESSION	Bob Miller, Chair		motion required 4:26 – 4:27
9. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Bob Miller, Chair		information 4:27 – 4:28

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
10. CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2:</i> a. Minutes of the Closed Session of the ECC Meeting (11/5/2020)	Bob Miller, Chair		motion required 4:28 – 4:29
11. Gov't Code Section 54957 and 54957.6 for a report and discussion on personnel matters: - Executive Compensation Plans/Policies a. Market Practice Overview b. Current ECH Practices and Feedback c. Potential Changes	Heidi O'Brien and Nihar Shah, Mercer		discussion 4:29 – 5:31
12. Gov't Code Section 54957 and 54957.6 for a report and discussion on personnel matters: - Leadership Development and Succession Management Update	Kathryn Fisk, CHRO		discussion 5:31 – 5:41
13. ADJOURN TO OPEN SESSION	Bob Miller, Chair		motion required 5:41 – 5:42
14. RECONVENE OPEN SESSION/ REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	Bob Miller, Chair		information 5:42 – 5:43
15. APPOINTMENT OF AD HOC COMMITTEE: COMMITTEE MEMBER RECRUITING ATTACHMENT 15	Bob Miller, Chair	<i>public comment</i>	motion required 5:43 – 5:48
16. FY21 PACING PLAN ATTACHMENT 16	Bob Miller, Chair		discussion 5:48 – 5:50
17. CLOSING COMMENTS	Bob Miller, Chair		discussion 5:50 – 5:54
18. ADJOURNMENT	Bob Miller, Chair	<i>public comment</i>	motion required 5:54 – 5:55pm

Upcoming Meetings: Regular Meetings: May 27, 2021



**Minutes of the Open Session of the
Executive Compensation Committee
of the El Camino Hospital Board of Directors
Thursday, November 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**
Bob Miller, Chair**
George Ting, MD**
Pat Wadors**

Members Absent

Julie Kliger, Vice Chair
 **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 “Committee”) was called to order at 4:01pm by Chair Bob Miller. A verbal roll call was taken. Ms. Kliger was absent. All other Committee members were present and participated via 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. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 4:02pm.</p> <p>Movant: Layney Second: Ting Ayes: Eyre, Layney, Miller, Ting, Wadors Noes: None Abstentions: None Absent: Kliger Recused: None</p>	<i>Adjourned to closed session at 4:02pm</i>
3. AGENDA ITEM 8: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 5:59pm. Agenda items 3-7 were addressed in closed session.</p> <p>During the closed session, the Committee approved the Minutes of the Closed Session of the Executive Compensation Committee Meeting (7/28/2020), the Minutes of the Closed Session of the Executive Compensation Committee Meeting (9/22/2020), and the FY21 CFO Individual Performance Goals by unanimous vote in favor of all members present by teleconference (Eyre, Kliger, Layney, Miller, Ting, Wadors).</p>	
4. AGENDA ITEM 10: SELECTION OF EXECUTIVE COMPENSATION CONSULTANT	<p>This item was taken out of order.</p> <p>Motion: To approve the selection of Mercer for a three year contract to be the Committee’s executive compensation consultant, subject to the terms of the Agreement that will be drafted by Human Resources.</p> <p>Movant: Layney Second: Wadors Ayes: Eyre, Layney, Miller, Ting, Wadors Noes: None Abstentions: None Absent: Kliger Recused: None</p> <p>Chair Miller thanked the Ad Hoc Committee and staff for their work.</p>	<i>Mercer selected as consultant</i>

<p>5. AGENDA ITEM 9: POTENTIAL CONFLICT OF INTEREST DISCLOSURES</p>	<p>Chair Miller asked if any Committee members had a conflict of interest with any of the items on the open session agenda. No conflicts were noted.</p>	
<p>6. AGENDA ITEM 11: PUBLIC COMMUNICATION</p>	<p>None.</p>	
<p>7. AGENDA ITEM 12: CONSENT CALENDAR</p>	<p>Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (9/22/2020); and for information: Progress Against FY21 Committee Goals.</p> <p>Movant: Ting Second: Layney Ayes: Eyre, Layney, Miller, Ting, Wadors Noes: None Abstentions: None Absent: Kliger Recused: None</p> <p>Ms. Eyre and Ms. Wadors left the meeting at 6:01pm.</p>	<p><i>Consent calendar approved</i></p>
<p>8. REPORT ON BOARD ACTIONS</p>	<p>Chair Miller reported that the Board approved the FY20 organizational goal score and commended the Committee's work in this area.</p>	
<p>9. ASSESS EFFECTIVENESS OF DELEGATION OF AUTHORITY</p>	<p>Committee members noted that the Committee generally receives enough information to perform its responsibilities.</p> <p>Chair Miller suggested asking the Board leadership and support staff about whether the Committee's delegated authority is successful and if it is saving the Board time.</p>	
<p>10. AGENDA ITEM 15: FY21 PACING PLAN</p>	<p>Chair Miller noted that the discussion on the geographic differential was deferred to the Committee's March 2021 meeting.</p>	
<p>11. AGENDA ITEM 16: CLOSING COMMENTS</p>	<p>There were no additional comments from the Committee.</p>	
<p>12. AGENDA ITEM 22: ADJOURNMENT</p>	<p>Motion: To adjourn at 6:04pm. Movant: Layney Second: Ting Ayes: Layney, Miller, Ting Noes: None Abstentions: None Absent: Eyre, Kliger, Wadors Recused: None</p>	<p><i>Meeting adjourned at 6:04pm</i></p>

Attest as to the approval of the foregoing minutes by the Executive Compensation Committee and 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

FY21 COMMITTEE GOALS

Executive Compensation Committee

Update for 3-4-21 Meeting

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

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 and for developing and disseminating in a timely manner management's recommendations to the Committee and appropriate supporting information to facilitate the Committee's deliberations and exercise of its responsibilities. 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. 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) - completed - Review and recommend FY20 Organizational Incentive Score- completed - Approve FY20 individual executive payout amounts (pending Board approval of incentive score) - completed
	Q3	<ul style="list-style-type: none"> - Review and recommend approval of letter of reasonableness – on March agenda
	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 –postponed until Q4
3. Evaluate the effectiveness of the independent compensation consultant	Q2/Q4	<ul style="list-style-type: none"> - Conduct semi-annual evaluation of ECC consultant – Q2 completed
	Q1 – Q4	<ul style="list-style-type: none"> - Appoint an Ad Hoc Committee (if desired) - completed - Conduct Interviews - completed - Interview finalists with the whole Committee - completed - Select consultant and sign contract - completed
4. Review Executive Leadership Development Plan/Succession Planning	Q3	<ul style="list-style-type: none"> - Presentation in March 2021 – on March agenda
5. Evaluate the effectiveness of the Committee	Q1	<ul style="list-style-type: none"> - Complete Committee Self-Assessment – completed

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

Approved by the ECH Board of Directors 6/10/2020



Boards are used to working with uncertainty in setting incentive goals, but 2021 is forcing them to raise their game.

Setting goals for incentive compensation has long been one of the compensation committee's biggest responsibilities. This task is especially difficult with the continuing uncertainty of the COVID-19 pandemic and corporate commitments to serving all stakeholders, not just shareholders. To add to the complexity, some business sectors are thriving while others face a very uncertain recovery.

Compensation committees are asking:

- What will good performance look like in 2021?
- Will management know enough at the beginning of the year to set reasonable goals?
- How volatile might performance outcomes be?
- What level of discretion might be appropriate to reserve for year-end?
- Will it be "safe" to set longer-term goals?
- For companies temporarily boosted by the pandemic, is it appropriate to set 2021's goals below 2020's results?
- How should incentive plan payouts consider the impact on all stakeholders?

While many of the same goal-setting considerations that apply in any year are still relevant, most boards will need new strategies. The application of these strategies will necessarily vary by industry.

Principles of effective goal setting

Goal setting has always been a balancing act. The aim is to motivate management while keeping payouts in line with results delivered to shareholders. This year, compensation committees must work through the deep uncertainty about the course of the pandemic. Increasingly, boards are weighing the needs of other stakeholders based on input from institutional investors.

In the past, many companies relied on standard principles for goal setting:

- Growth requirements from the prior year.
- Fixed ranges of threshold and maximum performance relative to target (e.g., +/- 10% or 20% from budget).
- Long-term growth expectations (e.g., 8% EPS growth rate per year).
- Expectations about the likelihood of achieving certain payouts (e.g., threshold exceeded with 90% probability, maximum achieved with 10% probability).
- Since these traditional inputs will not be relevant for many companies in 2021, here are additional perspectives and inputs for setting financial goals:
- Sensitivity testing to understand the performance required on underlying drivers of the incentive plan metrics (see figure 1, for a retail example). This analysis includes events that might play out over the course of the year and their potential impact on goal achievement. It helps boards understand the range of potential outcomes.
- External expectations for both the company and peers, based on analyst estimates and company guidance (see figure 2). These expectations likewise establish a range of goals.
- Incentive plan sharing rates to understand the incremental earnings paid out in incentives (see figure 3). Where earnings are thinner, the sharing between employees and shareholders must adjust accordingly.

Additionally, many companies are incorporating a broader stakeholder view into incentives, as explicit incentives in the plan, as part of a discretionary scorecard or when discretion is exercised at year-end.

Industries struggling in the pandemic

Many industries are seeing moderate to severe disruptions from the pandemic, with significant uncertainty in 2021. Boards must recognize these ongoing challenges and come up with incentive targets that fairly motivate and retain executives, for both the annual bonus and performance-based equity awards. Along with the approaches described above, companies in these challenged industries are undertaking some or all of the following strategies:

- Wider performance ranges for threshold and maximum performance levels.
- Lower caps on maximum payout levels to avoid windfall payouts, if the target goals are set conservatively.
- Flatter achievement ranges around targets to allow for volatility and steeper pay changes only farther above and below target.
- Partial-year performance periods (spring and fall, for example) for the annual incentive, often with changes to the payout opportunity (i.e., lower target or maximum payout opportunity), but with actual payouts reserved until end of year.
- Changes to incentive metrics, such as more emphasis on controllable metrics and metrics tied to the pandemic recovery (including margin or return metrics denominated in percentages, liquidity metrics and operational/strategic metrics).
- Greater allowance for discretion at year-end for the annual bonus, often based on a scorecard of metrics (including objective goals, but with any payout assessed nonformulaically).
- Metrics relative to a peer group in the long-term incentive plans.
- For the long-term plan, some shift to time-based equity vehicles and away from performance-based shares. (Note that investors and proxy advisers have expressed a strong preference for maintaining at least a 50%

performance-based mix.)

Industries thriving in the pandemic

Boards in well-performing industries have the opposite challenge. Their companies had banner years in 2020, and now the key consideration for 2021 goals is how much of that performance can be sustained post-pandemic.

Many compensation committees will be reluctant to set incentive targets below 2020's results, but for some companies it's perfectly reasonable to expect a decline from 2020. Understanding the external perspective from analysts and peer company guidance can inform the decision about what is reasonable. Boards can reduce the risk of a disconnect between incentive payouts and shareholder expectations in multiple ways:

- Change the leverage curve: While targets may be lower than 2020 performance, if these are missed, the payouts decline quickly. As for the maximum payout levels, those should be harder to reach.
- Use a multi-year lens in goal setting, considering what is fair progress from 2019, or for 2020 and 2021 combined.
- Set different performance curves based on the macro environment. Boards could establish one set of performance goals if the broader economy goes down by 5%, and a lower range of goals if it goes down by 10%. The payout opportunity could be adjusted as well.

Boards are used to working with uncertainty in setting incentive goals, but the usual principles for goal setting need to be enhanced with creative solutions in 2021. The approaches will vary depending on the pandemic's influence on a given company and industry, but most compensation committees will want to give incentive goals additional consideration to ensure they are motivating their executive teams and aligned with all stakeholders' experiences during this uncertain time.

Blair Jones and Greg Arnold are managing directors at Semler Brossy.

Issue: 2021 First Quarter

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Get in touch

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

To: Executive Compensation Committee
From: Cindy Murphy, Director of Governance Services
Date: March 4, 2021
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 time we provided this report to the Executive Compensation Committee, the Hospital Board has met three times and the District Board has met four times. In addition, since the Board has delegated certain authority to the Executive Compensation Committee, the Compliance and Audit Committee and the Finance Committee, those approvals are also noted in this report.

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
ECH Board	November 11, 2020	<ul style="list-style-type: none"> - Resolution 2020-10 Recognizing Brian Richards' Service to the Organization - Medical Staff Report - Quality Council Minutes - Medical Staff Credentials and Privileges Report - Election of Carlo Bohorquez, CFO and Deb Muro, CIO to the Pathways Home Health and Hospice Board of Directors - Pathways FY21 Budget - FY21 Board Action Plan - Revised Policy and Procedures for Nomination and Appointment of Community Members to the Board's Advisory Committees - FY21 Board Retreat Agenda - Annual Safety Report for the Environment of Care - FY21 CEO Base Salary - FY20 CEO Incentive Compensation Payout
	December 9, 2020	<ul style="list-style-type: none"> - FY21 Period 3 and 4 Financials - FY20 CEO Incentive Compensation Payment - Quality Committee Report including Credentials and Privileges Report

Report on Board Actions
March 4, 2021

Board/Committee	Meeting Date	Actions (Approvals unless otherwise noted)
	February 10, 2021	<ul style="list-style-type: none"> - FY21 Period 5 and 6 Financials - Delegated Authority to the Finance Committee to approve the annual Community Benefit fund - Revised Community Benefit Grants Policy - Revised Finance Committee Charter - Recommended \$149 million in funding for ECH Women’s Hospital Expansion Project - Hospital Board Member Competencies - Appointed Director Carol Somersille to the Finance and Investment Committees - LPCH NICU PSA Payment - Enterprise Telepsychiatry Services Renewal - Medical Staff Bylaws Revisions
ECHD Board	December 4, 2020	<ul style="list-style-type: none"> - Accepted the November 3, 2020 Election Results (John Zoglin, Julia E. Miller and Carol A. Somersille, MD elected) - Elected Carol A. Somersille, MD to the El Camino Hospital Board of Directors - Appointed Julia E. Miller as Vice Chair of the ECHD Board
	December 29, 2020	<ul style="list-style-type: none"> - Endorsed John Zoglin as candidate for Alternate Independent Special District Member of Santa Clara County LAFCo - Approved \$100,000 in funding for Community COVID-19 Vaccination Program
	January 26, 2021	<ul style="list-style-type: none"> - Elected Lanhee J. Chen to third term as a member of the El Camino Hospital Board of Directors - Appointed ECH Board Member Election Ad Hoc Committee - Approved reallocation of \$900,000 in funding for COVID-19 Vaccinations
	February 10, 2021	<ul style="list-style-type: none"> - Approved \$149 million in funding for ECH Women’s Hospital Funding
Executive Compensation Committee	N/A	
Compliance and Audit Committee	N/A	
Finance Committee	January 25, 2021	<ul style="list-style-type: none"> - Interventional Radiology Call Panel – Los Gatos - Hospitalist Contract – Los Gatos - Relocation of Cardiopulmonary Wellness Center – NTE \$1.875 million

List of Attachments: None.

Suggested Committee Discussion Questions: None.

FY22 COMMITTEE GOALS

Executive Compensation Committee

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); Director, Total Rewards

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 and for developing and disseminating in a timely manner management's recommendations to the Committee and appropriate supporting information to facilitate the Committee's deliberations and exercise of its responsibilities. 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. 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 FY22 executive base salaries (not including the CEO) - Review and recommend FY21 Organizational Incentive Score - Approve FY21 individual executive payout amounts (pending Board approval of incentive score)
	Q2	<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 FY23 organizational incentive goals - Review and approve FY23 individual executive incentive goals
2. Evaluate the effectiveness of the independent compensation consultant	Q2/Q4	<ul style="list-style-type: none"> - Conduct semi-annual evaluation of ECC consultant

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

Recommendations to be made to the El Camino Hospital Board of Directors

Executive Compensation Committee Meetings Proposed FY22 Dates

RECOMMENDED ECC DATE (Thursdays)	CORRESPONDING HOSPITAL BOARD DATE
Wednesday, September 22, 2021	Wednesday, October 13, 2021
Thursday, November 4, 2021	Wednesday, December 8, 2021
Thursday, February 24, 2022 Thursday, March 3, 2022	Wednesday, April 13, 2022
Thursday, May 26, 2022	Wednesday, June 8, 2022 Wednesday, June 15, 2022



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

To: Executive Compensation Committee
From: Bob Miller, Committee Chair
Date: March 4, 2021
Subject: Letter of Rebuttable Presumption of Reasonableness

Recommendation(s):

To accept the Letter of Reasonableness and the Committee shall present the letter to outside Board Counsel and request that he present a letter documenting the Reasonableness of Executive Compensation under IRS Section 4958 to the Board for acceptance.

Summary:

1. Situation: To confirm that the letters of reasonableness reflect the actions taken by the Committee and the Board
2. Authority: The Committee's Charter defines the role of the Committee and the Board in the oversight and governance of Executive Compensation.
3. Background: El Camino Hospital engaged Mercer (US) Inc. ("Mercer"), an independent healthcare consulting firm, to evaluate executive compensation levels as part of its overall executive compensation process with respect to certain executives. El Camino Hospital intends to obtain the benefit of the rebuttable presumption of reasonableness pursuant to regulations implementing Section 4958 of the Internal Revenue Code.
4. Assessment: In order to invoke the presumption, the amount of compensation must be approved in advance by an authorized body; the decision must be based on appropriate data as to comparability; and the *decision must be adequately documented*. El Camino Hospital's decisions to compensate executives are approved in advance by its Board of Directors ("Board") or the Executive Compensation Committee (acting within delegated authority). Mercer's letter summarizes that process for disqualified executives.
5. Other Reviews: N/A
6. Outcomes: If approved, the Letter of Reasonableness will be presented to the Board as documentation of compliance of IRS Section 4958.

List of Attachments:

1. Letter of Rebuttable Presumption of Reasonableness

Letter of Rebuttable Presumption of Reasonableness
March 4, 2021

Suggested Committee Discussion Questions:

1. Does the letter accurately reflect the process by which compensation decisions were made?
2. Did Mercer act independently?

Mr. Robert Miller
Chair, Executive Compensation Committee
El Camino Hospital
Mountain View, CA 94040

February 23, 2021

Subject: Reasonableness Opinion for El Camino Hospital Disqualified Persons

Dear Bob,

As requested by the Executive Compensation Committee (“Committee”) of the Board of Directors (“Board”) of El Camino Hospital (“El Camino” or “ECH”), Mercer conducted an evaluation of the maximum total remuneration to be provided to El Camino’s executives for the fiscal year ending June 30, 2021 (FY 2021). The covered executives include the Chief Executive Officer and the eleven executives named in Table 1. Mercer provided market benchmarking results at the May 2020 Executive Compensation Committee meeting; these results were used to inform the Committee’s approval of FY 2021 compensation for non-CEO executives during its September meeting. CEO compensation market data was presented to the Board at the November 11, 2020 meeting; these data informed the Board’s decision on CEO base salary. The Board approved final decisions on the CEO’s FY 2021 compensation in its November and December meetings. Market data for the Chief Financial Officer role were provided along with data for other executive roles in May 2020, however the Chief Financial Officer’s base salary was approved by the Committee in July 2020 when the current incumbent was hired. This letter outlines the study’s objectives, Mercer’s evaluation process, findings, and our opinion that the approved FY 2021 total remuneration program for the covered executives falls within a reasonable range of the competitive practice.

I. Purpose

The purpose of this letter is to document the market comparability data and provide Mercer’s opinion on the reasonableness of the executive total remuneration program in support of the organization’s pursuit of the rebuttable presumption of reasonableness under IRC §4958. To do so, we have:

- Presented relevant market comparability data to the Committee and the Board to ensure that the Committee and the Board are well-informed of current executive compensation and benefits practices when making decisions on El Camino’s executive remuneration;

- Advised the Committee regarding interpretation of the market data;
- Assisted the Committee in its governance responsibility with respect to the compensation program by providing Mercer's opinion that approved fiscal year 2021 total remuneration for all executives falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances in accordance with the Intermediate Sanctions legislation and applicable regulations; and
- Documented the recent changes to compensation approved by the Committee and the Board of Directors in September and November, respectively.

II. Background

Mercer serves as an independent advisor to the Committee. In this capacity, we provide advice and competitive compensation and benefits market data to the Committee to inform its decision-making process relative to the compensation program for El Camino's executives.

The executive compensation program is governed by the Board of Directors and the Executive Compensation Committee, which advises the Board to meet all applicable legal and regulatory requirements as they relate to executive compensation and effectiveness in attracting, retaining, and motivating executives.

Organizational Context

El Camino Hospital's mission is to heal, relieve suffering, and advance wellness as a publicly accountable partner. El Camino opened its doors to its first patients on September 1, 1961 with 21 medical staff. An expanding population in Silicon Valley drove El Camino to develop further, and today El Camino Hospital consists of two fully accredited hospital campuses in Los Gatos and Mountain View. Net operating revenue was \$997 million¹ for FY 2019 and \$1.03 billion¹ for FY 2020.

Silicon Valley Medical Development LLC (SVMD), an affiliate of El Camino Hospital, aspires to elevate the healthcare experience for the communities served. Through physician partnerships, SVMD provides patients with healthcare options including urgent care, primary care, and specialty care services at 11 locations across Santa Clara County.

In addition to delivering healthcare services across Santa Clara County, El Camino's employee assistance and mental health program, Concern, offers employers across the country an

¹ Source: El Camino FY 2019 and FY 2020 Financial Audits.

optimized blend of human connection, compassion, and technology to help employees build resilience and achieve emotional well-being. Services include resources for employees and their families to stay creative, calm, and effective even when dealing with setbacks, change, and/or pressure.

El Camino Covered Executives

Table 1 details the incumbents included in Mercer’s review of FY 2021 total remuneration.

Table 1: Covered Executives Reviewed

Incumbent	Title
Adams, Mark	Chief Medical Officer
Griffith, James	Chief Operating Officer
Bohorquez, Carlos	Chief Financial Officer
Harrison, Bruce	President, SVMD
Rotunno, Mary	General Counsel
Muro, Deborah A	Chief Information Officer
Reinking, Cheryl	Chief Nursing Officer
Fisk, Kathryn	Chief Human Resource Officer
King, Ken	Chief Administrative Services Officer
Cope, Andrew	President of ECH Foundation
Currier, Cecile	VP Corp & Comm Hlth Svcs & President Concern

Note: Chief Executive Officer compensation information found in Section V.

Executive Compensation Philosophy²

El Camino’s Executive Compensation Philosophy utilizes the following guiding principles and objectives to drive executive compensation decisions:

1. Support the Hospital’s ability to attract, retain, and motivate a highly talented executive team with the ability and dedication to manage the Hospital accordingly.
2. Support the Hospital’s mission, vision, and achievement of strategic goals.
3. Encompass a total compensation perspective in developing and administering cash compensation and benefit programs.

² This is extracted from El Camino’s official stated philosophy, as approved at the February 23, 2020 Board meeting.

4. Considers the Hospital’s financial performance and ability to pay which shall be balanced with the Hospital’s ability to attract, retain, and motivate executives.
5. Govern the executive compensation programs to comply with state and federal laws.

The executive compensation program encompasses both cash compensation (base salary, incentive compensation, and other cash compensation) and non-cash compensation (benefit plans and perquisites) which, in whole, represent total remuneration.

The three key components of the program are base salary, incentives, and benefits. In evaluating executive compensation, the Executive Compensation Committee uses the following market definition and desired positioning guidelines:

Table 2: El Camino Market Definition and Desired Positioning

Component	Market Definition and Desired Positioning
Market Definition	<ul style="list-style-type: none"> • National, not-for-profit, independent hospitals/health systems of comparable revenue size and complexity to ECH. • Data increased by a 25% geographic salary differential to account for the salary differences in the Bay Area (reviewed annually to verify appropriateness).
Base Salary	<ul style="list-style-type: none"> • Salary range midpoints are based on the market 50th percentile, with ranges set at +/- 20% of 50th percentile. • Market base salary data is also compared to ECH fixed cash compensation (base salary plus 7% taxable allowance) as a reference point. • Actual salary is determined based on a combination of the following factors: paying competitively, rewarding performance, and recognizing competence, credentials, and experience. • The Board may approve salaries above the salary range for hard-to-recruit positions or positions deemed critical to the organization’s success.
Incentives	<ul style="list-style-type: none"> • Actual total cash compensation targets the 50th percentile on average and up to the 75th percentile, dependent on individual and organizational performance.
Benefits	<ul style="list-style-type: none"> • Executive benefits and severance are targeted at competitive levels (i.e., median). Perquisites should only be provided when supported by

	specific business reasons. ECH’s practice is to minimize the use of perquisites.
Total Remuneration	<ul style="list-style-type: none"> Actual total remuneration (total cash plus benefits) targets between the 50th and 75th percentile and reflects individual and organizational performance.

El Camino’s Total Remuneration Program

Mercer assessed the value of the total remuneration provided to the executives, which consists of the elements in Table 3 below. See Table 8 for total remuneration elements specific to the CEO.

Table 3: Compensation Elements

Element	Overview
Base Salary	<ul style="list-style-type: none"> Annual cash salary based on position, market data, and incumbent skills and experience. For FY 2021, approved base salary increases were provided and ranged from 2.5% – 4.0%. Increases were determined based on market, merit, and executive experience.
Incentives	<ul style="list-style-type: none"> Annual cash incentive awards are provided based on 1) annual performance against system-wide metrics and 2) performance against individual metrics. Due to the impact of the COVID-19 pandemic, the organization was forced to shift focus beginning in March of 2020. The Committee recommended, and the Board approved, (1) recalibration of the FY 2020 Organizational Performance Goals to an 8-month period ending February 2020 and (2) elimination of one of the goals (due to the decision to delay the employee engagement survey) with redistribution of its weight to the other goals. Individual goals for FY 2020 were measured over the full 12-month fiscal year period; however, total FY 2020 target incentive opportunity was 8/12 of the full target opportunity. For FY 2021, the target incentive opportunity has not changed, and remains at 20% of base salary for all non-CEO executives. Maximum incentive opportunity is 30% of base salary for all non-CEO executives.
Retirement	<ul style="list-style-type: none"> Executives receive employer contributions to the following plans:

	<ul style="list-style-type: none"> — 403(b) Retirement Plan: 4-7% depending on years of service³ — Cash Balance Plan: 5% of salary³ — Nonqualified SERP: Non-CEO executives receive 5% of salary — Executive Taxable Benefit Plan: 7% of salary contribution; can be used to purchase voluntary long-term disability, long-term care, and life insurance; unused allowance can be deferred to the 457(b) or paid in cash⁴ <ul style="list-style-type: none"> • Executives may also defer their own pay into the 403(b) and 457(b) plans. • See Appendix C for a detailed market analysis of benefits.
Health & Welfare	<ul style="list-style-type: none"> • Executives are eligible to receive the same health benefits as all other El Camino employees. • Executives receive group life insurance coverage of up to 3x base salary (capped at \$2 million); no medical underwriting required. • Executives are eligible to receive salary continuation if disabled: 100% of base salary for six months (offset for state disability insurance, worker's compensation, paid time off, extended sick leave). • Executives are eligible for long-term disability equal to 60% of base salary up to a monthly maximum of \$15,000. • See Appendix C for a detailed market analysis of benefits.
Severance	<ul style="list-style-type: none"> • Executive severance policy provides up to six months of base salary and health continuation benefit for all executives other than the CEO.
Perquisites	<ul style="list-style-type: none"> • Executives other than the CEO do not receive any perquisites. • See Appendix C for a detailed market analysis of perquisites.

Table 4 summarizes the approved target and maximum FY 2021 total remuneration program for El Camino's covered executives. Target values below reflect the structure of El Camino's program; actual payouts will vary based on performance. Maximum values assume annual incentive is paid at the maximum value (30% of base salary for Executives) based on attainment of stretch performance under the annual incentive plan.

³ Contributions on pay up to IRS limit (\$285K in 2020)

⁴ In prior letters, the 7% Taxable Benefit was described under Perquisites; the nomenclature has been updated to reflect the benefit under Retirement to better align with the nature of the benefit.

Table 4: El Camino’s FY 2021 Target and Maximum Total Remuneration (Data in \$000s)

Incumbent	Title	FY21 Base Salary	Total Cash Compensation				Total Remuneration		
			Target Bonus	Target TCC ⁽¹⁾	Max Bonus	Max TCC ⁽¹⁾	Benefits	Target TR ⁽²⁾	Max TR ⁽²⁾
Adams, Mark	Chief Medical Officer	\$610	20%	\$732	30%	\$793	\$125	\$857	\$918
Griffith, James	Chief Operating Officer	\$584	20%	\$700	30%	\$759	\$128	\$828	\$887
Bohorquez, Carlos	Chief Financial Officer	\$565	20%	\$678	30%	\$735	\$106	\$784	\$841
Harrison, Bruce	President, SVM D	\$543	20%	\$652	30%	\$706	\$123	\$775	\$829
Rotunno, Mary	General Counsel	\$440	20%	\$528	30%	\$572	\$110	\$639	\$683
Muro, Deborah A	Chief Information Officer	\$407	20%	\$489	30%	\$529	\$101	\$589	\$630
Reinking, Cheryl	Chief Nursing Officer	\$394	20%	\$473	30%	\$512	\$113	\$586	\$625
Fisk, Kathryn	Chief Human Resource Officer	\$382	20%	\$458	30%	\$496	\$97	\$555	\$593
King, Ken	Chief Administrative Services Officer	\$322	20%	\$386	30%	\$418	\$100	\$485	\$517
Cope, Andrew	President of ECH Foundation	\$291	20%	\$349	30%	\$379	\$92	\$442	\$471
Currier, Cecile	VP Corp & Comm Hlth Svcs & President Concern	\$283	20%	\$340	30%	\$368	\$94	\$434	\$462

⁽¹⁾ Total Cash Compensation (TCC) calculated as Base Salary + Target Bonus.

⁽²⁾ Total Remuneration (TR) calculated as Total Cash Compensation + Benefits.

III. Methodology

Mercer’s evaluation was conducted in accordance with our firm’s standards for reviewing compensation arrangements in tax-exempt organizations.

Cash Compensation Assessment Methodology

- Market Composite - Healthcare Surveys:
 - Mercer: *Integrated Health Networks (IHN) Compensation Survey (2019)* (Scope: Net Revenue \$500 million to \$2 billion);
 - Integrated Healthcare Strategies: *National Healthcare Leadership Compensation Survey (2019)* (Scope: Net Revenue \$500 million to \$1.5 billion); and
 - Sullivan, Cotter and Associates, Inc.: *Manager and Executive Compensation in Hospitals and Health Systems Survey (2019)* (Scope: Net Revenue \$700 million to \$2 billion).
- Survey Data Methodology:
 - From each survey, we collected market data for base salary and total cash compensation at the 25th, 50th and 75th percentiles.
 - Survey data were scoped to approximate ECH’s FY 2019 net revenue of \$996M.
 - Data sources were trended to January 1, 2021 using a 3.0% update factor, the expected annual increase budgeted for executives at healthcare organizations
 - All data sources were increased by 25% to account for the geographic salary differences in the Bay Area. See Appendix E for detail.

- Mercer developed a position matching strategy for each role through a detailed review of job descriptions and discussions with El Camino.

Benefits Assessment

- El Camino's benefits and perquisites were compared to practices among not-for-profit organizations using the following surveys:
 - Mercer: *Healthcare Executive Benefits and Perquisites Survey (2019)* (Scope: Healthcare organizations; Revenue \$500 million to \$2 billion);
 - Mercer: *Executive and Broad-Based Employee Retirement Tool* (Scope: Revenue \$500 million to \$2 billion); and
 - Mercer: *US Executive Rewards Year End Survey (2018-2019)* (Scope: Revenue \$500 million to \$2 billion).
- Methodology:
 - To develop the survey total remuneration market perspective, Mercer added the market annualized value of retirement, health and welfare benefits, and perquisites to market total cash compensation levels.

IV. Findings and Observations

Target and Maximum Total Remuneration

Tables 5-7 display the comparison of El Camino's approved FY 2021 target and maximum total remuneration program to market composite levels. See Appendix A for FY 2020 actual total remuneration compared to market.

The market ratio shown in these tables reflects each El Camino executive's compensation element as a percentage of the market 50th or 75th percentile. For example, a market ratio P50 of 100% means that executive's compensation element is at the 50th percentile.

Base Salary

As shown in Table 5, in aggregate, FY 2021 base salary levels fall at or below the 50th percentile of the not-for-profit healthcare market for all executives, with the exception of the Chief Administrative Services Officer and President, SVMD, who are positioned between the 50th and 75th percentiles.

Table 5: FY 2021 Approved Base Salary compared to Market (Data in \$000s)

Incumbent	Title	ECH FY2021	Market Base Salary			Market Ratio P50
			P25	P50	P75	
Adams	Chief Medical Officer	\$610	\$570	\$632	\$725	97%
Griffith	Chief Operating Officer	\$584	\$583	\$718	\$867	81%
Bohorquez	Chief Financial Officer	\$565	\$582	\$663	\$749	85%
Harrison	President, SVM D	\$543	\$409	\$494	\$585	110%
Rotunno	General Counsel	\$440	\$446	\$530	\$589	83%
Muro	Chief Information Officer	\$407	\$434	\$489	\$541	83%
Reinking	Chief Nursing Officer	\$394	\$348	\$406	\$453	97%
Fisk	Chief Human Resource Officer	\$382	\$368	\$431	\$485	89%
King	Chief Administrative Services Officer	\$322	\$241	\$294	\$372	109%
Cope	President of ECH Foundation	\$291	\$249	\$294	\$353	99%
Currier	VP Corp & Comm Hlth Svcs & President Concern	\$283	\$291	\$320	\$393	89%
Aggregate						91%

Note: All market data include 25% geographic differential.



Annual Incentives and Total Cash Compensation

Table 6 provides a comparison of El Camino’s total cash compensation (base salary + bonus) to market composite total cash compensation. In aggregate, El Camino’s FY 2021 target total cash compensation is in line with the market 50th percentile. Most covered executives are positioned within 15% of the 50th percentile for target total cash compensation, with the exception of the Chief Administrative Services Officer and President, SVM D, who are both between the 50th and 75th percentiles.

Table 6: FY 2021 Approved Target and Maximum Total Cash Compensation compared to Market (Data in \$000s)

Incumbent	Title	ECH TCC FY2021		Market Actual Total Cash Compensation			Market Ratio	
		Target	Max	P25	P50	P75	Target / P50	Max / P75
Adams	Chief Medical Officer	\$732	\$793	\$617	\$731	\$862	100%	92%
Griffith	Chief Operating Officer	\$700	\$759	\$690	\$825	\$1,073	85%	71%
Bohorquez	Chief Financial Officer	\$678	\$735	\$624	\$753	\$881	90%	83%
Harrison	President, SVM D	\$652	\$706	\$439	\$559	\$693	117%	102%
Rotunno	General Counsel	\$528	\$572	\$494	\$570	\$707	93%	81%
Muro	Chief Information Officer	\$489	\$529	\$474	\$538	\$620	91%	85%
Reinking	Chief Nursing Officer	\$473	\$512	\$382	\$445	\$532	106%	96%
Fisk	Chief Human Resource Officer	\$458	\$496	\$387	\$472	\$550	97%	90%
King	Chief Administrative Services Officer	\$386	\$418	\$247	\$318	\$407	121%	103%
Cope	President of ECH Foundation	\$349	\$379	\$260	\$322	\$388	109%	98%
Currier	VP Corp & Comm Hlth Svcs & President Concern	\$340	\$368	\$308	\$365	\$439	93%	84%
Aggregate							98%	88%

Note: All base salary and total cash market data include a 25% geographic differential.



Benefits

El Camino’s executive benefit offerings are generally consistent with market practice. The total value of El Camino’s benefits is generally aligned with the market 50th percentile of the not-for-profit healthcare industry. See Appendix C for more detailed information.

Target Total Remuneration

In aggregate, El Camino’s target total remuneration is between the market 50th and 75th percentiles (Table 7). Only one covered executive, the Chief Administrative Services Officer, is above the 75th percentile, but only to a slight degree (2% above the 75th percentile).

Maximum Total Remuneration Opportunity

Maximum total remuneration assumes the annual incentive plan pays out at maximum (i.e., 150% of target opportunity), assuming attainment of stretch goals under the annual incentive plan. In aggregate, covered executive maximum total remuneration (Table 7) is positioned between the 50th and 75th percentile, in alignment with philosophy, but individual positioning varies from below 50th to above 75th percentiles. No covered executive has maximum total remuneration that is more than 9% above the 75th percentile.

Table 7: FY 2021 Approved Target and Maximum Total Remuneration compared to Market (Data in \$000s)

Incumbent	Title	ECH TR FY2021		Market Total Remuneration			Market Ratio Target / P50	Market Ratio Max / P75
		Target	Max	P25	P50	P75		
Adams	Chief Medical Officer	\$857	\$918	\$711	\$833	\$976	103%	94%
Griffith	Chief Operating Officer	\$828	\$887	\$786	\$938	\$1,206	88%	74%
Bohorquez	Chief Financial Officer	\$784	\$841	\$708	\$848	\$988	92%	85%
Harrison	President, SVMMD	\$775	\$829	\$512	\$643	\$790	120%	105%
Rotunno	General Counsel	\$639	\$683	\$572	\$659	\$804	97%	85%
Muro	Chief Information Officer	\$589	\$630	\$551	\$621	\$711	95%	89%
Reinking	Chief Nursing Officer	\$586	\$625	\$447	\$518	\$611	113%	102%
Fisk	Chief Human Resource Officer	\$555	\$593	\$455	\$549	\$633	101%	94%
King	Chief Administrative Services Officer	\$485	\$517	\$298	\$376	\$475	129%	109%
Cope	President of ECH Foundation	\$442	\$471	\$312	\$380	\$453	116%	104%
Currier	VP Corp & Comm Hlth Svcs & President Concern	\$434	\$462	\$366	\$426	\$510	102%	91%
Aggregate							103%	91%

Note: All base salary and total cash market data include a 25% geographic differential.



V. CEO Compensation

The tables below detail the compensation elements for El Camino’s Chief Executive Officer, Daniel Woods. Final CEO pay decisions regarding FY 2020 incentive payout and FY 2021 base salary and incentive targets were approved in November 2020. See Appendix B for details.

Table 8: Compensation Elements for the CEO, Where Different from Other Executives

Element	Overview
Base Salary	<ul style="list-style-type: none"> For FY 2021, the Chief executive Officer’s base salary increased 4%.
Incentives	<ul style="list-style-type: none"> For FY 2021, target opportunity has not changed, and remains at 30% of base salary for the Chief Executive Officer. Maximum incentive opportunity is 45% of base salary.
Retirement	<ul style="list-style-type: none"> The Chief Executive Officer receives 13% of salary in total between qualified retirement plans and SERP.
Severance	<ul style="list-style-type: none"> Chief Executive Officer severance policy provides up to 12 months of base salary and health continuation benefit.
Perquisites	<ul style="list-style-type: none"> The Chief Executive Officer was provided a \$400,000 interest-free loan to support housing costs.

See Appendix D for a detailed market analysis of CEO benefits.

Table 9: CEO FY 2021 Target and Maximum Total Remuneration Opportunity (Data in \$000s)

Incumbent	Title	FY21 Base Salary	Total Cash Compensation				Total Remuneration		
			Target Bonus	Target TCC ⁽¹⁾	Max Bonus	Max TCC ⁽¹⁾	Benefits	Target TR ⁽²⁾	Max TR ⁽²⁾
Woods, Daniel	Chief Executive Officer	\$1,035	30%	\$1,346	45%	\$1,501	\$242	\$1,587	\$1,742

⁽¹⁾ Total Cash Compensation (TCC) calculated as Base Salary + Target Bonus.

⁽²⁾ Total Remuneration (TR) calculated as Total Cash Compensation + Benefits (employer cost of all benefits).

The CEO received a 4% base salary increase for FY 2021, positioning base salary at 85% of the market 50th percentile (see Table 10 below). Target FY 2021 total remuneration is 97% of the 50th percentile, and maximum total remuneration is 83% of the 75th percentile (see Table 12).

Table 10: CEO FY 2021 Approved Base Salary compared to Market (Data in \$000s)

Incumbent	Title	ECH FY2021	Market Base Salary			Market Ratio P50
			P25	P50	P75	
Woods	Chief Executive Officer	\$1,035	\$1,034	\$1,211	\$1,454	85%

Note: All market data include 25% geographic differential

Table 11: CEO FY 2021 Approved Target and Maximum Total Cash Compensation compared to Market (Data in \$000s)

Incumbent	Title	ECH TCC FY2021		Market Actual Total Cash Compensation			Market Ratio	Market Ratio
		Target	Max	P25	P50	P75	Target / P50	Max / P75
Woods	Chief Executive Officer	\$1,346	\$1,501	\$1,103	\$1,440	\$1,865	93%	80%

Note: All market data include 25% geographic differential

Table 12: CEO FY 2021 Approved Target and Maximum Total Remuneration compared to Market (Data in \$000s)

Incumbent	Title	ECH TR FY2021		Market Total Remuneration			Market Ratio	Market Ratio
		Target	Max	P25	P50	P75	Target / P50	Max / P75
Woods	Chief Executive Officer	\$1,587	\$1,742	\$1,278	\$1,644	\$2,108	97%	83%

Note: All base salary and total cash market data include a 25% geographic differential.



VI. Basis for Opinion

Many factors are considered in an evaluation of the reasonableness of pay, including the organization's performance, its total rewards philosophy, and the qualifications and roles of the incumbents. Market data and external factors play a role in determining a reasonable range of compensation practices. Differences in pay levels between an organization and the market data (i.e., variation from the 50th percentile) do not mean that an organization is necessarily over- or under-competitive. El Camino can compensate an executive above the 50th percentile of the market and still be within a range of reasonable compensation, depending on the facts and circumstances of the particular situation.

- Industry Pressure: With the significant changes in the healthcare industry, El Camino faces a strategic crossroads as an independent community hospital system. The ability to attract and retain key talent remains critical to the future success of the organization during this turbulent time and providing compensation at market (50th percentile) or above levels is part of El Camino's strategy to ensure its ability to attract and retain executive talent.
- Executive Compensation Philosophy: El Camino's desired market positioning as described in the executive compensation philosophy is the market 50th percentile, with upside to the 75th percentile based on performance. In aggregate, El Camino covered executives are positioned within 10% of the 50th percentile for target compensation across compensation elements and in alignment with the compensation philosophy. Some individuals exceed the targeted 50th percentile positioning. Only one executive has target compensation in excess of the market 75th percentile; target total remuneration for the Chief Administrative Services Officer is 2% above the 75th percentile.

VII. Opinion of Reasonableness

Mercer (US) Inc. certifies that it (1) is a compensation consulting firm, (2) performs compensation valuation studies of this type on a regular basis, and (3) is qualified to perform the valuations of the type of property or services involved. In our opinion, the total remuneration we have reviewed falls within a reasonable range of competitive market practices applicable to like positions among like organizations under like circumstances.

Disclaimers

Mercer has relied on the information and data provided to us without any independent review or verification and we assume all data provided to us is accurate, factual and complete. This does not constitute an opinion regarding the underlying business decisions.

This opinion has been prepared exclusively for El Camino to assist in understanding market total remuneration positioning for its senior executives. This letter provides the Committee with market comparability data as required by Intermediate Sanctions regulations and we urge the Committee to ensure that the additional requirements for establishing the rebuttable presumption/determining reasonable compensation have been met and to seek the advice of counsel as needed in this regard. This letter may not be used or relied upon by any other party or for any other purpose; Mercer is not responsible for the consequences of any such unauthorized use.

We have not been made aware of any family members of the CEO or the covered executives listed in Table 1 that also work for El Camino who might also be considered disqualified persons.

As always, it is our pleasure to be of service. If you have any questions about this letter, please do not hesitate to contact me at 213-346-2531.

Sincerely,



Heidi O'Brien, Partner

Appendix A: Actual FY 2020 Total Remuneration for Executives (Data in \$000s)

For FY 2020, due to the impact of the COVID-19 pandemic, the Board approved (1) recalibration of the FY 2020 Organizational Performance Goals to an 8-month period ending February 2020 and (2) elimination of the one goal (due to the decision to delay the employee engagement survey) with redistribution of its weight to the other goals. This resulted in below full-year target payouts for all executives.

Table 13: FY 2020 Actual Incentive Payout

Incumbent	Title	FY2020 Base Salary	FY2020 Incentive Plan Payout			
			Full-Year Target	Full-Year Maximum	Actual (\$)	Actual (% Tgt)
Adams, Mark	Chief Medical Officer	\$592	\$118	\$178	\$84	71%
Griffith, James	Chief Operating Officer	\$567	\$113	\$170	\$72	64%
Harrison, Bruce	President, SVM D	\$527	\$105	\$158	\$78	74%
Rotunno, Mary	General Counsel	\$427	\$85	\$128	\$74	87%
Muro, Deborah A	Chief Information Officer	\$393	\$79	\$118	\$62	79%
Reinking, Cheryl	Chief Nursing Officer	\$379	\$76	\$114	\$65	86%
Fisk, Kathryn	Chief Human Resource Officer	\$369	\$74	\$111	\$53	71%
King, Ken	Chief Administrative Services Officer	\$312	\$62	\$94	\$49	79%
Cope, Andrew	President of ECH Foundation	\$280	\$56	\$84	\$38	67%
Currier, Cecile	VP Corp & Comm Hlth Svcs & President Concern	\$275	\$55	\$83	\$39	71%

Note: This table shows incumbents who participated in the FY 2020 annual incentive plan; the CFO is not included as he was hired into the position in October 2020. Payouts are prorated as of 8/12 of the 2020 fiscal year.

Table 14: FY 2020 Actual Total Remuneration compared to Market (Data in \$000s)

Incumbent	Title	ECH TR FY2020	Market Total Remuneration			Market Ratio
		Actual	P25	P50	P75	Actual / P50
Adams	Chief Medical Officer	\$802	\$711	\$833	\$976	96%
Griffith	Chief Operating Officer	\$767	\$786	\$938	\$1,206	82%
Harrison	President, SVM D	\$729	\$512	\$643	\$790	113%
Rotunno	General Counsel	\$612	\$572	\$659	\$804	93%
Muro	Chief Information Officer	\$556	\$551	\$621	\$711	90%
Reinking	Chief Nursing Officer	\$557	\$447	\$518	\$611	108%
Fisk	Chief Human Resource Officer	\$519	\$455	\$549	\$633	95%
King	Chief Administrative Services Officer	\$461	\$298	\$376	\$475	123%
Cope	President of ECH Foundation	\$410	\$312	\$380	\$453	108%
Currier	VP Corp & Comm Hlth Svcs & President Cor	\$408	\$366	\$426	\$510	96%
Aggregate						98%

Note: This table shows incumbents who participated in the FY 2020 annual incentive plan; the CFO is not included as he was hired into the position in October 2020. All base salary and total cash market data include a 25% geographic differential.



Appendix B: Additional CEO Compensation Information

Table 15: CEO FY 2020 Actual Incentive Payout (Data in \$000s)

Incumbent	Title	FY2020 Base Salary	FY2020 Incentive Plan Payout		
			Full-Year Target	Full-Year Maximum	Actual (\$) Actual (% Tgt)
Woods, Daniel	Chief Executive Officer	\$995	\$299	\$448	\$249 83%

Note: Payouts are prorated as of 8/12 of the 2020 fiscal year.

Table 16: CEO FY 2020 Actual Total Remuneration compared to Market (Data in \$000s)

Incumbent	Title	ECH TR FY2020	Market Total Remuneration			Market Ratio
		Actual	P25	P50	P75	Actual / P50
Woods	Chief Executive Officer	\$1,485	\$1,278	\$1,644	\$2,108	90%

Note: All base salary and total cash market data include a 25% geographic differential.

Appendix C: Executive (non-CEO) Benefits and Perquisites Review

Retirement Plans Summary

	El Camino	Market Practice	Comments
Employer Paid	<p>Qualified Plans</p> <p><u>Defined Contribution (DC) – 403(b) Plan</u></p> <ul style="list-style-type: none"> Employer match of salary, based on pension years: <ul style="list-style-type: none"> – 1 – 14 years: 4% – 15 – 19 years: 5% – 20+ years: 7% <p><u>Defined Benefit (DB) – Cash Balance Plan</u></p> <ul style="list-style-type: none"> 5% of salary <p>Contributions on pay up to IRS limit (\$285K in 2020)</p> <p>Nonqualified Plan</p> <p><u>Defined Contribution SERP - 457(f) Plan</u></p> <ul style="list-style-type: none"> Executives receive employer contribution of 5% of salary <p>Total employer contribution ranges from 9%-17% of salary, based on current executive demographics (e.g., pay and years of service)</p>	<ul style="list-style-type: none"> Nearly all provide employer contributions to a qualified defined contribution plan <ul style="list-style-type: none"> – Less than 10% provide a qualified DB plan <p>Not-for-Profit</p> <ul style="list-style-type: none"> 60% provide a nonqualified plan to top executives <ul style="list-style-type: none"> – The vast majority are DC SERPs Median total employer contribution from all sources is 13% of salary <p>For-Profit¹</p> <ul style="list-style-type: none"> 50% provide a nonqualified plan to top executives Median total employer contribution from all sources is 6% of salary 	<ul style="list-style-type: none"> Overall structure is consistent with market practice although prevalence of DB plans continues to decline Total contribution is generally aligned with market median of not-for-profits Because El Camino does not have an offset SERP, the retirement contribution as a percentage of compensation is higher for lower-paid executives than for higher-paid executives

Sources: Mercer's 2019 Healthcare Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct reports; Tier 2 Executives: Tier 1 direct reports.

Retirement Plans Summary, continued

	El Camino	Market Practice	Comments
Employee Deferrals	<p><u>403(b) Plan</u></p> <ul style="list-style-type: none"> Allows for deferral of pay (up to \$19,500 in 2020; \$26,000 if age 50+) <p><u>457(b) Plan</u></p> <ul style="list-style-type: none"> Allows for additional deferral up to \$19,500 in 2020 All but one executive have elected to defer a portion of their Taxable Benefit Allowance into the 457(b) plan 	<ul style="list-style-type: none"> Nearly all allow for deferrals to a 403(b)/401(k) plan <p>Not-for-Profit</p> <ul style="list-style-type: none"> ~90% allow additional deferrals into a 457(b) plan <p>For-Profit</p> <ul style="list-style-type: none"> 50% allow additional deferrals into a nonqualified plan 	<ul style="list-style-type: none"> Consistent with market practice to provide a 457(b) plan
Taxable Benefit Allowance	<ul style="list-style-type: none"> 7% of salary Can be used to purchase LTC, additional LTD, and life insurance, defer into 457(b) plan, or distributed in cash 	<ul style="list-style-type: none"> Prevalence of flexible plans has declined over time (less than 20% provide), due to complexity and compliance risk 	<ul style="list-style-type: none"> Consider reallocating to SERP (and shorten vesting from 5 yrs to 3 yrs) or cash compensation

Sources: Mercer's 2019 Healthcare Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct reports; Tier 2 Executives: Tier 1 direct reports.

Health & Welfare Plans Summary

	El Camino	Market Practice	Comments
Medical	<ul style="list-style-type: none"> Executives receive the same health benefits as all employees 	<ul style="list-style-type: none"> It is common to provide the same health benefits and employer/employee cost sharing to all employees 	<ul style="list-style-type: none"> Consistent with market practice
Life Insurance	<ul style="list-style-type: none"> 3X annual salary, up to a maximum of \$2 million; no medical underwriting required (effective 1/1/2019) Has the option to buy additional coverage with Taxable Benefit Allowance 	<ul style="list-style-type: none"> Almost all provide employer-paid group coverage ~50% provide supplemental coverage to top executives Median coverage is 2X salary (3X at the 75th percentile), up to a maximum of \$1M 	<ul style="list-style-type: none"> Aligned with the market 75th percentile
Long-term Care (LTC)	<ul style="list-style-type: none"> Executives can buy coverage with Taxable Benefit Allowance 2 executives have 2008 policies that were provided as a non-elective employer-paid benefit 	<ul style="list-style-type: none"> Approximately 15% provide executive coverage to executives 	<ul style="list-style-type: none"> Providing LTC is not prevalent in the market

Sources: Mercer's 2019 Healthcare Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Health & Welfare Plans Summary, continued

	El Camino	Market Practice	Comments
Salary Continuation	<ul style="list-style-type: none"> Employer-paid executive coverage equal to 100% of salary for up to 6 months, offset by long-term disability benefits, accrued PTO, etc. 	<ul style="list-style-type: none"> 80% provide group coverage <ul style="list-style-type: none"> 60% of salary is the most common benefit 50% provide supplemental coverage to top executives through a formal plan <ul style="list-style-type: none"> In practice (and outside of a formal plan), it is common to continue 100% of base salary for executives 	<ul style="list-style-type: none"> Consistent with market practice
Long-term Disability (LTD)	<ul style="list-style-type: none"> Employer-paid group coverage equal to 60% of salary up to a monthly maximum of \$15,000 Has the option to buy additional coverage with Taxable Benefit Allowance 	<ul style="list-style-type: none"> Nearly all provide group coverage 50% provide supplemental coverage to executives Median coverage is 60% of salary up to \$18,000 per month 	<ul style="list-style-type: none"> Coverage level is consistent with market practice but the monthly maximum is slightly below market Hartford (LTD carrier) is willing to increase the cap to \$20K for ~\$5K in total, which does not impact TR market positioning

Sources: Mercer's 2019 Healthcare Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Severance and Perquisites Summary

	El Camino	Market Practice	Comments
Severance	<ul style="list-style-type: none"> Salary and health benefits continue for up to 6 months 	<ul style="list-style-type: none"> 85% provide additional severance for executives Median severance period is 12 months for executives Nearly all continue health benefits during the severance period 	<ul style="list-style-type: none"> Length of severance period is below market median
Perquisites	<ul style="list-style-type: none"> El Camino does not provide any executive-only perquisites 	<ul style="list-style-type: none"> Car/car allowance is the most prevalent remaining perquisite (20% provide) Financial counseling is the second most prevalent perquisite (11% provide) Perquisites are slightly more prevalent among for-profit companies, with ~70% providing at least one perquisite 	<ul style="list-style-type: none"> Perquisites without a clear business-related purpose continue to become less prevalent ECH could consider a financial planning benefit for executives (e.g., reimbursement up to \$3K/year) to assist with retirement planning

Sources: Mercer's 2019 Healthcare Executive Benefits and Perquisites Survey. Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

Appendix D: CEO Benefits and Perquisites Review

The CEO receives the same benefits as other executives with the exception of:

	El Camino	Market Practice	Comments
Employer-paid Retirement	<ul style="list-style-type: none"> Total contribution of 13% of salary <ul style="list-style-type: none"> Between qualified plans (403(b) and cash balance plans) and SERP 	<ul style="list-style-type: none"> 60% provide a nonqualified plan to the CEO <ul style="list-style-type: none"> The vast majority are DC SERPs Median total employer contribution from all sources is 16% of salary 	<ul style="list-style-type: none"> Contribution level is slightly below market median
Perquisites	<ul style="list-style-type: none"> Interest-free loan of \$400,000 (compensatory value of interest included in total remuneration) 	<ul style="list-style-type: none"> Car/car allowance is the most prevalent remaining perquisite <ul style="list-style-type: none"> 35% for the CEO Perquisites are slightly more prevalent among for-profit companies, with ~75% providing at least one perquisite to the CEO Financial counseling is the second most prevalent perquisite (17% provide) Executive relocation benefits are common; however, prevalence of mortgage/loan assistance is low 	<ul style="list-style-type: none"> ECH could consider a financial planning benefit for executives (e.g., reimbursement up to \$3K/year) to assist with retirement planning Consider a relocation policy that allows flexibility rather than a formal policy
Severance	<ul style="list-style-type: none"> Salary and health benefits continue for up to 12 months 	<ul style="list-style-type: none"> 85% provide additional severance for the CEO Median severance period is 18 months for the CEO <ul style="list-style-type: none"> Nearly all continue health benefits during the severance period 	<ul style="list-style-type: none"> Length of severance period is below market median

Appendix E: Geographic Salary Differential

- A geographic salary differential is a numerical value that expresses how a position’s pay in a particular location compares to the national average pay for the same position.
 - For example, a differential of 29% for Mountain View means that the average executive salary in Mountain View is 29% higher than the average salary of executives in like positions across the US.
- The purpose of applying a geographic salary differential to market data is to account for the market differences in that employee’s location.
- Geographic salary differentials used in this study are calculated using data from the Economic Research Institute (ERI), which determines differentials using salary survey data from across the country. The differential in the Bay Area has been increasing over the past decade, with that increase accelerating over the past three to five years.

	Bay Area ¹	Silicon Valley ²	Mountain View	Top 5 Cities ³
Average Differential	24%	28%	29%	29%

⁽¹⁾ Bay Area includes Silicon Valley (see below), San Francisco, Oakland, Berkeley, Piedmont, Lafayette, Walnut Creek, Alameda, and Marin County (Belvedere, Corte Madera, Fairfax, Larkspur, Mill Valley, Novato, Ross, San Anselmo, San Rafael, Sausalito, and Tiburon).

⁽²⁾ Silicon Valley includes Mountain View, Palo Alto, Cupertino, Sunnyvale, Los Altos, and Los Gatos.

⁽³⁾ Top 5 Cities with the most ECH employees includes Milpitas, Mountain View, San Jose, Santa Clara, and Sunnyvale.

A geographic salary differential of 25% has been applied to survey data for base salary and total cash compensation in this study.

**EL CAMINO HOSPITAL
HOSPITAL BOARD ADVISORY COMMITTEE MEMBER NOMINATION AND
SELECTION POLICY**

**XX.XX HOSPITAL BOARD ADVISORY COMMITTEE COMMUNITY MEMBER
NOMINATION AND SELECTION POLICY**

A. Coverage:

El Camino Hospital Board Advisory Committees

B. Adopted:

June 12, 2013;

C. Policy:

It is the policy of ECH that appointment of Hospital Board Advisory Committee Community Members to vacant or newly created positions follow the procedure set forth in the attached Document entitled:

Hospital Board Advisory Committee Community Member Nomination and Selection Procedure

1. Length of Service and Term Limits for Committee Members

As provided in the Committee Charters, Committee Community Members will serve a term of one (1) year, renewable annually.

D. Reviewed:

Governance Committee March 31, 2015; October 13, 2020
ECH Board Approved April 8, 2015, November 11, 2020

**EL CAMINO HOSPITAL
HOSPITAL BOARD ADVISORY COMMITTEE COMMUNITY MEMBER
NOMINATION AND SELECTION PROCEDURES**

Adopted February 12, 2014

Revised (Approved) April 8, 2015; November 11, 2020

**01.07 HOSPITAL BOARD ADVISORY COMMITTEE COMMUNITY MEMBER
NOMINATION AND SELECTION PROCEDURES**

A. Coverage: El Camino Hospital Board Advisory Committees

B. Adopted: 2/12/2014

C. Procedure Summary:

The nomination and selection of each Hospital Board Advisory Committee (Advisory Committee) member (Member) shall follow the procedures below.

D. Procedure for Nominating and Appointing an Advisory Committee Community Member:

1. Eligibility and Qualifications

Each Advisory Committee shall determine minimum qualifications and competencies for its Members. In addition, the Governance Committee will periodically conduct a strategic assessment of the respective Advisory Committee's membership needs and ensure that it evolves with the Hospital's strategy.

2. Nomination and Declaration

- a. Nominations for Advisory Committee Community Membership may be received from any source.
- b. The Director, Governance Services will notify the Board, the Advisory Committee members, the Executive Leadership Team and the public of all vacancies for which new Advisory Committee Community Members are being recruited.
- c. A candidate shall submit an application to the Director, Governance Services that includes reason(s) the candidate wishes to serve, the candidate's relevant experience and qualifications, potential conflicts of interest including any personal or professional connections to ECH, a release to permit ECH Human Resources to conduct a background check, and specifies which Advisory Committees that the candidate wishes to be considered for.
- d. If the interested candidate is currently serving on another Advisory Committee at ECH, the candidate shall notify the Chair(s) of the Advisory Committee with a vacancy and the Advisory Committee on which they are serving. The interested candidate shall also notify the Director, Governance Services, provide all application materials, and be subject to all other requirements of this procedure.

- e. All candidates will be considered in the candidate due diligence process.
- f. In the event that no qualified candidates can be found through the routine recruitment procedures of the Hospital, the Committee may, in its discretion, obtain the services of a recruiting firm to identify qualified candidates.

3. Review of Candidates and Selection of New Members.

- a. Any committee recruiting new members shall appoint an Ad Hoc Committee comprised of two members to recruit new members. The Committee Chair shall be given first right of refusal to serve as a member of the Ad hoc Committee,
- b. The Director, Governance Services will forward the names and resumes of all applicants to the Executive Sponsor and the members of the Ad hoc Committee for review.
- c. The Ad hoc Committee, in consultation with the Executive Sponsor, shall (1) select and interview first round candidates and (2) select finalists for interview by the full Committee.
- d. The Committee will interview finalists and recommend appointments to the Board for approval
- e. The Board shall appoint the Advisory Committee Members in accordance with the Hospital Bylaws.

4. Obtaining Approval to Increase the number of Community Members of an Advisory Committee

- a. If an Advisory Committee Chair proposes to increase the number of Community Members of such Chair's Advisory Committee, then the Advisory Committee Chair must submit a brief description of the need (e.g., gap in skill-set) for an increase in membership to the Governance Committee.
- b. Upon review of the request, the Governance Committee shall make a recommendation to the Board whether the Community membership of such Advisory Committee should be increased.

Executive Compensation Committee

Updated 2/9/2021 jj

FY21 ECC Pacing Plan – Q1		
(Tuesday) July 28, 2020	August 2020	(Tuesday) September 22, 2020
<ul style="list-style-type: none"> - CEO Assessment Timeline (consent) - Weighting of FY21 Executive Organizational and Individual Performance Incentive Goals - FY21 Organizational Goals - Proposed Revised FY20 (March – June) Individual Executive Incentive Goals - ECC Consultant Ad Hoc Committee Report <p><i>*For each meeting, evaluate whether Executive Salary Ranges require review.</i></p>	<p><i>No scheduled Committee meeting</i></p>	<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 - Approve FY21 Individual Performance Goals - Approve FY20 Individual Performance Goal Scores - Approve FY20 Performance Goals Payouts (*pending Board approval of FY20 Organizational Performance Goal Score) - Approve FY21 Exec Base Salaries (and recommend CEO) - Ad Hoc Committee Report
FY21 ECC Pacing Plan – Q2		
October 2020	(Thursday) November 5, 2020	December 2020
<p style="text-align: center;"><i>No scheduled Committee meeting</i></p> <p><u>Board Actions:</u> **Items deferred to Nov 2020 mtg</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 Indiv. Goal Scores (closed) ** - FY20 Executive Payout Amounts (open) ** - FY 21 Executive Base Salaries <p>Board/Committee Educational Gathering – October 28, 2020</p>	<p><u>Discussion:</u></p> <ul style="list-style-type: none"> - Assess Effectiveness of Delegation of Authority <p><u>Committee Actions:</u></p> <ul style="list-style-type: none"> - Approve Minutes (7/28 (amended) and 9/22) - ECC Consultant Interviews - Approve FY21 CFO Individual Goals 	<p><i>No scheduled Committee meeting</i></p>
<p>*Mercer to prepare Letter(s) of Reasonableness</p>	<p>*Outside Counsel to prepare rebuttable presumption action cover letter for Board meeting</p>	

Executive Compensation Committee

Updated 2/9/2021 jj

FY21 ECC Pacing Plan – Q3		
January 2021	February 2021	(Thursday) March 4, 2021
<i>No scheduled Committee meeting</i>	<i>No scheduled Committee meeting</i>	<p><u>Discussion:</u></p> <ul style="list-style-type: none"> - Leadership Development and Succession Management Update - Strategic Plan Update (and progress against FY21 organizational goals)-Covered by 4/28/2021 Board/Committee Gathering - Executive Performance Management Process - Executive Compensation Plans/Policies (includes linear vs. non-linear goal setting for stretch and CEO discretion) - Geographic Differential <p><u>Committee Actions:</u></p> <ul style="list-style-type: none"> - Approve Minutes - Approve Progress toward FY21 ECC goals - Approve FY22 Committee Goals - Approve FY22 Committee Dates - Potential changes to Executive Performance Incentive Plan, Base Salary Administration, and/or Compensation Philosophy - Recommend Letter of Reasonableness - FY21 CQO Base Salary
*Mercer to prepare Letter(s) of Reasonableness		
FY21 ECC Pacing Plan – Q4		
April 2021	(Thursday) May 27, 2021	June 2021
<i>No scheduled Committee meeting</i>	<p><u>Discussion:</u></p> <ul style="list-style-type: none"> - 6-Month Exec Comp Consultant Review - Executive Talent Strategy: In-Depth Review of Performance Review Process - Benefits Market Review <p><u>Committee Actions:</u></p> <ul style="list-style-type: none"> - Approve Minutes - Approve FY22 Pacing Plan - Approve FY22 Executive Individual Goals - Recommend Proposed FY22 Incentive Goals - Potential changes to Executive Benefits policy or design 	<i>No scheduled Committee meeting</i>
<p>Board/Committee Educational Gathering – April 28, 2021 (Strategic Plan Update)</p> <p>*Outside Counsel to prepare rebuttable presumption action cover letter for Board meeting</p> <p><u>Board Actions:</u></p> <ul style="list-style-type: none"> - Approve Letter(s) of Reasonableness 		<p><u>Board Actions:</u></p> <ul style="list-style-type: none"> - Approve FY22 Incentive Goals - ECC Policies as applicable <p><u>Informational Report to Board on:</u></p> <ul style="list-style-type: none"> - FY22 Executive Individual Goals

Commented [JJ1]: As of 2/9, no offer is pending. Not on current draft

Executive Compensation Committee

Updated 2/9/2021 jj

- ECC Policies, as applicable		
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Notes on Proposed Base Salaries and Salary ranges: Focal Review period is June to August. Moving market review and approval of salary ranges and base salaries to September would schedule CEO's salary range and base salary would be scheduled for October Board meeting plus ECC will report on their decisions. Executive Benefit Allowance and SERP contributions are based January 1st base salaries

Proposed Timeline Regarding Base Salaries and Salary Ranges only for FY22

Month	CEO Action	ECC Action	Board Action	Human Resources Action
July 2021	Executive Performance Reviews			Provide compensation and benefits data to ECC consultant
August 2021	Executive Performance Reviews			
September 2021	Recommend base salary and ranges to ECC	<ul style="list-style-type: none"> Review market data for CEO and executives Approve base salaries and ranges for executives Determine recommendation CEO salary range 		Review market analysis for accuracy
October 2021	Communicate increases to executives		<ul style="list-style-type: none"> Approve CEO base salary and ranges Receive report from ECC on execs 	Implement salary increases and base ranges
November 2021		Recommend board accept letter of reasonable presumption with new salary and target/max total cash and remuneration		Obtain legal opinion for Board on reasonableness letter Initiate executive benefit open enrollment with new salaries
December 2021			Accept reasonableness letter	Complete benefit open enrollment with new salaries
January 2022				
February 2022				
March 2022				

Executive Compensation Committee

Updated 2/9/2021 jj

April 2022				
May 2022				Launch Performance Review Cycle
June 2022	Executive Performance Reviews (through August)			