



**Minutes of the Open Session of the
Executive Compensation Committee**

Tuesday, January 29, 2019

**El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040
Medical Staff Conference Room (administration)**

Members Present

Teri Eyre
Julie Kliger (via teleconference)
Bob Miller, Chair
Pat Wadors
John Zoglin

Members Absent

Jaison Layney

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 4:04pm by Chair Bob Miller. A verbal roll call was taken. Ms. Kliger participated via teleconference. All other Committee members were present at roll call.	
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	<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 (November 8, 2018).</p> <p>Movant: Wadors Second: Eyre Ayes: Eyre, Kliger, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: Layney Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	Chair Miller referred to the recent Board approvals as further detailed in the packet.	
6. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 4:08pm.</p> <p>Movant: Zoglin Second: Eyre Ayes: Eyre, Kliger, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: Layney Recused: None</p>	<i>Adjourned to closed session at 4:08pm</i>
7. AGENDA ITEM 11: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 4:21pm. Agenda items 7-10 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 (November 8, 2018) by a unanimous vote in favor of all members present (Eyre, Kliger (via teleconference), Miller, Wadors, Zoglin). Mr. Layney was</p>	

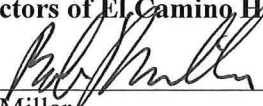
	absent.	
8. AGENDA ITEM 12: LETTERS OF REASONABLENESS FOLLOW UP	<p>Ms. Fisk presented the review of the question regarding “disqualified persons” for the letters of rebuttable presumption raised by the Committee at its last meeting. She summarized the opinion from outside counsel that outlined the roles that are deemed (CEO, CFO, COO) and those with substantial influence over the organization that are required to be included in the letters.</p> <p>She explained that the VP, Payor Relations reports to the CFO, and is a grandfathered participant in the Executive Compensation Benefits Plan, but is not considered a disqualified person. She also explained that the Chief Nursing Officer and Chief Administrative Services Officer report to the Chief Operating Officer, but not all of the COO’s direct reports are included in the letters.</p> <p>Ms. Fisk also described outside counsel’s opinion regarding presidents of affiliates, noting that due to influence over the organization and budgets, they should still be included in the letters.</p> <p>The Committee asked that the VP, Payor Relations not be included in the letters going forward. Lisa Stella from Mercer commented that, per the Committee’s direction, this position will not be included in future letters of reasonableness, but will still be included in the market assessment conducted by Mercer; she also noted that the letters for the executive team and the CEO will be streamlined.</p> <p>In response to Mr. Zoglin’s questions, the Committee discussed the criteria for an “executive,” especially as an organization grows, including reporting to the CEO, grandfathered/designated participants, and positions approved by the Board. Ms. Fisk noted that executive teams are around 12-15 people on average.</p> <p>The Committee requested that staff align the language between the executive performance incentive plan and the executive compensation philosophy to cover the CEO, those executives reporting directly to the CEO, and approved participants. Julie Johnston, Director of Total Rewards, noted that the compensation philosophy lists the participants by position rather than by name. Staff will bring revised, aligned language regarding the definition of the executive group back to the Committee’s next meeting.</p>	<i>Aligned Exec Comp Philosophy/ Exec Performance Incentive Plan to be reviewed at next Committee meeting</i>
9. AGENDA ITEM 13: PROPOSED REVISIONS TO EXECUTIVE PERFORMANCE INCENTIVE PLAN	<p>Ms. Fisk reported that there are no proposed changes at this time to the Executive Performance Incentive Plan, and the audit will continue to be the trigger for payment. She noted that there are now quarterly meetings with the executive team to review organizational and individual goals so that everyone has a better understanding of the process.</p> <p>Ms. Eyre provided the following suggested edits:</p> <ul style="list-style-type: none"> - Section C: remove the word “annual” before strategic goals - Section D(3): define “targeted” - Section D(4): reorganize to make the percentages attributed to particular individuals clearer - Section D(4): potentially remove confusing language regarding “which may include a financial measure” for organization goals - State that executives will have approved goals (and by what/whom), not just proposed goals - Split Section D(5) into two concepts: 1) how goals are set and 2) weighting and discretion, stating “the CEO has discretion to modify...” rather than referring to “discretion used as a modifier” 	<i>Revised Exec Performance Incentive Plan to be reviewed at next Committee meeting</i>

	<ul style="list-style-type: none"> - Section E(1) and (2): update the roles and responsibilities to reflect current practice and the delegation of authority to the Committee - Section E(3): add that the CEO recommends goals “for all participants, reviews performance, assigns a discretionary score...” and recommends incentive payout amounts <p>The Committee commented that the plan is structured as a takeaway and at some point should be structured as an upside, where bonuses are truly bonuses. Ms. Fisk noted that the team will be using the term “stretch” rather than “maximum.” Ms. Wadors and Ms. Eyre suggested including only the target in the offer letters to executives. The Committee and staff discussed 1) the historical expectation of 100% goal achievement, 2) changing the mentality and communication toward achieving target (on average), and 3) aligning any changes in compensation structure for executives with their directors/managers.</p> <p>Ms. Stella suggested that anywhere target and maximum are referenced in the plan, target should be listed first.</p> <p>The Committee directed staff to revise the plan to emphasize target and incorporating Ms. Eyre and Ms. Stella’s feedback noted above.</p>	
10. AGENDA ITEM 14: EXECUTIVE COMPENSATION TIMELINE	<p>Mr. Zoglin asked whether the organizational goals be approved before individual executive goals. The Committee and staff discussed the change in timing due to the delegation of authority to the Committee and the cascading of goals from the organization through the executives to the management staff.</p> <p>Mr. Woods commented that for the organizational goals, management and the Board will agree on methodology (setting the categories/areas of focus) in May and will plug in the specific numbers at the end of the year, once the specific numbers for the prior fiscal year’s performance is available.</p> <p>The Committee members noted that individual and organizational goal setting should be concurrent.</p> <p>The Committee asked staff to evaluate the timeline of goals approvals (individual and organizational related to budget).</p>	
11. AGENDA ITEM 15: PROPOSED ECC CONSULTANT DASHBOARD	<p>Ms. Stella reviewed the proposed dashboard, updated based on the comments from the last meeting.</p> <p>The Committee commented that the process for using the dashboard will be to have a quick wrap up at the end of the meeting to review that session’s effectiveness and have a more robust discussion every six months or annually.</p>	
12. AGENDA ITEM 16: PROPOSED FY19 CEO EVALUATION PROCESS	<p>Ms. Fisk reviewed the proposed evaluation tool with the Committee. She described the features of the tool, including 1) examples in each area, but asking for one overall rating for each category, 2) a rating scale using “expectations” for someone who has been in the position for more than a year, and 3) using comments from each section for developmental purposes.</p> <p>The Committee voiced their support of the tool.</p> <p>The Committee discussed obtaining the CEO self-rating and Board evaluations simultaneously (in May) and then conducting a gap analysis between the two. Mr. Miller commented that the process should be aggregating/summarizing and de-identifying data to help facilitate the conversation between the Board Chairs and the CEO.</p> <p>The Committee discussed the use of a conversation with the whole Board</p>	<i>Revised tool and timeline recommended for approval</i>

	<p>after the survey to summarize their comments on the CEO evaluation for the Board Chair(s) and validate that the interpretation/summary captures the intent of the Board. Some Committee members cautioned that a post-evaluation group discussion at the Board level has the potential to undermine the value of survey if the conversation opens up to individual biases.</p> <p>The Committee also discussed the advantages and disadvantages of providing the CEO's self-evaluation to the Board. Chair Miller, Ms. Eyre, and Ms. Wadors commented that 1) there can be grader bias, 2) the Chairs should be the stewards of the self-assessment and bear the responsibility to manage the situation with the Board if there is a significant, high-level disconnect between the CEO self-ratings and the Board's ratings, and 3) the conversation between the CEO and the Board Chairs should be two-way and ratings may change during/following those discussions.</p> <p>Stephen Pollack from Mercer suggested that the CEO can provide a year summary or list of accomplishments to remind the Board as they are completing the survey of the CEO's work from the last year.</p> <p>Staff and the Committee discussed timing for the evaluation process noting that 1) the Board does not meet in July, so the Board can discuss CEO performance in closed session and approve the base salary in August; 2) the Board should validate the summary, the Chairs should meet with the CEO to reconcile differences in the evaluations, and then provide an update on that conversation to the full Board; and 3) Hospital/District Board Chair serve two year terms, ending June 30th, so the Board members who were serving as Chair of the District/Hospital Board during the evaluation period should be the ones facilitating this process unless otherwise designated.</p> <p>Ms. Wadors suggested including a question regarding one thing for the CEO to work on in the next fiscal year for both the Board and the CEO to answer.</p> <p>Chair Miller suggested that the tool encourage the Board to utilize the comments sections to elucidate on disparities of ratings among different items within the rating categories</p> <p>Motion: To recommend the tool and timeline as revised to the Board.</p> <p>Movant: Wadors Second: Eyre Ayes: Eyre, Kliger, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: Layney Recused: None</p>	
13. AGENDA ITEM 17: FY19 PACING PLAN	The Committee discussed its next meeting, which will be scheduled for April 2, 2019 from 4:00-5:30pm ahead of the Governance Committee.	
14. AGENDA ITEM 18: CLOSING COMMENTS	Chair Miller thanked the Committee for their discussion.	
15. AGENDA ITEM 19: ADJOURNMENT	<p>Motion: To adjourn at 5:54pm.</p> <p>Movant: Zoglin Second: Wadors Ayes: Eyre, Kliger, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: Layney</p>	<i>Meeting adjourned at 5:54pm</i>

	Recused: None	
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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