

AGENDA
EXECUTIVE COMPENSATION COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD
Monday, September 12, 2016 – 4:00 pm
 CEO Conference Room (administration)
 2500 Grant Road, Mountain View, CA 94040

MISSION: 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	Lanhee Chen, Chair		4:00 – 4:02 pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Lanhee Chen, Chair		4:02 – 4:03
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	Lanhee Chen, Chair	<i>public comment</i>	motion required 4:03 – 4:06
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 Executive Compensation Committee Meeting (May 17, 2016) b. Revised Executive Compensation Policies	Lanhee Chen, Chair	<i>public comment</i>	motion required 4:06 – 4:07
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	Lanhee Chen, Chair		information 4:07 – 4:12
6. APPOINTMENT OF VICE CHAIR	Lanhee Chen, Chair		information 4:12 – 4:14
7. EXECUTIVE BENEFIT PLAN ATTACHMENT 7	Stephen Pollack and Lisa Stella, Mercer LLC	<i>public comment</i>	possible motion 4:14 – 4:29
8. FY16 ORGANIZATIONAL SCORE ATTACHMENT 8	Tomi Ryba, President and CEO; Mick Zdeblick, COO		information 4:29 – 4:39
9. ADJOURN TO CLOSED SESSION	Lanhee Chen, Chair		motion required 4:39 – 4:40
10. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Lanhee Chen, Chair		4:40 – 4:41

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AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
11. CONSENT CALENDAR <i>Any Committee Member may remove an item for discussion before a motion is made.</i> <i>Gov't Code Section 54957.2.</i> a. Minutes of the Closed Session of the Executive Compensation Committee Meeting (May 17, 2016)	Lanhee Chen, Chair		motion required 4:41 – 4:42
12. Report involving <i>Gov't Code Sections 54957 and 54957.6</i> for report and discussion on personnel matters: - VP, Corporate & Community Health Services & President of CONCERN:EAP FY17 Incentive Goal Revision	Tomi Ryba, President and CEO		information 4:42 – 4:47
13. Report involving <i>Gov't Code Sections 54957 and 54957.6</i> for report and discussion on personnel matters: - Proposed FY16 Individual Executive Goal Scores	Tomi Ryba, President and CEO		motion required 4:47 – 4:57
14. Report involving <i>Gov't Code Sections 54957 and 54957.6</i> for report and discussion on personnel matters: - Proposed FY16 Individual Executive Performance Incentive Payout	Tomi Ryba, President and CEO		motion required 4:57 – 5:02
15. Report involving <i>Gov't Code Sections 54957 and 54957.6</i> for report and discussion on personnel matters: - Proposed FY16 CEO Performance Incentive Payout	Lanhee Chen, Chair; Julie Johnston, Director, Total Rewards		motion required 5:02 – 5:04
16. ADJOURN TO OPEN SESSION	Lanhee Chen, Chair		motion required 5:04 – 5:05
17. RECONVENE OPEN SESSION / REPORT OUT To report any required disclosures regarding permissible actions taken during Closed Session.	Lanhee Chen, Chair		5:05 – 5:06
18. FY17 PACING PLAN ATTACHMENT 18	Lanhee Chen, Chair		discussion 5:06 – 5:09
19. CLOSING COMMENTS	Lanhee Chen, Chair		discussion 5:09 – 5:14
20. ADJOURNMENT	Lanhee Chen, Chair		motion required 5:14 – 5:15

Upcoming Meetings

- October 26, 2016 (*Semi-Annual Board & Committee Educational Gathering*)
- November 16, 2016
- March 23, 2017
- April 26, 2017 (*Semi-Annual Board & Committee Educational Gathering*)
- May 25, 2017

**a. Minutes of the Open Session of the Executive
Compensation Committee Meeting (May 17, 2016)**

**Minutes of the Open Session of the
 Executive Compensation Committee
 Tuesday, May 17, 2016
 El Camino Hospital, 2500 Grant Road, Mountain View California
 Conference Room C**

Members Present

Lanhee Chen
 Teri Eyre
 Bob Miller, Vice Chair
 Julia Miller
 Prasad Setty

Members Absent

Jeffrey Davis, MD, Chair
 Jing Liao

Others Present

Kathryn Fisk, CHRO
 (via phone)
 Julie Johnston,
 Director of Total Rewards
 Cindy Murphy, Board Liaison
 Steven Pollack, Mercer, LLC
 Tomi Ryba, CEO
 Lisa Stella, Mercer, LLC
 Mick Zdeblick, COO

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER	The Open Session meeting of the Executive Compensation Committee of El Camino Hospital (the “Committee”) was called to order at 4:33 pm by Vice Chair Bob Miller.	
2. ROLL CALL	A silent roll call was taken. Chair Davis and Ms. Liao were absent. All other Committee members were present.	
3. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Vice Chair Miller asked if any Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
4. PUBLIC COMMUNICATION	None.	
5. CONSENT CALENDAR	<p>Vice 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 of March 24, 2016 and Minutes of the Open Session of the Joint Hospital Board and Executive Compensation Committee Meeting of April 13, 2016.</p> <p>Movant: Chen Second: J. Miller Ayes: Chen, Eyre, B. Miller, J. Miller, Setty Noes: None Abstentions: None Absent: Davis, Liao Recused: None</p>	<i>Consent calendar approved</i>
6. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 4:36 pm.</p> <p>Movant: Eyre Second: J. Miller Ayes: Chen, Eyre, B. Miller, J. Miller, Setty Noes: None Abstentions: None</p>	<i>Adjourned to closed session at 4:36pm.</i>

	Absent: Davis, Liao Recused: None	
7. AGENDA ITEM 18: RECONVENE OPEN SESSION/ REPORT ON BOARD ACTIONS	<p>Open Session was reconvened at 6:30 pm.</p> <p>During the closed session, the Committee approved the Minutes of the Closed Session of the Executive Compensation Committee Meeting of March 24, 2016, by vote of 5 members present (Chen, Eyre, B. Miller, J. Miller, Setty) and two absent (Davis, Liao).</p> <p>The Committee voted to recommend the following to the Board for approval by a vote of 5 members present (Chen, Eyre, B. Miller, J. Miller, Setty) and two absent (Davis, Liao).</p> <ul style="list-style-type: none"> - Proposed FY17 executive salary ranges and midpoints with geographic market differential - Proposed FY17 executive base salary increases - Proposed FY17 CEO salary range and midpoint with geographic market differential - Proposed FY17 Organizational Goals - Proposed FY17 executive individual performance incentive goals 	
8. AGENDA ITEM 19: FY17 PACING PLAN	<p>Ms. Ryba explained that the Committee has a budget for educational events or conferences, if members would like to participate. This fund has never been used.</p> <p>Motion: To approve the FY17 pacing plan.</p> <p>Movant: J. Miller Second: Chen Ayes: Chen, Eyre, B. Miller, J. Miller, Setty Noes: None Abstentions: None Absent: Davis, Liao Recused: None</p>	<i>FY17 Pacing Plan approved</i>
9. AGENDA ITEM 20: CLOSING COMMENTS	<p>There were no additional comments.</p>	
10. AGENDA ITEM 21: ADJOURNMENT	<p>Motion: To adjourn at 6:41 pm.</p> <p>Movant: J. Miller Second: Chen Ayes: Chen, Eyre, B. Miller, J. Miller, Setty Noes: None Abstentions: None Absent: Davis, Liao Recused: None</p>	<i>Meeting adjourned at 6:41 pm.</i>

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

Lanhee Chen
Chair, Executive Compensation Committee

Peter C. Fung, MD
Secretary, ECH Board of Directors

Revised Executive Compensation Policies

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Executive Compensation Policies Executive Compensation Committee September 12, 2016
Responsible party:	Kathryn Fisk, Chief HR Officer Julie Johnston, Director Total Rewards
Action requested:	For Possible Motion
Background: There are three Board policies regarding Executive compensation: <ol style="list-style-type: none"> 1. Compensation Philosophy – update participant list. Recommend change in the cost-of-labor differential from 20% to 25% 2. Salary Administration – no material change 3. Performance Incentive Plan – change weight of organizational goals for Presidents of the Foundation and Concern:EAP from 70% to 50% El Camino Hospital organizational with 40% Foundation or Concern:EAP division goals and 10% discretionary. 	
Committees that reviewed the issue and recommendation, if any: <ul style="list-style-type: none"> • N/A 	
Summary and session objectives : To obtain the Committee’s recommendation to revise the attached executive compensation policies in accordance with its previous recommendations.	
Suggested discussion questions: <ul style="list-style-type: none"> • N/A 	
Proposed Committee motion, if any: The Committee recommends that the Board approved the revised Executive Compensation Policies (with or without changes) as listed below.	
Attachments: <ol style="list-style-type: none"> 1. Executive Compensation Philosophy 2. Executive Base Salary Administration 3. Executive Performance Incentive Plan 	

Att. 04b 02 Executive Comp Philosophy, 08-12-16
(tracked changes)

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

03.01 EXECUTIVE COMPENSATION PHILOSOPHY

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO and approved participants. Participation in the plan is subject to approval by the Hospital Board of Directors (see Attachment A).

B. Reviewed/Revised:

New: 2/08, 6/09, 12/08/10; 8/10/11, 2/13/13, 6/11/14 for review by ECC 9-12-16

C. Policy Summary:

The compensation philosophy is the official statement of El Camino Hospital’s Board of Directors regarding the guiding principles and objectives upon which executive compensation decisions are based, and the general parameters and components for accomplishing these objectives.

The executive compensation program encompasses both cash compensation (salary, incentive pay, and other cash compensation) and non-cash compensation (employer provided benefit plans and perquisites) which in whole, represent total compensation. The 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 it related to executive compensation and their effectiveness in attracting, retaining, and motivating executives.

D. Executive Compensation Philosophy:

The philosophy describes the guiding principles and objectives of the executive compensation program. Executive compensation decisions will be made using the following guiding principles and objectives:

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 and vision and achievement of strategic goals.
3. Encompass a total compensation perspective in developing and administering cash compensation and benefit programs.

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.

E. Components:

The three key components of the executive compensation program are base salary, performance incentive compensation, and benefits.

1. Base Salary. Each executive position will be assigned a salary range that is competitive with comparable hospitals and accounts for the higher cost of labor in Silicon Valley.
2. Performance Incentive Compensation. Each executive will be eligible for a goal-based performance incentive compensation program. An executive's performance incentive payout will be based on their performance against pre-defined organizational and individual goals and objectives aligned with the Hospital's mission, vision, and strategic goals.
3. Executive Benefits and Perquisites. The Hospital may provide executives with supplemental benefits as described in the executive benefits policy. It is the Hospital's practice to minimize the use of perquisites in total executive compensation.

F. Roles and Responsibilities:

The Executive Compensation Committee shall recommend and maintain written policies and procedures regarding the administration of each component. The Hospital Board of Directors will approve all policy changes.

G. Definitions

Comparable Hospital – To measure the competitiveness of the executive compensation program, the Hospital will use, in general, compensation information from tax-exempt independent hospitals from across the United States comparable in size and complexity to the Hospital. The hospitals will be comparable in size and complexity based upon net operating revenues.

Competitive Position – A determination of where the Hospital places executive salaries, incentives, and benefits relative to comparable hospitals nationally. El Camino Hospital's competitive position for base salaries is the market median plus a geographic differential for the Silicon Valley area.

Geographic Differential – Recognizes the significantly higher cost-of-labor in Silicon Valley. The Committee will periodically analyze data to ensure the geographic differential is appropriate and accurately projecting the El Camino Hospital median.

El Camino Hospital Median – Reflects the median base pay of the comparable hospitals plus the geographic differential for a particular position. The Hospital increases the data by 205% to calculate the El Camino Hospital median.

Other Cash Compensation – Other cash compensation excludes base salary and incentive pay but includes a hiring and retention bonuses, and relocation reimbursement.

Salary Range - A range established as 20% below to 20% above the salary range midpoint, resulting in a maximum amount that is 150% of the minimum amount.

Salary Range Midpoint - The midpoint of the salary range for each executive position will be set at the El Camino Hospital Median.

Total Cash Compensation – includes base salary plus annual incentive compensation (and other cash) paid to an executive.

Total Compensation – Total cash compensation plus the cost of employee and executive benefit programs.

**ATTACHMENT A:
APPROVED PARTICIPANTS IN EXECUTIVE
COMPENSATION PROGRAM
Effective ~~7/1/14~~ 8/1/2016**

Cecile Currier, Vice President Corporate and Community Health*

Cheryl Reinking, Chief Nursing Officer

~~Eric Pifer, Chief Medical Officer~~

Gregory Walton, Chief ~~Information Technology~~ Officer

Iftikhar Hussein, Chief Financial Officer

Richard Katzman, Chief Strategy Officer

Joan Kezic, Vice President Payor Relations*

Joanne Barnard, President, El Camino Hospital Foundation

Kathryn Fisk, Chief Human Resources Officer

Kenneth King, Chief Administrative Services Officer

~~Mary Rotunno, General Counsel~~

Michael Zdeblick, Chief Operations Officer

~~Patricia Wolfram, Vice President ECH Los Gatos~~

Tomi Ryba, President and CEO

William Faber, MD, Chief Medical Officer

Open, Chief Information Officer

*These executives are considered grandfathered participants and shall continue to be eligible for the Executive Compensation Program as long as the individual remains in an executive position with El Camino Hospital.

Note: Executives hired on an interim basis are not eligible for the Executive Compensation and Benefits Program.

**Att. 04b 03 Executive Salary Administration, 08-12-16
(tracked changes)**

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

03.02 EXECUTIVE BASE SALARY ADMINISTRATION

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO or COO. Participation in the plan is subject to approval by the Hospital Board of Directors.

B. Reviewed/Revised:

New 9/15/09, 12/08/10, 2/13/13, 6/11/14, for ECC review 9/12/16

C. Policy Summary:

- D. Base salary is one component of the executive total compensation program which includes benefits, performance incentive pay, and other cash compensation. This policy defines how a salary range is established and provides guidelines for determining an individual’s placement in the range. The program is governed by the Board of Directors and administered by the Executive Compensation Committee (“the Committee”).

E. General Provisions:

1. **Salary Range** – Each executive position at El Camino Hospital will have a salary range with minimum and maximum, determining the lowest and highest pay for that job.
 - a. The salary range midpoint reflects the median base pay of the comparable hospitals plus the cost-of-labor adjustment (known as the El Camino Median).
 - b. The salary range will be from 20% below to 20% above the salary range midpoint, resulting in a maximum amount that is 150% of the minimum amount.
 - c. Salary ranges will be updated annually based on competitive market data and/or executive increase market trends. The Executive Compensation Committee reserves the right to establish lower salary ranges or to freeze salary ranges and recommend freezing or lowering base salaries when financially prudent.

2. **Placement in the Salary Range** includes initial placement of a new hire, adjustments when there is a change in job scope, and periodic salary increases or decreases. An individual's placement in the range will be determined based on a combination of the following factors: paying competitively, rewarding performance, and recognizing competence, credentials, and experience.

The guidelines for placement in range are:

- a. ***Pay at 80% to 90% of Midpoint*** is appropriate for a newly hired individual with limited experience in a comparable position, or for an individual who has recently been promoted and needs developmental time in the position. An individual may be eligible for higher percentage increases, aligned with performance, when positioned at this level.
- b. ***Pay at 90% to 110% of Midpoint*** is appropriate for a fully experienced (6 to 8 years) individual with a demonstrated record of consistently meeting performance expectations. The Hospital manages base salary increases so that upward movement in salary reflects individual performance and demonstrated proficiency.
- c. ***Pay at 110% to 120% of Midpoint*** may be appropriate for a highly experienced individual with demonstrated record of consistently exceeding performance expectations or with skills and expertise beyond those normally associated with the position. The Hospital compares base salary levels above market with competitive market data to verify that individual base salary is reasonable.
- d. The Hospital Board of Directors can approve salaries above the normal salary range for hard-to-recruit positions or positions deemed critical to the success of the organization. The Hospital compares salary levels above market with competitive market data to verify that the individual base salary and total compensation is reasonable.

F. Roles and Responsibilities

1. The El Camino Hospital Board of Directors shall approve executive base salaries.
2. The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board such as selecting consultants and approval of the salary ranges.

3. The CEO recommends the salary range and base salary for those executives reporting to the CEO to the Committee.
4. The Chief Human Resources Officer and/or Director ~~Compensation and Benefits~~ Total Rewards are responsible for implementing salary ranges and base salaries.

Att. 04b 04 Executive Performance Incentive Plan, 08-12-16 (tracked changes)

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

03.04 EXECUTIVE PERFORMANCE INCENTIVE PLAN

1. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO or COO. Participation in the plan is subject to approval by the Hospital Board of Directors.

2. Reviewed/Revised:

New: 9/15/09, 12/08/10, 2/13/13, 6/11/14 (eff 7/1/14), 10/14/15, for ECC review 9/12/16

3. Policy Summary:

The Performance Incentive Plan is one component of the executive total compensation program which includes base salary, benefits, and other cash compensation. The Performance Incentive Plan is a goal-based compensation program designed to motivate and reward performance toward key annual strategic goals of the Hospital.

4. General Provisions:

The target amount for incentive pay will be competitive with those at comparable hospitals. An executive’s incentive payout will be based on their performance against pre-defined organizational and individual goals and measures aligned with the Hospital’s mission, vision, and strategic goals.

1. Eligibility – Participants hired after December 31 will not be eligible for the program until the beginning of the next fiscal year on July 1. Incentive compensation will be pro-rated for executives with at least six months, but less than one year in the position at the end of the fiscal year. Written performance goals and measures will be determined within the first 60 days of employment.
2. Criteria – the Hospital has established three criteria for payout. There will be no payout unless all three criteria are met. The Hospital must be accredited by the Joint Commission and the individual executive must “meet expectations” on their performance review. In addition, the Hospital will establish a financial measure that must be achieved each fiscal year (i.e., a percent of operating margin) for payout to occur.
3. Amount of incentive pay – the maximum payout for an executive is 30% of their base salary as of the end of the fiscal year. The targeted payout percent for those

participants reporting to the CEO or COO is 20% of base pay. The maximum incentive pay for the CEO is 45% with a target of 30% of base salary.

4. Organizational Goals – each fiscal year the Hospital will define organizational goals that support the strategic/business plan upon which 70% (90% for the CEO) of performance incentive pay will be based. Whenever possible, each goal will have performance measures for threshold, target, and maximum levels and payouts will be on a continuum. Organizational goals will account for 50% of performance incentive pay for Presidents of the Foundation and Concern:EAP.
5. Executive Individual Goals (excluding CEO) – at the beginning of the fiscal year, each participant will propose performance goals and measurements that support the strategic/business plan upon which 20% of performance incentive pay will be based. Whenever possible, each goal will have performance measures for threshold, target, and maximum levels and payouts will be on a continuum. Individual goals based on the Foundation or Concern’s organizational goals, will account for 40% of performance incentive pay for Presidents of the Foundation and Concern:EAP. respectively.
6. Ten percent (10%) of the executive’s performance incentive pay will be at the CEO’s discretion subject to Board approval. Ten percent (10%) of the CEO’s performance incentive pay will be at the Board’s discretion.
7. Performance Incentive Payout – Incentive compensation will be paid within 30 days of the Board of Directors approving the payout amounts. In order to receive incentive compensation, executives must be employed in an executive position at the time the incentive compensation is paid.

5. Roles and Responsibilities

1. The El Camino Hospital Board of Directors shall approve the plan design, organizational goals, executive individual goals, and performance incentive payout amounts.
2. The Executive Compensation Committee Charter defines the responsibilities delegated by the Hospital Board such as reviewing and recommending goals and performance incentive payout amounts.
3. The CEO recommends the organizational and individual goals, discretionary score, and recommends incentive payout amounts to the Committee.

4. The Chief Human Resources Officer and/or Director ~~Compensation and Benefits~~Total Rewards are responsible for overseeing administration of the program and implementing actions approved by the Board.

ATTACHMENT 5

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Report on Board Actions Executive Compensation Committee September 12, 2016
Responsible party:	Cindy Murphy, Board Liaison
Action requested:	For Information
Background: In FY16, we added this item to each Board Committee agenda to keep Committee members informed about Board actions via a verbal report by the Committee Chair. Recently, staff was asked to supplement the Chair's verbal report with the attached written report.	
Other Board Advisory Committees that reviewed the issue and recommendation, if any: None.	
Summary and session objectives : To inform the Committee about recent Board actions.	
Suggested discussion questions: None.	
Proposed Committee motion, if any: None. This is an informational item.	
LIST OF ATTACHMENTS: Report on May, June, and August 2016 Board Actions	

Report on May, June and August 2016 Board Actions*

1. May 11, 2016 El Camino Hospital Board Approvals
 - a. FY 16 Period 9 Financial Report
 - b. Recognized Tehila and Saul Eisenstat, MD were for their years of service to the Hospital and patients
 - c. Hospital Bylaws amended to provide consistent rules for contracting/employment relationships between El Camino Hospital and Board member who are members of the District Board and those who are not.
2. June 8, 2016 El Camino Hospital Board Meeting Approvals
 - a. Recognized Michele Kirsch and Nahid Aliniyazee for Co-Chairing the 2016 Sapphire Soiree which generated the highest yield in revenue over the history of the event. Over \$520,000 will go directly to the ECH Cancer Center.
 - b. FY2017 Operating and Capital Budget
 - c. Over \$3 million in Community Benefit Grants
 - d. Disbanded its iCare Ad hoc Committee of the Board
 - e. The FY17 Organizational and Individual Executive Incentive Goals. Important Changes this year were
 - i. Removing Joint Commission Certification as a trigger goal
 - ii. Reducing the number of individual goals for each executive
 - iii. Making individual goals more specific to each executive's area of accountability
 - f. Incremental funding for Women's Hospital Renovations and new Behavioral Health Services Building
 - g. Final Funding for the North Parking Garage Expansion
 - h. Epic 2015 and 2016 Upgrades
 - i. FY16 Committee Goals
 - j. Minor Revisions to the Finance Committee and Executive Compensation Committee Charters
 - k. 6 Physician Contract Renewals
 - l. Approved the Board Chair's slate of Committee members and Chairs for FY17. Some Board member assignments were changed. Director Chen was appointed as Chair of the Executive Compensation Committee.
3. June 14, 2016 El Camino Healthcare District Board meeting Approvals
 - a. Approved Amendment (above to the ECH Bylaws)
 - b. Approved Revised Process for Election and Re-Election of Non-District Board Members to the Hospital Board (Provides for appointment of Chair of the Committee and clarifies that a member of the ECH Governance Committee serves as member of the Committee)
 - c. Approved the FY17 District and Hospital Budgets

- d. Designated \$9.3 million of tax revenue from the FY 2014 and FY 2015 funds in its Capital Appropriation Fund to the Women's Hospital Expansion Renovation/Reconstruction Project.
 - e. Approved \$6.4 million in Community Benefit Grants
 - f. Authorized the Mountain View Campus Development Proposal (North Parking Garage, Behavioral Health Services Building, Integrated Medical Office Building, Central Utility Plant Upgrades, Women's Hospital Expansion, Demolition of Old Main Hospital and Associated Work). This was approval to build on District owned land as required by the ground lease. Funding approval will come later where required.
 - g. Appointed Director Reeder (Chair), Director Miller and Gary Kalbach as members of the ECH Board Member Election Ad hoc Committee for FY17.
4. August 10, 2016 El Camino Hospital Board Approvals
- a. FY 16 Period 12 Financials (FY16 Budget was met)
 - b. Approved final funding for the following projects:
 - i. Behavioral Health Services Building - \$72,5000,000
 - ii. Integrated Medical Office Building - \$247,000,000
 - iii. Central Plant Upgrades (to support new construction) - \$7,500,000
 - c. Appointed two new members to the Finance Committee – Joseph Chow and Boyd Faust
 - d. Disbanded the Board's iCare Ad Hoc Committee
 - e. Recommended the District Board adopt the following as the highest priority Hospital Board member competencies for FY2017 –
 - i. Understanding of complex market partnerships
 - ii. Long-range strategic planning
 - iii. Healthcare insurance industry experience
 - iv. Finance experience/entrepreneurship
 - v. Experience in clinical integration/continuum of care
5. August 10, 2016 El Camino Healthcare District Board meeting Approvals:
- Approved final funding for the following projects that exceeded \$25,000,000 in a single transaction.
- a. Behavioral Health Services Building - \$72,5000,000
 - b. Integrated Medical Office Building - \$247,000,000

*This list is not meant to be exhaustive, but includes agenda items the Board s voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.

ATTACHMENT 7

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Executive Benefit Plan Executive Compensation Committee September 12, 2016
Responsible party:	Julie Johnston, Director Total Rewards
Action requested:	For possible motion
Background:	
<ul style="list-style-type: none"> The Committee reviewed Mercer's total remuneration analysis in May. 	
Committees that reviewed the issue and recommendation, if any:	
<ul style="list-style-type: none"> N/A 	
Summary and session objectives :	
<ul style="list-style-type: none"> To discuss focusing on executive benefits design, led by Mercer To review the current Executive Benefits Plan policy To discuss whether or not to consider design changes 	
Suggested discussion questions:	
<ul style="list-style-type: none"> Does the executive benefits package support the hospital's ability to attract and retain executive talent? Are there ways of increasing the value of the benefits program? Does the Committee wish to address the inequity issue with executive retirement? 	
Proposed Committee motion, if any: 1) The Committee instructs the consultant to further evaluate _____ and to present a detailed recommendation at the next session; OR 2) The Committee recommends that the Board approve the following changes to the Executive Benefit Plan policy.	
Attachments:	
<ol style="list-style-type: none"> Mercer Executive Benefits Market Assessment El Camino Hospital Executive Benefits Plan policy 	

EL CAMINO HOSPITAL

EXECUTIVE BENEFITS MARKET ASSESSMENT

Stephen S. Pollack
Lisa Stella

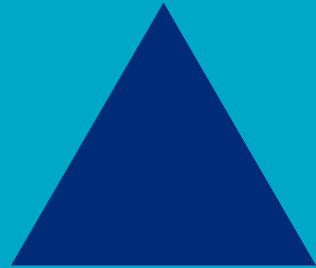
Los Angeles

BENEFITS REVIEW

METHODOLOGY

- Mercer reviewed the benefits provided to El Camino Hospital's ("El Camino") executives, including retirement and deferred compensation plans, health and welfare benefits, and perquisites, analyzing both plan features and benefit levels.
- These benefits and perquisites were compared to practices among other similarly sized healthcare organizations (revenue between \$375M and \$1.5B) from Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey.
- El Camino provided the annual employer cost of the executives' retirement, medical/dental, life insurance and short and long-term disability coverage, and perquisites.
 - Market values for these benefits and perquisites were derived from survey data using market median benefit levels and market percentile compensation.
- Annual benefits values representing employer cost were added to total direct compensation to determine total remuneration for El Camino and the market 25th, 50th, and 75th percentiles for market comparison purposes.

CEO BENEFITS REVIEW



BENEFITS REVIEW (CEO)

RETIREMENT

	El Camino	Market Practice	Comments
Employer-paid Retirement Benefits	<p>Qualified Defined Contribution (DC) Plan <u>403(b) Plan</u></p> <ul style="list-style-type: none"> Employer matching contribution of base salary deferred, subject to IRS limits (\$265,000 in 2016), based on years of service: <ul style="list-style-type: none"> 1-14 years: 4% 15-19 years: 5% 20+ years: 6% <p>Qualified Defined Benefit (DB) Plan <u>Cash Balance Plan</u></p> <ul style="list-style-type: none"> Employer contribution of 5% of base salary, subject to IRS limits (\$265,000 in 2016) <p>Nonqualified DC SERP <u>457(f) Plan</u></p> <ul style="list-style-type: none"> CEO receives an employer contribution equal to 19% of base salary <p>Total employer contribution is ~22% of base salary for the CEO</p>	<p>Not-for-Profit</p> <ul style="list-style-type: none"> The vast majority of organizations provide employer contributions to a qualified DC plan <ul style="list-style-type: none"> Approximately 15% provide a qualified DB plan Approximately 75% provide a supplemental plan to the CEO; the vast majority are DC SERPs Total contribution from all employer-provided sources (as a percentage of base salary) is 16% to the CEO at the median and 28% at 75th percentile <p>For-Profit</p> <ul style="list-style-type: none"> The vast majority of organizations provide employer contributions to a qualified DC plan <ul style="list-style-type: none"> Less than 10% provide a qualified DB plan Approximately 45% provide a supplemental plan to executives Total contribution from all employer-provided sources (as a percentage of base salary) is 5% at the median (9% at the 75th percentile) 	<ul style="list-style-type: none"> Overall structure of the benefit (including providing a DC SERP) is generally consistent with market practice, although prevalence of DB plans continues to decline. CEO retirement benefits are positioned between market median and 75th percentile

Sources: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey for nonprofit comparators and SEC filings for for-profit comparators
Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

BENEFITS REVIEW (CEO)

RETIREMENT

	El Camino	Market Practice	Comments
Voluntary Employee Retirement Deferrals	<u>403(b) Plan</u> <ul style="list-style-type: none"> Allows for deferral of pay (up to \$18,000 in 2016; \$24,000 if age 50+) <u>457(b) Plan</u> <ul style="list-style-type: none"> Allows for additional deferral of salary, unused taxable benefit allowance, and payout of accrued PTO (up to \$18,000 in 2016) 	<ul style="list-style-type: none"> Nearly all organizations allow for employee deferrals to a 403(b)/401(k) plan <p>Not-for-Profit</p> <ul style="list-style-type: none"> Approximately 80% of organizations allow additional employee deferrals into a 457(b) plan for the CEO <p>For-Profit</p> <ul style="list-style-type: none"> Approximately 55% of organizations allow additional employee deferrals into a nonqualified voluntary deferred compensation plan 	<ul style="list-style-type: none"> Consistent with market practice to provide a 457(b) plan Allowing deferral of PTO accrual and benefit allowance is not consistent with market practice

Sources: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey for nonprofit comparators and SEC filings for for-profit comparators
Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

BENEFITS REVIEW (CEO)

HEALTH & WELFARE

	El Camino	Market Practice	Comments
Medical	<ul style="list-style-type: none"> The CEO receives the same health benefits as all employees 	<ul style="list-style-type: none"> Common to provide the same health benefits and employer/employee cost sharing to all employees Supplemental executive medical coverage is not market prevalent, and this trend continues to decrease in light of healthcare reform 	<ul style="list-style-type: none"> Typical employer share of medical premiums is \$5k-\$10k for individuals and \$10k-\$15k for families Consistent with market practice to provide standard benefits to executives
Life Insurance	<ul style="list-style-type: none"> Employer-paid group coverage for executives only equal to 3X annual base salary, up to a maximum of \$1.25 million 	<ul style="list-style-type: none"> Almost all comparable organizations provide employer-paid group term life insurance benefits Approximately 60% provide additional life insurance coverage to the CEO Median employer-paid coverage is typically 2X base salary (3X base salary at the 75th percentile) 	<ul style="list-style-type: none"> Coverage level is aligned with market 75th percentile

Source: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey
Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

BENEFITS REVIEW (CEO)

HEALTH & WELFARE

	El Camino	Market Practice	Comments
Short-term Disability (STD)	<ul style="list-style-type: none"> Employer-paid executive coverage equal to 100% of base salary for up to 6 months 	<ul style="list-style-type: none"> Approximately 75% of comparable organizations provide employer-paid group short-term disability <ul style="list-style-type: none"> 60% of base salary is the most common benefit Approximately 35% provide supplemental employer-paid STD coverage to the CEO <ul style="list-style-type: none"> 100% of base salary is the most common benefit 	<ul style="list-style-type: none"> Consistent with market practice
Long-term Disability (LTD)	<ul style="list-style-type: none"> Employer-paid group coverage to all employees equal to 60% of base salary up to a monthly maximum of \$10,000 	<ul style="list-style-type: none"> The vast majority of comparable organizations provide employer-paid group LTD coverage Approximately 60% provide additional employer-paid LTD coverage to the CEO <ul style="list-style-type: none"> Median total employer-paid coverage is 60% of base salary up to \$17,500 per month 	<ul style="list-style-type: none"> Coverage level is consistent with market practice Maximum benefit is slightly below market median

Source: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey
 Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

BENEFITS REVIEW (CEO)

SEVERANCE & PERQUISITES

	El Camino	Market Practice	Comments
Executive Severance	<ul style="list-style-type: none"> Salary and health benefits continue for 6 months 	<ul style="list-style-type: none"> Approximately 80% provide executive severance benefits to the CEO <ul style="list-style-type: none"> Median severance period is 24 months for CEO Over 75% continue benefits during the severance period 	<ul style="list-style-type: none"> Length of severance period is below market median
Executive Perquisites	<ul style="list-style-type: none"> Executives receive an employer contribution of 7% of base salary to an Executive Taxable Benefit Allowance to purchase voluntary LTD, Long-term Care, and Life insurance; unused allowance can be deferred to the 457(b) plan or paid in cash 	<ul style="list-style-type: none"> Car/car allowance is the only perquisite that remains somewhat prevalent (~40% for CEO) 	<ul style="list-style-type: none"> Perquisites without a clear business-related purpose continue to become less prevalent

Source: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey
 Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

EXECUTIVE BENEFITS REVIEW



BENEFITS REVIEW (EXECUTIVES)

RETIREMENT

	El Camino	Market Practice	Comments
Employer-paid Retirement Benefits	<p>Qualified Defined Contribution (DC) Plan <u>403(b) Plan</u></p> <ul style="list-style-type: none"> Employer matching contribution of base salary deferred, subject to IRS limits (\$265,000 in 2016), based on years of service: <ul style="list-style-type: none"> – 1-14 years: 4% – 15-19 years: 5% – 20+ years: 6% <p>Qualified Defined Benefit (DB) Plan <u>Cash Balance Plan</u></p> <ul style="list-style-type: none"> Employer contribution of 5% of base salary, subject to IRS limits (\$265,000 in 2016) <p>Nonqualified DC SERP <u>457(f) Plan</u></p> <ul style="list-style-type: none"> Executives (excluding the CEO) receive an employer contribution equal to 5% of base salary <p>Total employer contribution ranges from 10% to 15% for executives, depending on pay and years of service</p>	<p>Not-for-Profit</p> <ul style="list-style-type: none"> The vast majority of organizations provide employer contributions to a qualified DC plan <ul style="list-style-type: none"> – Approximately 15% provide a qualified DB plan Approximately 75% provide a supplemental plan to Tier 1 executives (~35% provide to Tier 2 executives) <ul style="list-style-type: none"> – The vast majority are DC SERPs Total contribution from all employer-provided sources (as a percentage of base salary) is 13.5% to Tier 1 and 7% to Tier 2 at the median (25% and 14% at 75th percentile respectively) <p>For-Profit</p> <ul style="list-style-type: none"> The vast majority of organizations provide employer contributions to a qualified DC plan <ul style="list-style-type: none"> – Less than 10% provide a qualified DB plan Approximately 45% provide a supplemental plan to executives Total contribution from all employer-provided sources (as a percentage of base salary) is 5% at the median (9% at the 75th percentile) 	<ul style="list-style-type: none"> Overall structure of the benefit (including providing a DC SERP) is generally consistent with market practice, although prevalence of DB plans continues to decline. Total employer contribution is generally aligned with market median of the not-for-profit industry and above market 75th percentile in the for-profit industry for non-CEO executives, depending on pay, level, and years of service. <ul style="list-style-type: none"> – Higher-paid executives are positioned lower due to IRS limits on pay in the qualified plans and the SERP contribution is not enough to bring the benefit up to market median

Sources: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey for nonprofit comparators and SEC filings for for-profit comparators; Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

BENEFITS REVIEW (EXECUTIVES)

RETIREMENT

	El Camino	Market Practice	Comments
Voluntary Employee Retirement Deferrals	<p><u>403(b) Plan</u></p> <ul style="list-style-type: none"> Allows for deferral of pay (up to \$18,000 in 2016; \$24,000 if age 50+) <p><u>457(b) Plan</u></p> <ul style="list-style-type: none"> Allows for additional deferral of salary, unused taxable benefit allowance, and payout of accrued PTO (up to \$18,000 in 2016) 	<ul style="list-style-type: none"> Nearly all organizations allow for employee deferrals to a 403(b)/401(k) plan <p>Not-for-Profit</p> <ul style="list-style-type: none"> Approximately 80% of organizations allow additional employee deferrals into a 457(b) plan for Tier 1 executives and 65% for Tier 2 <p>For-Profit</p> <ul style="list-style-type: none"> Approximately 55% of organizations allow additional employee deferrals into a nonqualified voluntary deferred compensation plan 	<ul style="list-style-type: none"> Consistent with market practice to provide a 457(b) plan Allowing deferral of PTO accrual and benefit allowance is not consistent with market practice

Sources: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey for nonprofit comparators and SEC filings for for-profit comparators
Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

BENEFITS REVIEW (EXECUTIVES)

HEALTH & WELFARE

	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"> Common to provide the same health benefits and employer/employee cost sharing to all employees Supplemental executive medical coverage is not market prevalent, and this trend continues to decrease in light of healthcare reform 	<ul style="list-style-type: none"> Typical employer share of medical premiums is \$5k-\$10k for individuals and \$10k-\$15k for families Consistent with market practice to provide standard benefits to executives
Life Insurance	<ul style="list-style-type: none"> Employer-paid group coverage for executives only equal to 3X annual base salary, up to a maximum of \$1.25 million 	<ul style="list-style-type: none"> Almost all comparable organizations provide employer-paid group term life insurance benefits Approximately 50% provide additional life insurance coverage to Tier 1 and 30% to Tier 2 Median employer-paid coverage is typically 2X base salary (3X base salary at the 75th percentile) 	<ul style="list-style-type: none"> Coverage level is aligned with market 75th percentile

Source: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey
Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

BENEFITS REVIEW (EXECUTIVES)

HEALTH & WELFARE

	El Camino	Market Practice	Comments
Short-term Disability (STD)	<ul style="list-style-type: none"> Employer-paid executive coverage equal to 100% of base salary for up to 6 months 	<ul style="list-style-type: none"> Approximately 75% of comparable organizations provide employer-paid group short-term disability <ul style="list-style-type: none"> 60% of base salary is the most common benefit Approximately 35% provide supplemental employer-paid STD coverage to Tier 1 executives and 30% to Tier 2 <ul style="list-style-type: none"> 100% of base salary is the most common benefit 	<ul style="list-style-type: none"> Consistent with market practice
Long-term Disability (LTD)	<ul style="list-style-type: none"> Employer-paid group coverage to all employees equal to 60% of base salary up to a monthly maximum of \$10,000 	<ul style="list-style-type: none"> The vast majority of comparable organizations provide employer-paid group LTD coverage Approximately 60% provide additional employer-paid LTD coverage to Tier 1 executives and 40% to Tier 2 <ul style="list-style-type: none"> Median total employer-paid coverage is 60% of base salary up to \$17,500 per month 	<ul style="list-style-type: none"> Coverage level is consistent with market practice Maximum benefit is slightly below market median

Source: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey

Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

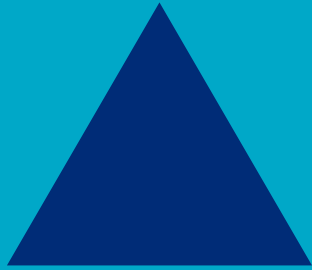
BENEFITS REVIEW (EXECUTIVES)

SEVERANCE & PERQUISITES

	El Camino	Market Practice	Comments
Executive Severance	<ul style="list-style-type: none"> Salary and health benefits continue for 6 months 	<ul style="list-style-type: none"> Approximately 80% provide executive severance benefits to Tier 1 executives and ~45% to Tier 2 <ul style="list-style-type: none"> Median severance period is 12 months for Tier 1 and Tier 2 executives Over 75% continue benefits during the severance period 	<ul style="list-style-type: none"> Length of severance period is below market median
Executive Perquisites	<ul style="list-style-type: none"> Executives receive an employer contribution of 7% of base salary to an Executive Taxable Benefit Allowance to purchase voluntary LTD, Long-term Care, and Life insurance; unused allowance can be deferred to the 457(b) plan or paid in cash 	<ul style="list-style-type: none"> Car/car allowance is the only perquisite that remains somewhat prevalent (~30% for Tier 1, 5% for Tier 2) 	<ul style="list-style-type: none"> Perquisites without a clear business-related purpose continue to become less prevalent

Source: Mercer's 2014/2015 Healthcare Executive Benefits and Perquisites Survey
 Tier 1 Executives: CEO direct report; Tier 2 Executives: Tier 1 direct report

METHODOLOGY DETAIL



BENEFITS REVIEW

METHODOLOGY AND ASSUMPTIONS

Methodology

- Census, compensation, benefit plan descriptions and tally sheet values provided by El Camino
- All employer-provided benefit plans were valued, including qualified and nonqualified retirement plans, health and welfare benefits and perquisites
- Benefit plans currently available assumed to continue unchanged for the remainder of executive career
- Executives assumed to contribute sufficient amount to receive maximum employer matching contributions and maximum discretionary contribution is paid
- For market retirement valuation, employer-provided benefit programs available to new hire executives were valued

Assumptions for market retirement and other benefits

- Normal retirement age: 65
- Executive salary scale (used for market pension calculations): 4%
- Bonus assumed to pay at target and remain constant to retirement
- Annual Consumer Price Index increase: 2.5%
- Annual Taxable Wage Base increase: 3%
- Market interest rate for present value conversions (lump sum to life annuity)/post-retirement earnings rate: 5%
- Market mortality table for present value conversions (lump sum to life annuity): 2016 PPA mortality
- Earnings rate for defined contribution account balance plans with investment options: 6%
- Table for standard life insurance rates – Table I
- Monthly disability coverage rate – \$0.50 per \$100 of coverage

BENEFITS REVIEW

METHODOLOGY AND ASSUMPTIONS (CONT'D)

- This presentation has been prepared exclusively for El Camino to assist in understanding market total remuneration positioning for its executives. This report 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.
- This report material includes projections of future benefits. To prepare these projections, various *actuarial assumptions*, as described in the Appendix, were used to project a limited number of scenarios from a range of possibilities. However, the future is uncertain, and the plan's actual experience will likely differ from the assumptions utilized and the scenarios presented; these differences may be significant or material. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. This report has been created for a limited purpose, is presented at a particular point in time and should not be viewed as a prediction of the plan's future financial condition. To prepare the results shown in this report, various *actuarial methods*, were also used.
- This report is based on plan provisions and census data provided by El Camino. The client is solely responsible for the validity, accuracy and comprehensiveness of this information; the results can be expected to differ and may need to be revised if the underlying data or the plan provisions supplied are incomplete or inaccurate.
- The figures presented herein are based on retirement plan information provided by El Camino and the survey sources cited in this report. Where additional information was needed to perform the calculations, estimates were made based on typical retirement plan provisions. The methods and assumptions are applied uniformly to all organizations' plans for the purpose of comparing retirement plan designs, but have not been verified with El Camino. Please let us know if you would like the calculations to be refined to reflect your specific circumstances.

BENEFITS REVIEW

GLOSSARY OF TERMS

- **Defined Benefit (DB) Plan** – A retirement plan, either qualified or nonqualified, that provides a predetermined benefit at retirement.
- **Defined Contribution (DC) Plan** – A retirement plan, either qualified or nonqualified, that provides an ongoing contribution to an account that grows at some interest rate until retirement.
- **Qualified Plan** – An employer retirement plan that qualifies for tax advantages under the Internal Revenue Code (IRC). A “qualified” plan must meet many regulatory requirements (for example, may not discriminate in favor of highly paid employees). In a qualified plan, caps on eligible compensation and contribution/benefit levels can severely limit highly paid executives.
- **457(b) Plan** – A plan that may allow for both pre-tax employer contributions and employee deferrals up to IRS limits (in addition to 401(k)/403(b) deferrals). Must be limited to a “top hat” group.
- **Nonqualified / 457(f) Plan** – A plan that does not meet certain requirements (see Qualified Plan) is “nonqualified” and, therefore, is not eligible for tax favored treatment (benefits are taxed when *vested* not when paid). A nonqualified plan is not subject to the compensation/benefit limitations imposed on a qualified plan.
 - **Restoration Plan** – A plan that provides benefits based on the same provisions as the qualified plan without regard to IRS limits. Benefits restricted due to IRS limits are “restored” under this type of nonqualified plan.
 - **Supplemental Executive Retirement Plan (SERP)** – A plan that provides benefits over and above the qualified plan formula. Typically, enhanced SERPs are only provided to senior executives (for example, CEO and direct reports).



MERCER

MAKE TOMORROW, TODAY

**EL CAMINO HOSPITAL
BOARD OF DIRECTORS POLICIES AND PROCEDURES**

03.03 EXECUTIVE BENEFIT PLAN

A. Coverage:

The Chief Executive Officer (“CEO”) of El Camino Hospital (“the Hospital”) and those executives reporting directly to the CEO or COO. Participation in the plan is subject to approval by the Hospital Board of Directors.

B. Reviewed/Revised:

New: 6/16/09, 12/08/10, 2/13/13, 8/13/14

C. Policy Summary:

To support the Hospital’s ability to attract and retain executive talent, the Hospital shall provide key executives with a benefits package that is market competitive, compliant, and cost effective. This section outlines the benefits offered to executives in addition to those offered to employees in general.

D. General Provisions:

There are several components of the executive benefit program:

- 1) Basic Benefits are benefits the Hospital offers to all eligible employees and currently includes:
 - a. Group insurance and income protection programs such as medical, employee assistance, dental, and vision plans; supplemental life insurance for the employee, spouse/domestic partner and dependent/child(ren) life insurance; accidental death and dismemberment insurance;
 - b. Paid time off and extended sick leave;
 - c. Cash balance plan;
 - d. Employer-match to the 403(b) Plan; and
 - e. Domestic Social Security or Medicare tax payments.
- 2) Basic Executive Benefits are non-elective group benefits provided to executives with plan provisions that differ from those of non-executive employees which currently include:

- a. Basic Life Insurance – Under Class 2 of the group life insurance policy, the basic benefit for full-time executives is three times annual salary (rounded to the nearest \$10,000) up to \$1.25 million with a guaranteed issue amount of \$350,000. The IRS requires the Hospital to report imputed income for coverage over \$50,000. If an executive's regular status is less than full-time, they will be eligible for the employee basic life insurance plan.
- b. Long-term disability – executives will be placed in the basic employee long-term disability plan with a 90-day waiting period. They are not eligible for the 30-day waiting period plan.

3) Supplemental Executive Benefits include:

- a. Executive Disability Salary Continuation – if an executive is unable to work due to a health-related problem, the executive's salary will be continued for up to six months at 100% of base salary.
 - i. Disability Salary Continuation benefits are integrated with all other employer-sponsored benefits so that the executive will not receive more than 100 % of salary. This includes use of accrued PTO and Extended Sick Leave as well as state disability insurance, workers' compensation, and group long-term disability insurance.
 - ii. Disability Salary Continuation benefits are taxed as ordinary income.
 - iii. Disability Salary Continuation benefits are not portable at termination of employment
- b. Severance plan
 - i. The severance period is up to six months unless otherwise stated in the executive's employment agreement. Severance will be paid on a bi-weekly basis and will be determined by the executive's base salary at the time of termination.
 - ii. Severance may be paid if the executive's employment is terminated by the Hospital without cause or following a material reduction in duties or salary within six months of a change of control. Severance will not be paid when the executive voluntarily resigns or is discharged as described under Human Resources Policies 3.12 and 7.01.
 - iii. In addition to six months' pay, the executive is eligible for up to six months coverage extension of medical, dental, and vision coverage employer contributions. The executive will

contribute to the cost on the same basis as when employed. The Hospital will continue to pay the employer share until such time as the executive fails to pay his or her share of premium, becomes ineligible for continuation under COBRA, obtains other group coverage, or six months (whichever is less).

- iv. Any obligation of the Hospital to the executive is conditioned, upon the executive signing a release of claims in the form provided by the Hospital (the "Employee Release") within twenty-one days (or such greater period as the Hospital may specify) following the later of the date on which the executive receives notice of termination of employment or the date the executive receives a copy of the Employee Release and upon the executive not revoking the Employee Release in a timely manner thereafter.
 - v. Severance benefits are taxed as ordinary income.
 - vi. Severance pay will be offset by any earnings received should the executive gain employment during the severance period. The terminated executive must notify the Hospital upon obtaining other employment and provide evidence of base salary received and benefits eligibility (if continuing benefits) in the new position.
- 4) Executive Taxable Benefit Allowance – the executive will be provided an annual benefits allowance equal to 7% of base pay (as determined based on annualized base salary on January 1 or date initially eligible for the plan) to purchase the following voluntary benefits on a taxable basis:
- a. Individual Long-term Disability;
 - b. Individual Long-Term Care (note: policies in force as of 12/31/08 will be provided as a non-elective benefit, paid by the Hospital on a pre-tax basis and not included in the 7% taxable benefit allowance. Executives may revoke coverage but not make any changes to the policy that increases the premiums);
 - c. Individual Life Insurance; and
 - d. 457(b) Executive Retirement Plan – if there is allowance remaining after the purchase of voluntary benefits; the executive may elect to contribute to a 457(b) plan or may receive the remainder in cash as pay in lieu of benefits. Such deferrals are subject to statutory limits (i.e., \$17,500 in 2014).

5) Executive Retirement Plans

- a. 457(b) Executive Retirement Plan – an executive may contribute unused taxable Benefit Allowance, payout of accrued PTO, and/or salary, subject to statutory limits (i.e., \$17,500 in 2014). The account balance will be fully vested at all times.
- b. 457(f) SERP – the Hospital will contribute 5% of Base Pay (as determined based on annualized base salary on January 1 or date initially eligible for plan) to a tax-deferred retirement account. Such contributions have a “Deferred Vesting Date” of the fifth anniversary of the date each Account is created (i.e., January 1, 2019 for 2014 account.) The Participant shall be entitled to the SERP Benefit upon the earliest of (i) remaining employed by the Company to the earlier of the Deferred Vesting Date for such Account or the Participant’s 65th birthday; (ii) Disability; (iii) Death; or (iv) Involuntary Separation from Service without Reasonable Cause.
 - i. Participants age 65 or greater - If a Participant continues employment beyond age 65, the Company shall pay to the Participant an amount equal to the credits the Company otherwise would have credited to a SERP Account for such Participant in cash. The Company shall pay such amounts during the applicable Plan Year(s).
 - ii. Under current tax rules, taxes are payable at vesting, so the plan will provide a partial distribution at vesting to cover taxes.
 - iii. In order to attract and retain executive talent, the Hospital may contribute a higher percent or dollar amount for individual executives as determined by the Hospital’s Board of Directors and consistent with the total compensation policy.
- c. 457(f) Capital Accumulation Account – the Hospital froze the plan in December 2008. The Hospital shall pay the balance of the Capital Accumulation Accounts to the Executive (or, in the case of death, the beneficiary) in a lump sum within 2 ½ months after the earlier of (i) the Deferred Vesting Date for such account, or (ii) the Executive’s Separation of Service for any reason.

E. Roles and Responsibilities

- 1) The El Camino Hospital Board of Directors shall approve all changes to plan design and delegated executive benefit plan administration oversight to the Executive Compensation Committee. The Committee has the responsibility to recommend eligibility and changes to plan design.
- 2) The Chief Human Resources Officer is responsible for overseeing the administration of the program and implementing new benefits or changes. The Chief Human Resource Officer has the authority to engage third parties

and assign duties internally and/or externally to effectively administer the plan.

- 3) The executive benefit plan consultants are selected by the Executive Compensation Committee on behalf of the Board of Directors and advise the Board on plan design, overall plan management, and compliance.
- 4) The executive benefits plan advisor is selected by the Chief Human Resources Officer and assists in plan communication and administration. The advisor will be a licensed professional who acts as an agent for purchases of individual insurance products. The advisor will guide and advise individual executives on his or her benefit elections upon hire, during open enrollment, and at termination of employment.

F. Procedures:

- 1) Newly executives will be eligible for the executive benefit plan on the first of the month commensurate with or following 30 days from date of hire into an eligible position. The taxable benefits allowance and SERP contribution will be prorated based on the number of complete months of participation during the year.
- 2) There will be an annual open enrollment period during which the executive may add or change certain benefit elections.
- 3) At termination of employment, the Hospital will prorate the taxable benefits allowance and SERP contribution based on the number of complete months of participation during the year. The taxable benefits allowance and SERP contribution will be discontinued upon termination.
- 4) If an executive transfers into a position that is not eligible for the executive benefits program, the Hospital will prorate the taxable benefits allowance and SERP contribution as of the transfer date based on the number of complete months of participation during the year. The taxable benefits allowance and SERP contribution will be discontinued as of the transfer date. The former executive will continue to vest his or her SERP contributions throughout their employment with the Hospital.

ATTACHMENT 8

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Recommendation Regarding FY16 Organizational Score for Executive Performance Incentive Plan Executive Compensation Committee September 12, 2016
Responsible party:	Tomi Ryba, President and CEO Mick Zdeblick, COO
Action requested:	Information
Background:	<ul style="list-style-type: none"> • The FY16 organizational goals for the Executive Performance Incentive Plan were approved by the Board prior to the beginning of the fiscal year. • Result data has been verified and reviewed by the Executive Leadership Team (ELT). • Organizational Goals account for 70% of executive performance pay, 90% of CEO's performance pay, and 50% of management staff's performance incentive pay. • Board approval of the score is dependent upon acceptance of the independent auditor's report.
Committees that reviewed the issue and recommendation, if any:	<ul style="list-style-type: none"> • N/A
Summary and session objectives :	<ul style="list-style-type: none"> • To review the organizational results against approved goals and measurements.
Suggested discussion questions:	<ul style="list-style-type: none"> • N/A
Proposed Committee motion, if any:	None, this is an information item.
Attachments:	<ol style="list-style-type: none"> 1. FY16 Scored Organizational Goals for Executive Performance Incentive Plan 2. Organizational Scores, 2010-2016

Recommendation regarding FY 2016 Organizational Score for Executive Performance Incentive Plan

Performance Measurement

Results and Scoring

Organizational Goals FY16	Benchmark	2015 ECH Baseline	Minimum	Target	Maximum	Weight	Evaluation Timeframe	Actual Year End	Performance Level Achieved	Weighted Score	
Threshold Goals											
Joint Commission Accreditation	Standard Threshold	Full Accreditation	Full Accreditation			Threshold	FY 16	Full Accreditation	Met	N/A	
Budgeted Operating Margin	90% threshold recommended by Exec Comp Consultant	Met	90% of Budgeted			Threshold	FY 16		Met	N/A	
Patient Safety & iCare											
Achieve iCare Tier 1 Metric: Medication Reconciliation at Discharge	Epic Benchmark: 97% accuracy is 90%ile at stable state	May - Jun FY15 Actual	6 Months Post Go-Live: 60%	6 Months Post Go-Live: 75%	6 Months Post Go-Live: 90%	34%	May, 2016	97%	100%	34.0%	
Achieve Medicare Length of Stay Reduction	Internal Improvement	Jan - June FY15 Actual for LOS: 5.17	.10 Day Reduction, Readmission at or below FY15	.20 Day Reduction, Readmission at or below FY15	.30 Day Reduction, Readmission at or below FY15	16.5%	Jan - Jun FY16	4.78 result. Reduction = 0.39 days	100%	16.5%	
Maintain Current Readmission Rates for Same Population (One month delay for readmission- Based on Index Admit Date)	Internal Improvement	Jan - June FY15 Actual for Readmission: 12.67	Readmission at or below FY 15	Readmission at or below FY 15	Readmission at or below FY 15	16.5%	Jan - Jun FY16	11.50 (287/2496)	100%	16.5%	
Smart Growth											
Achieve Enterprise Planned Growth (300 Discharges, 300 Outpatient Visits)	Internal Goal: 120 net, per each metric, is Threshold	FY15 Actual increase of 310 discharges and 145 procedures	80% (240/240)	100%	120% (360/360)	33%	FY 16	Decrease of 463 discharges and 660 procedures	0%	0.0%	
TOTAL:										100%	67.0%

Percent of Maximum Achieved	67.0%
Percent of Target Achieved	100.5%

ORGANIZATIONAL PERFORMANCE INCENTIVE SCORES FY 2010-16
CONFIDENTIAL
Scores Reported as Percent of Maximum

Goal	Measure	FY 2016 Performance Incentive Goals	FY 2015 Performance Incentive Scores	FY 2014 Performance Incentive Scores	FY 2013 Performance Incentive Scores	FY 2012 Performance Incentive Scores	FY 2011 Performance Incentive Scores	FY 2010 Performance Incentive Scores
QUALITY AND PATIENT SAFETY								
Quality	Joint Commission Related Measures				89.00%			0.00%
Quality	Falls		100.00%	100.00%	100.00%			
Quality	HCAHPS Scores					66.70%		
Quality	Length of Stay	100.00%	0.00%	*	*	*	75.00%	
Quality	Readmissions	100.00%	0.00%	100.00%	0.00%	100.00%		
Safety	Pressure Ulcers					100.00%		
SERVICE AND EFFICIENCY								
Efficiency	ED Arrival to Admin			58.67%	80.00%			
Service	Patient Satisfaction/Service Metrics		87.40%	71.87%	44.00%		100.00%	100.00%
AFFORDABILITY								
Financial	Cost Saving Efforts						100.00%	
Financial	Operating Margin	Met Threshold	100.00%	100.00%	100.00%			0.00%
Growth	Discharges/Outpatient Visits	0.00%						40.00%
PEOPLE								
People	Biometrics			100.00%				
SYSTEMS								
Epic/iCare		100.00%	100.00%	100.00%				
Organizational Score		67.00%	63.60%	93.00%	71.00%	87.00%	93.00%	0.00%

Note: Hospital did not achieve financial trigger in FY 2010 and no payout was made

Seven Year Avg:

67.80%

ATTACHMENT 18

EXECUTIVE COMPENSATION COMMITTEE

Approved May 17, 2016

PACING PLAN FOR FY 2017

FY2017: Q1		
JULY	AUGUST	SEPTEMBER 15, 2016
No Board Meeting		<p>Appointment of Vice Chair</p> <p>Committee to take action on:</p> <ol style="list-style-type: none"> 1. FY 16 Organizational score 2. FY 16 individual scores for CEO & exec team 3. FY 16 performance incentive payout amounts (execs and CEO) 4. Minutes from May 17, 2016 meeting 5. Revised Executive Compensation Policies 6. Executive Benefit Plan <p>Committee to receive:</p> <ol style="list-style-type: none"> 1. Report on Long Term ECH Strategy
FY2017: Q2		
OCTOBER	NOVEMBER 15, 2015	DECEMBER
<p>Board to take action on the following items:</p> <ol style="list-style-type: none"> 1. Accept Moss Adam's financial audit 2. Approve FY 16 organizational score 3. Approve FY 16 executive individual scores 4. Approve FY 16 executive payout amounts (discuss in closed, vote in open) 5. Determine CEO's discretionary score and FY 16 individual score 6. Approve FY16 CEO payout amount (discuss in closed, vote in open) 7. Executive Benefit Plan Changes <ul style="list-style-type: none"> • Executive incentive payouts 10/28/16 <p>*Semi-Annual Board and Committee Gathering 10/26</p>	<p>Committee to take action on:</p> <ol style="list-style-type: none"> 1. Letters of Rebuttable Presumption 2. Minutes from September 15, 2016 meeting <p>Committee to Discuss :</p> <ol style="list-style-type: none"> 1. Executive Performance Appraisal Process 2. Possible Charter Revision to add Board Director Compensation 3. Confirm Ongoing Committee Participation <p>Committee to Receive:</p> <ol style="list-style-type: none"> 1. Report on Executive Benefits 	<p>No Board Meeting</p> <ul style="list-style-type: none"> • Mitch Olejko prepares cover letter for rebuttable presumption action

FY2017: Q3		
JANUARY	FEBRUARY	MARCH 23, 2017
<p>Board to take action on the following items:</p> <ol style="list-style-type: none"> 1. Accept Letter of Rebuttable Presumption <ul style="list-style-type: none"> • Beginning of benefit /executive benefit plan year 		<p>Committee to take action on:</p> <ol style="list-style-type: none"> 1. Proposed FY18 Committee Goals 2. FY 18 Meeting Dates 3. November 15, 2016 Minutes 4. Possible Charter Revision (Board Director Comp.) <p>Committee to review and discuss:</p> <ol style="list-style-type: none"> 1. Update on FY 18 Strategic Planning and progress against FY 17 performance incentive goals 2. Update on succession planning, leadership development, and talent profiles with addition of domain competencies 2-3. <u>Report on Long Term Strategy</u>
FY2017: Q4		
APRIL	MAY 25, 2017	JUNE
<p>Semi Annual Board and Committee Gathering 4/26/17</p>	<p>Committee will take action on:</p> <ol style="list-style-type: none"> 1. Finalize Committee FY 18 Pacing Plan 2. Review & may approve salary ranges for FY18 3. Review and discuss CEO's recommendations on FY 18 base salaries. May determine recommendation. 4. Review and discuss CEO's recommendations on FY 18 organizational and executive individual performance incentive goals. Determine recommendation. 5. Discuss and may determine recommendation on CEO's FY 18 base salary 6. Discuss and determine recommendation on CEO's FY 18 individual goals 7. Approval of March 23, 2017 minutes 	<p>Board to take action on the following items:</p> <ol style="list-style-type: none"> 1. FY 18 organizational goals 2. FY 18 executive individual goals 3. FY 18 CEO individual goals 4. FY 18 executive base salaries 5. FY 18 CEO base salary 6. FY 18 Committee goals