

**Minutes of the Open Session of the
 Executive Compensation Committee
 Thursday, March 24, 2016, 4:30 p.m.
 El Camino Hospital, Medical Staff Conference Room
 2500 Grant Road, Mountain View California
 Jing Liao participated via teleconference from the following address:
 Randolph B, 241 Madison Ave, Detroit, MI**

Members Present

Jeffrey Davis, MD
 Lanhee Chen
 Jing Liao (via teleconference)
 Bob Miller
 Julia Miller

Members Absent

Teri Eyre
 Prasad Setty

Members Excused

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER Committee Chair	Committee Chair Jeffrey Davis, MD, called the Meeting of the Executive Compensation Committee of El Camino Hospital to order at 4:30 pm.	
2. ROLL CALL	Roll call was taken. Committee members Eyre and Setty were absent and Committee member Liao joined by telephone. All other Committee members were present.	
3. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Davis asked if any Committee member may have a conflict of interest with any of the items on the agenda. No conflict of interest was reported.	
4. PUBLIC COMMUNICATION	None.	
5. CONSENT CALENDAR	<p>The Committee members discussed amending the proposed FY17 meeting dates by changing the 9/22/16 date to 9/15/16.</p> <p>Motion: To approve the Consent Calendar (Minutes of the January 20, 2016 Executive Compensation Committee meeting; Proposed FY17 Executive Compensation Committee Meeting calendar as amended.)</p> <p>Movant: Miller</p> <p>Second: Chen</p> <p>Ayes: Davis, Chen, Liao, B. Miller</p> <p>Noes: None</p> <p>Abstain: J. Miller</p> <p>Absent: Eyre, Setty</p> <p>Recused: None</p>	<i>Consent Calendar Approved</i>

6. SUMMARY OF STAKEHOLDER INTERVIEWS	<p>Stephen Pollack of Mercer, LLC reported that interviews he and Lisa Stella, also of Mercer, conducted of the Committee members, the Board Chair, and the Executive Leadership Team demonstrated that, with respect to executive compensation, (1) ECH needs strong visionary leaders with ability to execute, (2) dissatisfaction with the executive compensation program is not creating turnover, (3) the idea of capping executive salaries at the market median makes it difficult to recruit from outside the Bay Area.</p>	
7. EXECUTIVE INCENTIVE GOAL SETTING PHILOSOPHY	<p>Mr. Pollack described Mercer's recommended changes to the Hospital's Executive Compensation Incentive Goal Setting:</p> <ol style="list-style-type: none"> 1. Organizational Goals: Remove Joint Commission Accreditation as a gateway goal and possibly replace it with a quality goal. Select three operational and one strategic goal. 2. Individual Goals: a) Change weighting for most executives to 80% organizational/10% individual / 10% discretionary; b) Change weighting for the President of the Foundation and the President of CONCERN EAP to 50/40/10; c) select 1-2 SMART goals with a strategic link for each executive that reflects the work of their division, are not shared, and do not duplicate the organizational goals but are aligned with the organizational goals. <p>Ms. Ryba requested that the Board be given additional guidance regarding how the discretionary measure should be applied and what the Executives and the CEO are being measured against. Mr. Miller suggested that the discretionary might be defined as how the goals were met. Mr. Pollack commented that it is customary in the healthcare industry to use a discretionary measure, but that less than 10% is not likely to influence behavior. Mr. Pollack also explained that the recommendation to change the weighting of the executive goals will support increased teamwork. The Committee members discussed the recommendations, the value of reducing the number of goals, whether the movement of 10% from individual to organizational would meaningfully influence behavior or whether it would divert focus away from the individual goal in a negative way, and whether there might be a case in which a shared individual goal is appropriate. The Committee also discussed using one longer term annualized strategic non-operational goal and whether it might be a growth goal.</p>	

Mr. Pollack explained that it is unusual to see Joint Commission as a gateway goal and recommended it be replaced with an important quality or safety goal, maybe related to never events. Ms. Ryba will come back to the Committee with a specific recommendation. He also explained the reasoning for the change to 40% for the “Presidents”; that it would be specific to their business lines and the Committee members expressed agreement with this recommendation.

Ms. Liao discontinued her participation in the meeting.

Following further discussion, the Committee adopted the following motion:

Motion: To recommend the following

1. To maintain the executive team (except the “Presidents” and CEO) at 70/20/10, but the individual goal should be a “quasi big dot” goal specific to the executive’s functional area. The CEO would remain at 90/10.
2. The CEO should consider proposing removing Joint Commission Accreditation as a gateway goal and replacing it with something else.
3. Select a 4th organizational goal that is strategic and future looking.
4. Change the weighting for the President of the Foundation and President of CONCERN: EAP to 50/40/10, with the 40% individual goal being tied to the President’s business line, which will require a change to the Incentive Compensation Plan.

Movant: Davis

Second: Miller

Ayes: Davis, Chen, B. Miller, J. Miller

Noes: None

Abstain: None

Absent: Eyre, Liao, Setty

Recused: None


Mr. Pollack also described some recommended base pay methodology changes that he will bring forward at a later meeting when FY17 base pay recommendations are discussed. These include changing the peer group to revenue between \$500 million and \$1.5 billion, addition of a secondary source to include other industries for certain functional positions, use of 990 data for the CEO and the CFO, application of a higher geographical differential, perhaps as high as 27%.

	Chair Davis requested that Mr. Pollack bring back a presentation about SERPs.	
8. EXECUTIVE PERFORMANCE APPRAISAL PHILOSOPHY	<p>Ms. Stella reported that the Committee had requested a presentation about how leadership assessment and executive evaluation has been being handled at the Hospital. She explained that any approach needs to consider how to evaluate and reward past performance, and how to evaluate for the purpose of development skills for the future. She also explained that leadership assessments are tending to be more forward looking. The Committee members commented that there needs to be more conversation around those topics, particularly with respect to the CEO.</p> <p>The Committee requested more detailed information about how these issues are being addressed at ECH currently and with recommendations from Mercer.</p>	
9. PREPARATION FOR JOINT MEETING WITH THE BOARD	<p>Chair Davis asked the Committee members how they would like to present to the Board at the joint meeting. He explained that the goal of the joint meeting is to get the Board more informed about the work of the Committee, to hear the perspectives of the community members of the Committee, and to present the Committee's recommendations. Mr. Chen suggested that another goal might be for the Board to understand the caliber of the expertise of the Committee members and accept the recommendations.</p> <p>The Committee agreed that Chair Davis would introduce the topics and Mr. Miller would lead the presentation of the Committee recommendations around goal setting and Succession Planning as well as facilitate inclusion of the other committee members and the Board in the discussion.</p>	
10. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 6:10 pm. Movant: B. Miller Second: J. Miller Ayes: Chen, Davis, B. Miller, J. Miller Noes: None Abstain: None Absent: Eyre, Liao, Setty</p>	
11. AGENDA ITEM 15 – RECONVENE OPEN SESSION / REPORT OUT	Open Session was reconvened at 6:42 pm. The Closed Session Minutes of January 20, 2016 were approved as amended during the closed session by a vote of four members in favor (Chen, Davis, B. Miller, J Miller).	


<p>12. AGENDA ITEM 16 – FY17 COMMITTEE GOALS</p>	<p>Kathryn Fisk, Chief Human Resources Officer, presented proposed Draft FY17 ECC goals for the Committee’s consideration.</p> <p>Motion: To recommend that the Board approve the proposed Draft FY17 Executive Compensation Committee Goals</p> <p>Movant: B. Miller</p> <p>Second: Chen</p> <p>Ayes: Chen, Davis, B. Miller, J. Miller</p> <p>Noes: None</p> <p>Abstain: None</p> <p>Absent: Eyre, Liao, Setty</p>	
<p>13. AGENDA ITEM 17 – EXECUTIVE COMPENSATION COMMITTEE CHARTER REVIEW</p>	<p>Kathryn Fisk, CHRO, and Cindy Murphy, Board Liaison presented the proposed Draft Revised Charter and suggested that it be revised to clarify whether the ECC has the authority to select and engage a Consultant, or whether specific Board approval of the engagement is required and to reflect current practice by removing the words “Develop the CEO evaluation process in collaboration with the CEO”.</p> <p>Chair Davis and Mr. Miller commented that, in their experience, it is not necessary for the Board to approve the selection of a Consultant so were in favor of Alternative A. Mr. Miller commented that he is also accustomed to having Board Director compensation within the purview of the Committee. Chair Davis requested that a proposal be brought back to the Committee with respect to that item. The Committee also requested that the language “and performance appraisal process” be added to bullets 2 and 3 in Section B.</p> <p>Motion: To recommend that the Board approve the proposed Draft Revised Executive Compensation Committee Charter Alternate A as amended.</p> <p>Movant: B. Miller</p> <p>Second: Chen</p> <p>Ayes: Chen, Davis, B. Miller, J. Miller</p> <p>Noes: None</p> <p>Abstain: None</p> <p>Absent: None</p>	
<p>14. AGENDA ITEM 18 – PACING PLAN</p>	<p>The Committee requested that Executive Performance Appraisal Process be added to the Pacing Plan.</p>	
<p>15. AGENDA ITEM 19 – CLOSING COMMENTS</p>	<p>None.</p>	

16. AGENDA ITEM 20 - ADJOURNMENT	Motion: To adjourn at 6:59 pm Movant: J. Miller Second: B. Miller Ayes: Chen, Davis, B. Miller, J. Miller Noes: None Abstain: None Absent: Eyre, Liao, Setty	
---	---	--

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



Jeffrey Davis, MD
Chair, ECH Executive Compensation
Committee



Peter C. Fung, MD
ECH Board Secretary

Prepared by: Cindy Murphy, Board Liaison