



**Minutes of the Open Session of the
Executive Compensation Committee
Wednesday, January 31, 2018**

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

Members Present

Teri Eyre
Neysa Fligor
Jaison Layney
Bob Miller, Chair
Julia Miller (joined at 4:48 pm during
Agenda Item 6 via teleconference)

Members Absent

Pat Wadors

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 4:00 pm by Chair Bob Miller. Julia Miller and Pat Wadors were absent at roll call. All other Committee members were present.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	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.	
3. PUBLIC COMMUNICATION	None.	
4. CONSENT CALENDAR	<p>Chair B. 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 9, 2017), and for information: Progress Against FY18 Committee Goals and Article of Interest.</p> <p>Movant: Layney Second: Eyre Ayes: Eyre, Fligor, Layney, B. Miller Noes: None Abstentions: None Absent: Wadors, J. Miller Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	Cindy Murphy, Director of Governance Services, referred to the recent Board actions as further detailed in the packet. Ms. Fligor reported on the election of Julie Kliger and Gary Kalbach to the El Camino Hospital Board of Directors and Chair B. Miller reported that Board Chair Chen recommended that Director Kliger join the Committee following formal appointment to the Committee by the Board on February 14 th .	
6. REVIEW OF ECH EXECUTIVE COMPENSATION AND BENEFITS PROGRAM AND POLICIES	Stephen Pollack of Mercer reviewed the recommendations to 1) expand the Compensation Philosophy to be more specific about total cash and total remuneration positioning relative to market, (2) allow for greater differentiation in executive base salary within the existing program, and 3) modify the incentive plan to potentially add a variable financial metric (that is not just a trigger goal) and provide for greater CEO discretion in determining the individual score. Mr. Pollack commented that the proposals do not constitute major changes but provide clarification with respect to	

what is currently in practice.

Compensation Philosophy: Mr. Pollack explained that the Philosophy's silence on positioning of other elements of compensation outside of base salary has led to different interpretations of the policy. He also explained that the proposal would leave base salaries targeted on average at the 50th percentile of market data, but allow for total cash to be targeted at the 50th percentile and up to the 75th percentile, and total remuneration to be targeted between the 50th and 75th percentile of market data, both dependent on individual and organizational performance.

The Committee members discussed the proposed changes noting that "target" means "expected" performance and would be compensated at the 50th percentile, but it will be clear that exceptional performance could be compensated at up to the 75th percentile.

Chair Miller commented that ECH often expects performance at the 75th or 90th percentile and, if that is achieved, compensation at the 50th percentile is out of alignment with that. In response to questions, Mr. Pollack commented that the proposal constitutes a best practice approach.

The Committee members discussed changing Section C of the Executive Compensation Philosophy by adding the following language:

"The target competitive positioning for executive remuneration is:

- Base Salary – Executive base salaries are targeted on average at the 50th percentile of market data.
- Total cash Compensation- Base Salary plus actual performance incentive payouts targeted on average at the 50th percentile and up to the 75th percentile of market data, dependent upon individual and organizational performance
- Total Remuneration – Total Cash plus the value of benefits targeted on average between the 50th and 75th percentile of market data, dependent upon individual and organizational performance.

Base Salary Administration: Mr. Pollack explained that the proposed revisions will allow use of the full salary range and permit executive talent scarcity and organization criticality to be considered as factors in determining appropriate placement in the salary range.

The Committee members discussed the proposed revisions to the Base Salary Administration Policy and requested revisions as follows:

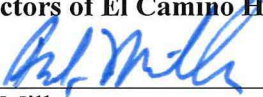
- Section D becomes Section E.
- Section E(1)(a): insert the words "50th percentile" before the word "median."
- Section E(1)(c):
 - replace the word "establish" with "recommend"
 - insert "(for example, when financially prudent) for Board approval" after the word "salaries."
- Section E(2)(a)
 - Replace the word "is" with "may be"
 - Insert "This may be a new hire or internal promotion" after the first full sentence.
- Section E(2)(b):
 - Replace the word "is" with "may be"
 - Delete "(6-8 years)"

	<ul style="list-style-type: none"> ▪ Change “consistently meeting” to “successful” ▪ Delete “expectations” • Section E(2)(c): Delete “with skills and expertise beyond those normally associated with the position” and replace it with “in roles which are particularly critical for the achievement of strategic objectives or in roles with a highly competitive labor market.” • Section E(2)(d): Replace the first “above” with “outside” and insert “or guidelines” after “range” • Section E becomes Section F. <p>Incentive Plan Design: Mr. Pollack described how the proposed revision would improve the effectiveness of the discretionary element and that use of a variable financial metric (in addition to financial threshold goal) is highly prevalent in health systems.</p> <p>The Committee members discussed the recommendations and the Executive Performance Incentive Plan and suggested the following revisions to the Plan:</p> <ul style="list-style-type: none"> • Section C – Replace the first occurrence of “compensation” with “remuneration” • Section D(4) – After the word “based” insert “which may include a financial measure in addition to the threshold for any payout.” • Section D(5) – Revised to state “at the beginning of the fiscal year, each participant will propose performance goals and measurements that support the strategic/business plan. Whenever possible, each goal will have performance measures for threshold, target, and maximum levels and scores will be on a continuum. Individual goals (maximum of three) are weighted at 30% of target (50% for Presidents of the Foundation, SVMD, and CONCERN:EAP) with CEO discretion used as a modifier for individual goal pay-out ranging from 0% to 150%). The performance goal score multiplied by the CEO’s overall assessment of individual executive performance will determine the overall individual goal score. • Section D(6) – Delete the first sentence. <p>The Committee discussed how the annual budgeting process impacts the flexibility the Committee and the Board to adjust executive base salary each year.</p> <p>Ms. J. Miller joined the meeting via teleconference.</p> <p>Motion: To recommend the Board approve the proposed revisions to the Compensation Philosophy, Base Salary Administration Policy, and Executive Performance Incentive Plan as amended by the Committee.</p> <p>Movant: Fligor Second: Eyre Ayes: Eyre, Fligor, Layney, B. Miller, J. Miller Noes: None Abstentions: None Absent: Wadors Recused: None</p>	
7. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 5:00pm.</p> <p>Movant: Fligor Second: Layney Ayes: Eyre, Fligor, Layney, B. Miller, J. Miller</p>	<p><i>Adjourned to closed session at 5:00pm</i></p>

	Noes: None Abstentions: None Absent: Wadors Recused: None	
8. AGENDA ITEM 13: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 5:28pm. Agenda items 8-12 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 of September 21, 2017 by a unanimous vote in favor of all members present (Eyre, Fligor, Layney, B. Miller and J. Miller). Ms. Wadors was absent.</p>	
9. AGENDA ITEM 14: CONSIDER DELEGATION OF AUTHORITY TO EXECUTIVE COMPENSATION COMMITTEE	<p>Motion: To recommend that the Board consider delegating authority to the Executive Compensation Committee to make certain decisions about (non-CEO) executive compensation and to provide further direction to the Committee regarding next steps.</p> <p>Movant: Fligor Second: Layney Ayes: Eyre, Fligor, Layney, B. Miller, J. Miller Noes: None Abstentions: None Absent: Wadors Recused: None</p>	
10. AGENDA ITEM 15: FY18 BASE SALARY: CIO	<p>Motion: To recommend that the Board approve the proposed FY18 CIO base salary.</p> <p>Movant: Miller Second: Layney Ayes: Eyre, Fligor, Layney, B. Miller, J. Miller Noes: None Abstentions: None Absent: Wadors Recused: None</p>	
11. AGENDA ITEM 16: FY18 COMMITTEE PACING PLAN	<p>The Committee discussed the FY18 Pacing Plan. Chair B. Miller noted that he asked staff to remove any review of the Executive Benefit Plan from the Pacing Plan and add it back in at a later date. In response to Ms. Fligor's question, Ms. Fisk commented that ECH does not have a rigid succession planning process for the executives due to the size of the organization and availability of Director level employees to remove from their current roles and groom for executive roles without providing backfills for those roles. Ms. Fisk noted that the intention was to focus on an Executive Development Plan as opposed to a true succession plan at the March Committee meeting. Ms. Eyre commented that it would be important for the Committee to work on determining what an appropriate succession planning process for ECH would look like. Other Committee members agreed and requested that staff bring information about succession planning practices at other organizations for the Committee to discuss at the next meeting.</p>	
12. AGENDA ITEM 17: CLOSING COMMENTS	<p>Chair B. Miller commented that it was productive meeting and thanked the Committee members for their work.</p>	
13. AGENDA ITEM 18: ADJOURNMENT	<p>Motion: To adjourn at 5:45 pm.</p> <p>Movant: Fligor Second: B. Miller Ayes: Eyre, Fligor, Layney, B. Miller, J. Miller</p>	<p><i>Meeting adjourned at 5:45 pm</i></p>

	Noes: None Abstentions: None Absent: Wadors 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 Miller
Secretary, ECH Board of Directors

Prepared by: Cindy Murphy, Director of Governance Services