



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

Thursday, November 8, 2018

El Camino Hospital | 2500 Grant Road, Mountain View, CA 94040

Conference Room A (administration)

Members Present

Teri Eyre
Neysa Fligor
Jaison Layney
Julie Kliger
Bob Miller, Chair
Pat Wadors
John Zoglin

Members Absent

None

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 4:00pm by Chair Bob Miller. A silent roll call was taken. Mr. Zoglin arrived at 4:01pm during Agenda Item 5: Report on Board Actions. All other Committee members were present at roll call.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Miller asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	None.	
4. CONSENT CALENDAR	<p>Chair Miller asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Executive Compensation Committee Meeting (September 20, 2018).</p> <p>Movant: Layney Second: Wadors Ayes: Eyre, Fligor, Kliger, Layney, Miller, Wadors Noes: None Abstentions: None Absent: Zoglin Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	Chair Miller referred to the recent Board approvals as further detailed in the packet.	
6. LETTERS OF REASONABLENESS	<p>Lisa Stella from Mercer provided an overview of the process for Letters of Reasonableness. She noted that Mercer’s findings indicate that the total compensation and total remuneration for both the covered executives and the CEO are reasonable and aligned with ECH’s philosophy.</p> <p>The Committee and staff discussed the executives who have been grandfathered into the executive incentive plan and the inclusion of each of them as a “disqualified person.” Ms. Stella and Mr. Pollack described 1) varying definitions for “disqualified person,” including an individual who has substantial influence over business affairs and/or a reporting relationship to the CEO; and 2) the IRS requirement to document an individual’s compensation for five years after they have been in the role of a disqualified person.</p>	<i>Letters of Reasonableness recommended</i>


	<p>The Committee requested that staff review the grandfathered individuals with outside counsel to evaluate whether or not to remove those individuals from Letters of Reasonableness going forward.</p> <p>Chair Miller requested that detailed appendices be removed from the versions of the letters that go to the Board for approval, as the data included in the letter itself is sufficient.</p> <p>In response to Mr. Zoglin's question, Ms. Stella described the separate survey used to assess benefits and the utilization of non-profit data.</p> <p>The Committee requested that Mercer continue to use separate assessments for the disqualified persons and the CEO, but to prepare a combined report going forward.</p> <p>Motion: To recommend that the Letters be forwarded to outside counsel to prepare a Letter of Rebuttable Presumption for presentation to the Board.</p> <p>Movant: Zoglin Second: Wadors Ayes: Eyre, Fligor, Kliger, Layney, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>7. EXECUTIVE COMPENSATION CONSULTANT DASHBOARD</p>	<p>Ms. Stella explained that the proposed dashboard included a sampling of categories, which can be tailored to meet the objectives and priorities of the Committee.</p> <p>The Committee discussed two different uses of the tool 1) a general, annual evaluation (deep dive into the state of the relationship between the Committee and the consultant) and 2) a quick, post-meeting discussion (immediate feedback, quarterly true-up).</p> <p>The Committee, Ms. Stella, and staff noted that real time feedback would be very helpful for setting clear expectations and common understanding.</p> <p>The Committee requested that an annual review as well as a focused discussion at the end of each meeting be included on the pacing plan.</p> <p>The Committee requested the following revisions to the dashboard:</p> <ul style="list-style-type: none"> - Add a separate category for "quality of deliverables" - Call out "anticipates and meets deadlines" in the project management category - Capture "simplifying and calling out salient points/key takeaways" in communication <p>The Committee requested that Mercer provide a revised dashboard for the Committee's review at its January 2019 meeting.</p>	<p><i>Annual consultant review to be paced</i></p> <p><i>Revised dashboard to be reviewed at the Committee's January meeting</i></p>
<p>8. ASSESS EFFECTIVENESS OF DELEGATION OF AUTHORITY</p>	<p>Chair Miller outlined the areas of authority that have been delegated to the Committee and asked for feedback on how it is working so far.</p> <p>Ms. Fligor commented that it is too early to assess effectiveness and next year will provide more information. The Board members on the Committee noted that it would be worth revisiting this topic again later (after another round of ECC approvals, on-boarding new Board members, and the approval of delegated authority to other Committees).</p> <p>The community members on the Committee noted that the work of the Committee does not change with delegated authority.</p>	

	<p>Chair Miller commented that he has noticed more streamlined processes at the Board level and strengthened communication between the Board and the Committee.</p> <p>Mr. Zoglin commented that a Board should not “rubber stamp” 100% of Committee recommendations.</p>	
<p>9. PROPOSED FY19 CEO EVALUATION PROCESS</p>	<p>Bruce Barge from Mercer reviewed the methodology and approach for an interim process in FY18: surveys completed by the Hospital and District Board members, a narrative CEO self-assessment, and ECH financial/operational results.</p> <p>The Committee discussed the District evaluation of the CEO, including the following suggestions:</p> <ul style="list-style-type: none"> - Delete references to District Committees as the District does not currently have any. - Distinctly separate each attribute being surveyed (<i>i.e.</i>, establishing a culture, leading a leadership team, etc.). - Include unique elements that are not already covered by the Hospital questionnaire. - Align questions with the criteria in District Board Bylaws for evaluating the CEO, but adjust verbiage as appropriate to conform to best practice. <p>The Committee also discussed the inclusion of the CFO evaluation in the CEO evaluation, and whether the Board or CEO or both should participate in the evaluation and delivery of feedback. Ms. Stella noted that traditionally CFOs report to the CEO, but she will solicit information regarding practices in the industry. The Committee noted that this is an opportunity to clear up the confusion.</p> <p>The Committee commented that the District Board Bylaws may need to be updated to clarify the role of the CEO as “liaison officer between the District Board and its Committees.”</p> <p>The Committee requested changing the Likert scale to use “standards” (more defined performance-based level) rather than “expectations.”</p> <p>The Committee requested that Mercer work with Ms. Fisk and Ms. Murphy to rework the criteria specific to the District Board and bring back revisions for the Committee’s review at its January meeting.</p> <p>Mr. Barge outlined the CEO evaluation timeline. Ms. Wadors suggested that the quarterly feedback between the Hospital Board Chair and the CEO be documented. The Committee also suggested 1) to include the District Board Chair during mid-year and year-end check ins with the CEO and Hospital Board Chair and 2) to move the survey for the Board as close as possible to the end of each fiscal year.</p> <p>Ms. Fligor left the meeting at 5:24pm.</p> <p>Mr. Barge explained that a 90 degree survey of direct reports should be used for developmental purposes, which aligns with best practice. Ms. Eyre noted that the CEO direct report responses to the employee engagement surveys can be utilized for this purpose.</p> <p>In response to Ms. Eyre’s question, Chair Miller commented that the Hospital should survey physicians to review the organizational relationship between ECH and the medical staff, but that survey should not be used in the CEO’s performance evaluation.</p>	

10. ADJOURN TO CLOSED SESSION	<p>Motion: To adjourn to closed session at 5:29pm.</p> <p>Movant: Wadors Second: Layney Ayes: Eyre, Kliger, Layney, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: Fligor Recused: None</p>	<p><i>Adjourned to closed session at 5:29pm</i></p>
11. AGENDA ITEM 15: RECONVENE OPEN SESSION/ REPORT OUT	<p>Open session was reconvened at 6:02pm. Agenda items 11-15 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 (September 20, 2018) by a unanimous vote in favor of all members present (Eyre, Layney, Kliger, Miller, Wadors, Zoglin). Ms. Fligor was absent.</p>	
12. AGENDA ITEM 16: FY19 PACING PLAN	<p>The pacing plan requests for the January meeting included: 1) CEO performance evaluation process and 2) revised consultant dashboard.</p> <p>The Committee discussed availability for the March meeting.</p> <p>Ms. Stella left the meeting and Mr. Pollack discontinued participation in the meeting.</p>	
13. AGENDA ITEM 17: CLOSING COMMENTS	<p>The Committee reviewed the effectiveness of the materials for the meeting and expressed concerns and dissatisfaction with the materials and presentation for the CEO performance evaluation item.</p> <p>The Committee and staff discussed the recent Board and Committee Educational session, highlighting appreciation for the roundtable discussions and strategic overview.</p>	
14. AGENDA ITEM 18: ADJOURNMENT	<p>Motion: To adjourn at 6:16pm.</p> <p>Movant: Zoglin Second: Layney Ayes: Eyre, Kliger, Layney, Miller, Wadors, Zoglin Noes: None Abstentions: None Absent: Fligor Recused: None</p>	<p><i>Meeting adjourned at 6:16pm</i></p>

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


 Bob Miller
 Chair, Executive Compensation Committee


 Julia E. Miller
 Secretary, ECH Board of Directors

Prepared by: Sarah Rosenberg, Contracts & Board Services Coordinator