

COMPENSATION COMMITTEE REPORT
MEETING OF
WEDNESDAY, AUGUST 13, 2014, AT 1:30 PM

A regular meeting of the Compensation Committee was convened by Chair Alice Lau, at 1:30 PM, in the Board Room at the Gateway complex.

Call to Order

Present, in addition to the Chair, were Committee members Les Birdsall, Mary Lou Delpech, and Richard Hurley. Also in attendance were Warren Salmons, CEO of GRF; Anthony W. Grafals, General Counsel and Director of Confidential Services; and Judith Perkins, Sr. Manager Human Resources.

Attendance

The report of the Committee's meeting held on July 18, 2014, was reviewed and approved by the Committee as presented.

Report of
July 18, 2014
Approved

Director Guilfooy was present as an observer and offered no comments.

Residents'
Forum

Lau introduced the staff reports with a brief summary of the reasons for reviewing the benefit program for non-represented employees. The drivers for this review, in her opinion, were 1) the need to encourage employees to take a more active role in choosing healthcare coverage; 2) to continue to offer a benefits program that is competitive with the market and contributes to staff retention; and 3) promote the Foundation's fiscal health through cost containment. The proposal contained in the Benefit Plan Considerations staff report was offered as a starting point for discussion.

Staff Reports
a) Benefit
Program
Considerations

b) Staff
Analysis

Grafals advised the Committee that we had received a written confirmation from Kaiser that our 2015 rates would decrease by 2%. The draft budget to be presented in September will reflect this change. Grafals went on to present some information demonstrating that the average rate increases in Kaiser costs for the last several years was slightly less than 5% and that the highest rate increase between 2009 and 2014 was 7%.

Perkins walked the Committee through the Benefit Program Considerations report. The report included four sections: 1) immediate action to reduce the Foundation's 2015 costs; 2) a change in benefits contribution philosophy, leading to a change in benefit cost sharing; 3) further defining basic benefit program parameters; and 4) developing a framework for successive changes to reach the desired end goal by fiscal year 2018. Each section was discussed separately, with Perkins responding to questions as each section was presented. As necessary, Grafals illustrated points with information from the Staff Analysis. Perkins also distributed charts which demonstrated relative costs for the Foundation and employees with the current benefits program and forecasted changes in costs if the "straw man" plan was adopted for medical benefits.

Discussion points among Committee members, and comments from Director Guilfooy included pros and cons of eliminating the POS plan in 2015; relative plan richness over time; constraints and requirements under the Patient Protection and

Compensation Committee
August 13, 2014

Affordable Care Act (PPACA, the health care reform law) including the 2018 proposed excise tax on very rich plans; equity concerns regarding employee-only versus employee + dependent contributions; market competitiveness as determined in the 2011 total compensation survey and other sources; possible and probable employee reactions to changes; director concerns regarding value of the plans. The general consensus of the Committee was to request staff to provide further information, including current market benchmarking information, and stricter financial forecasting to the extent possible, for additional discussion at the next meeting.

Lau then asked the Committee if there was agreement that the POS plan should be eliminated in 2015. After a brief recap of previous discussion points, the Committee voted 3 aye, 0 nay, with Birdsall abstaining, to recommend the Board of Directors eliminate the POS medical plan from the non-represented employee benefit program effective January 1, 2015.

2015 Benefit
Plan
Recommendation

Due to schedule conflicts, the next meeting of the Compensation Committee will be at 1:30 p.m. on Friday, September 12, 2014, in the Board Room at the Gateway Administration Building.

Next Meeting

The meeting was adjourned at 3:20 pm.

Adjournment



Alice Lau, Chair
Compensation Committee

JP/m