



SAMPLE COMMITTEE CHARTER: EXECUTIVE EVALUATION AND COMPENSATION COMMITTEE

Overall Roles and Responsibilities

The Executive Evaluation and Compensation Committee recommends policies and processes to the board for the regular and orderly review of the performance, compensation, and development of the CEO, other senior executives, and the organization's disqualified individuals.

The committee is also responsible for conducting annual CEO goal-setting, evaluation, and compensation review, in accordance with board policy.

Responsibilities

The specific responsibilities of the Executive Evaluation and Compensation Committee include:

- Recommending a CEO evaluation policy to the board, including annual goals for the CEO and a process for annual CEO performance evaluation. The policy includes provisions for input from the full board and a report to the board on the results of the evaluation and compensation review.
- Conducting the CEO evaluation process, consistent with board-approved policy, and in a manner that promotes trust and candid communication between the board and CEO, ensures that the CEO understands the board's expectations, and provides constructive feedback to the CEO on his or her performance.
- Ensuring that the organization's executive compensation program meets IRS requirements and achieves the "rebuttable presumption of reasonableness."
- Reviewing and understanding all current legal and regulatory requirements with regard to executive compensation.
- Recommending a compensation philosophy and plan to the board.
- Approving or recommending to the board an independent compensation consultant to provide comparative market information on compensation and benefits and to advise the committee on compensation trends and regulatory compliance issues.
- Reviewing and recommending to the board an incentive compensation program for the CEO and other senior executive managers designed to allow the organization to recruit and retain superior talent.
- Approving annual compensation for the CEO consistent with the compensation philosophy and incentive compensation plan.

- Directing the CEO to prepare and annually update a CEO/management succession and management development plan to be reviewed with the committee.
- Reporting to the board in sufficient detail to assure the board that its responsibilities for executive evaluation and compensation are being fulfilled.

Meetings

The committee will meet at least three times a year and additionally as needed at the call of the committee chair. Meeting dates and times should be specified a year in advance.

Members

The committee will include a chair and at least three other board members who meet the board's definition for an "independent director." All or a majority of the members of this committee, and especially the committee chair, should be independent directors, without any significant economic relationship with the organization. For this reason, members of the medical staff should not be named to this committee.

The CEO should not be a member of this committee, but may participate when the committee discusses the executive compensation plan for other senior executives and the management succession and development plan.

Members of this committee typically include persons with executive experience in large, complex organizations, business owners, healthcare academics, and/or those with backgrounds in human resources. Committee members must understand and respect the confidential, sensitive nature of discussions on compensation and performance evaluation.

Reports

The committee will receive and review the following reports:

- Data from independent sources on executive compensation for functionally comparable positions in comparable organizations.
- Compensation philosophy statement.
- Tally sheets summarizing the value of each element of executive compensation, including potential future costs.
- Management succession plan.

Annual Committee Goals

Each year the Executive Evaluation and Compensation Committee will consider whether to set particular goals or focus areas for its work in the coming year, in addition to its ongoing responsibilities. Typical focus areas might include:

- Conducting a comprehensive redesign of the executive evaluation and compensation review policy and processes.

- Educating the committee and full board on the new Form 990.
- Studying and developing evaluation and compensation policies for other categories of senior personnel, such as physician executives.



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