



2021 Executive Compensation



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Introduction

Background

- Mercer was engaged to conduct a review of the competitiveness of the current executive compensation program at Broward Health (“Broward”) and to make appropriate recommendations on and comparisons to best practices. Broward wishes to ensure that its executive compensation program uses a consistent and appropriate methodology, and that its pay levels are competitive to market and consistent with best practices.
- The scope of this evaluation includes a detailed review of the compensation program, including:
 - Base salary
 - Total cash compensation (base salary + annual incentives)
 - Total direct compensation (base salary + annual incentives + long-term incentives)
 - Total remuneration (total direct compensation + benefits)
- Mercer considers positioning within +/- 15% of the market target statistic to be competitive.
- **The positions covered in this analysis include:**

Executive Position	Incumbent
PRESIDENT/CEO	STRUM, SHANE
GENERAL COUNSEL	EPSTEIN, LINDA J.
SVP, COMPLIANCE & PRIVACY	KOZIK, BRIAN W.
CHIEF INTERNAL AUDITOR	VACANT

Introduction

Methodology

- Mercer collected published survey data representing health systems with annual revenue of approximately ½ - 2X Broward's annual revenue (\$1.149B) from the following surveys:
 - Mercer: *2021 Integrated Health Networks Compensation Survey* (effective 3/1/2021)
 - Sullivan, Cotter, and Associates, Inc.: *2021 Healthcare Management and Executive Compensation Survey* (effective 1/1/2021)
 - Gallagher: *2021 National Healthcare Leadership Compensation Survey* (effective 2/1/2021)
- Survey data were blended together with equal weight to create a composite survey market statistic.
- Data were aged to a common effective date of 7/1/2022, using an annual adjustment factor of 2.5%, reflecting median increases for executives in the health care industry, from Mercer's *U.S. Compensation Planning Survey*.
- Compensation data were collected at the market 25th, 50th, and 75th percentiles.
 - The 65th percentile is not reported in most surveys; therefore, Mercer calculated values for this percentile using linear interpolation.

Introduction

Methodology

- Mercer compared Broward's executive benefits and perquisites to market using data from Mercer's *Executive Benefits and Perquisites Survey for Tax-Exempt Organizations* (49 tax-exempt healthcare organizations with annual net revenue between \$600M and \$2.4B).
- Benefit values for executives were determined as follows:
 - Retirement: Mercer used the 403(b) matching formula to calculate the maximum 2021 employer contribution assuming a sufficient employee earnings deferral.
 - Broward provided the annual employer cost to the organization for health and welfare benefits/perquisites, including medical, dental, vision, life/AD&D, disability, and car allowance.
- Market retirement benefit values were determined by modeling survey participant retirement programs over Broward executives' anticipated tenure and converting the result to an annual value.
- Market employer-paid health and welfare benefit premium values and perquisite values were added to market retirement benefit calculations to determine a total market employer-paid benefit value.
- To calculate market total remuneration, the total annualized market benefit/perquisite values were added to total direct compensation at the market 25th, 50th, 65th, and 75th percentiles.

Total Remuneration Assessment

Total Remuneration Assessment

Base Salary

- The President/CEO's base salary falls between the market 25th and 50th percentiles.
- The General Counsel is paid slightly below the 65th percentile and the SVP, Compliance & Privacy is paid at the 65th percentile.

All compensation values shown in \$000s.

Executive Position	Incumbent	Base Salary	Market Composite				Variance			
			25th %ile	50th %ile	65th %ile	75th %ile	25th %ile	50th %ile	65th %ile	75th %ile
PRESIDENT/CEO	STRUM, SHANE	\$920	\$896	\$1,011	\$1,099	\$1,157	3%	-9%	-16%	-21%
GENERAL COUNSEL	EPSTEIN, LINDA J.	\$445	\$350	\$416	\$454	\$479	27%	7%	-2%	-7%
SVP, COMPLIANCE & PRIVACY	KOZIK, BRIAN W.	\$253	\$198	\$233	\$252	\$265	28%	9%	0%	-5%
CHIEF INTERNAL AUDITOR	VACANT	--	\$181	\$209	\$222	\$231	--	--	--	--

Total Remuneration Assessment

Target Total Cash Compensation

- Broward's target total cash compensation falls between the market 50th and 65th percentiles for the President/CEO, while target incentives elevate positioning to slightly below the 75th percentile for the General Counsel and slightly above the 75th percentile for the SVP, Compliance & Privacy.

All compensation values shown in \$000s.

Executive Position	Incumbent			Market Composite				Variance			
				25th %ile	50th %ile	65th %ile	75th %ile	25th %ile	50th %ile	65th %ile	75th %ile
PRESIDENT/CEO	STRUM, SHANE	Base	\$920	\$896	\$1,011	\$1,099	\$1,157	3%	-9%	-16%	-21%
		Target Short-Term Incentive	30%	27%	32%	36%	38%				
		Target Total Cash Compensation	\$1,196	\$948	\$1,122	\$1,344	\$1,491	26%	7%	-11%	-20%
GENERAL COUNSEL	EPSTEIN, LINDA J.	Base	\$445	\$350	\$416	\$454	\$479	27%	7%	-2%	-7%
		Target Short-Term Incentive	20%	21%	24%	28%	30%				
		Target Total Cash Compensation	\$535	\$381	\$458	\$515	\$553	40%	17%	4%	-3%
SVP, COMPLIANCE & PRIVACY	KOZIK, BRIAN W.	Base	\$253	\$198	\$233	\$252	\$265	28%	9%	0%	-5%
		Target Short-Term Incentive	20%	13%	18%	21%	23%				
		Target Total Cash Compensation	\$303	\$211	\$246	\$271	\$287	44%	23%	12%	6%
CHIEF INTERNAL AUDITOR	VACANT	Base	--	\$181	\$209	\$222	\$231	--	--	--	--
		Target Short-Term Incentive	--	12%	13%	16%	18%				
		Target Total Cash Compensation	--	\$197	\$213	\$233	\$246	--	--	--	--

Total Remuneration Assessment

Target Total Direct Compensation

- Broward currently does not provide any long-term incentives to its executives, which is consistent with market practice for healthcare organizations of similar size; therefore, total direct compensation positioning is aligned with that of total cash compensation.

All compensation values shown in \$000s.

Executive Position	Incumbent			Market Composite				Variance			
				25th %ile	50th %ile	65th %ile	75th %ile	25th %ile	50th %ile	65th %ile	75th %ile
PRESIDENT/CEO	STRUM, SHANE	Base	\$920	\$896	\$1,011	\$1,099	\$1,157	3%	-9%	-16%	-21%
		Target Short-Term Incentive	30%	27%	32%	36%	38%				
		Target Total Cash Compensation	\$1,196	\$948	\$1,122	\$1,344	\$1,491	26%	7%	-11%	-20%
		Target Long-Term Incentive	--	--	--	--	--				
		Target Total Direct Compensation	\$1,196	\$948	\$1,122	\$1,344	\$1,491	26%	7%	-11%	-20%
GENERAL COUNSEL	EPSTEIN, LINDA J.	Base	\$445	\$350	\$416	\$454	\$479	27%	7%	-2%	-7%
		Target Short-Term Incentive	20%	21%	24%	28%	30%				
		Target Total Cash Compensation	\$535	\$381	\$458	\$515	\$553	40%	17%	4%	-3%
		Target Long-Term Incentive	--	--	--	--	--				
		Target Total Direct Compensation	\$535	\$381	\$458	\$515	\$553	40%	17%	4%	-3%
SVP, COMPLIANCE & PRIVACY	KOZIK, BRIAN W.	Base	\$253	\$198	\$233	\$252	\$265	28%	9%	0%	-5%
		Target Short-Term Incentive	20%	13%	18%	21%	23%				
		Target Total Cash Compensation	\$303	\$211	\$246	\$271	\$287	44%	23%	12%	6%
		Target Long-Term Incentive	--	--	--	--	--				
		Target Total Direct Compensation	\$303	\$211	\$246	\$271	\$287	44%	23%	12%	6%
CHIEF INTERNAL AUDITOR	VACANT	Base	--	\$181	\$209	\$222	\$231	--	--	--	--
		Target Short-Term Incentive	--	12%	13%	16%	18%				
		Target Total Cash Compensation	--	\$197	\$213	\$233	\$246	--	--	--	--
		Target Long-Term Incentive	--	--	--	--	--				
		Target Total Direct Compensation	--	\$197	\$213	\$233	\$246	--	--	--	--

Total Remuneration Assessment

Target Total Remuneration

- Market positioning for target total remuneration varies widely by position, and decreases in relation to total direct compensation positioning, primarily due to Broward's lack of a non-qualified retirement plan.

All compensation values shown in \$000s.

Executive Position	Incumbent			Market Composite				Variance			
				25th %ile	50th %ile	65th %ile	75th %ile	25th %ile	50th %ile	65th %ile	75th %ile
PRESIDENT/CEO	STRUM, SHANE	Base	\$920	\$896	\$1,011	\$1,099	\$1,157	3%	-9%	-16%	-21%
		Target Short-Term Incentive	30%	27%	32%	36%	38%				
		Target Total Cash Compensation	\$1,196	\$948	\$1,122	\$1,344	\$1,491	26%	7%	-11%	-20%
		Target Long-Term Incentive	--	--	--	--	--				
		Target Total Direct Compensation	\$1,196	\$948	\$1,122	\$1,344	\$1,491	26%	7%	-11%	-20%
		Target Total Remuneration	\$1,242	\$1,111	\$1,304	\$1,539	\$1,696	12%	-5%	-19%	-27%
GENERAL COUNSEL	EPSTEIN, LINDA J.	Base	\$445	\$350	\$416	\$454	\$479	27%	7%	-2%	-7%
		Target Short-Term Incentive	20%	21%	24%	28%	30%				
		Target Total Cash Compensation	\$535	\$381	\$458	\$515	\$553	40%	17%	4%	-3%
		Target Long-Term Incentive	--	--	--	--	--				
		Target Total Direct Compensation	\$535	\$381	\$458	\$515	\$553	40%	17%	4%	-3%
		Target Total Remuneration	\$564	\$442	\$527	\$590	\$631	28%	7%	-4%	-11%
SVP, COMPLIANCE & PRIVACY	KOZIK, BRIAN W.	Base	\$253	\$198	\$233	\$252	\$265	28%	9%	0%	-5%
		Target Short-Term Incentive	20%	13%	18%	21%	23%				
		Target Total Cash Compensation	\$303	\$211	\$246	\$271	\$287	44%	23%	12%	6%
		Target Long-Term Incentive	--	--	--	--	--				
		Target Total Direct Compensation	\$303	\$211	\$246	\$271	\$287	44%	23%	12%	6%
		Target Total Remuneration	\$338	\$252	\$292	\$319	\$338	34%	16%	6%	0%
CHIEF INTERNAL AUDITOR	VACANT	Base	--	\$181	\$209	\$222	\$231	--	--	--	--
		Target Short-Term Incentive	--	12%	13%	16%	18%				
		Target Total Cash Compensation	--	\$197	\$213	\$233	\$246	--	--	--	--
		Target Long-Term Incentive	--	--	--	--	--				
		Target Total Direct Compensation	--	\$197	\$213	\$233	\$246	--	--	--	--
		Target Total Remuneration	--	\$235	\$256	\$277	\$292	--	--	--	--

Benefits Assessment

Benefits Assessment

Retirement

	Broward Health	Market Practice	Comments
Employer-paid Retirement Benefits	<p><u>403(b) Plan</u></p> <ul style="list-style-type: none"> Matching contribution of 100% of first 1% of base salary deferred plus 35% of the next 4% (total match = 2.4%) <p><u>Cash Balance Pension Plan</u></p> <ul style="list-style-type: none"> Contribution credits equivalent to 5% of base salary Base salary for both plans subject to IRS limit (\$290,000 in 2021) Total employer contributions range from 2.3% to 7.4% of base salary due to the IRS limit 	<ul style="list-style-type: none"> Virtually all organizations sponsor a qualified defined contribution (DC) plan (e.g., 401(k) or 403(b)) with employer contributions <ul style="list-style-type: none"> Median employer contribution: 5.5% Approximately 15% of comparable organizations sponsor a qualified defined benefit (DB) plan (pension/cash balance) Approximately 70% sponsor a nonqualified plan with supplemental employer contributions Total employer-paid retirement benefits are worth ~5% of base salary at the 25th percentile and ~13%-15% of base salary at the 50th percentile (varies by executive level) 	<ul style="list-style-type: none"> While DB plans have become less common, cash balance plans are somewhat of a hybrid between DC and DB plans Total retirement value is clustered around the market 25th percentile due to the lack of nonqualified plan benefits
Voluntary Employee Deferrals	<p><u>403(b) Plan</u></p> <ul style="list-style-type: none"> Voluntary employee deferrals up to IRS limit (\$19,500 in 2021) <p><u>457(b) Plan</u></p> <ul style="list-style-type: none"> Eligible employees may defer additional pay up to the IRS limit (\$19,500 in 2021) Both plans allow for additional catch-up contributions of up to \$6,500 for employees age 50+ 	<ul style="list-style-type: none"> Almost all organizations allow for employee deferrals to a qualified defined contribution plan In addition, approximately 85% of organizations provide executives with a nonqualified plan for additional voluntary tax-deferred savings (e.g. 457(b)) 	<ul style="list-style-type: none"> Voluntary deferral opportunities are consistent with market practice

Benefits Assessment

Health and Welfare Benefits

	Broward Health	Market Practice	Comments
Health Benefits	<ul style="list-style-type: none"> Executives participate in the same basic medical, dental, and vision plans as all other employees 	<ul style="list-style-type: none"> Almost all comparable organizations provide the same active group health coverage to all employees, including executives 	<ul style="list-style-type: none"> Consistent with market practice
Life Insurance	<ul style="list-style-type: none"> Employer-paid group coverage equal to 100% of base salary up to a maximum benefit of \$500,000 Coverage is effectively 54% of base salary for the CEO due to the maximum benefit level 	<ul style="list-style-type: none"> Nearly all organizations offer employer-paid group coverage to their broad workforce Approximately 60% of comparable organizations provide supplemental employer-paid coverage to the top officer (50% to non-CEO executives) Median total coverage is 200% of base salary (100% at the 25th percentile) 	<ul style="list-style-type: none"> Coverage is aligned with the market 25th percentile for most executive roles Coverage falls below the 25th percentile for those with salaries in excess of \$500,000 (CEO)
Long-term Disability (LTD)	<ul style="list-style-type: none"> Employer-paid group coverage equal to 60% of base salary up to \$20,000 per month 	<ul style="list-style-type: none"> Nearly all organizations offer employer-paid group coverage to their broad workforce Approximately 60% provide supplemental employer-paid LTD coverage to executives Median total LTD coverage is 60% of base salary, with a \$20,000 monthly maximum 	<ul style="list-style-type: none"> Coverage level is aligned with median market practice

Benefits Assessment

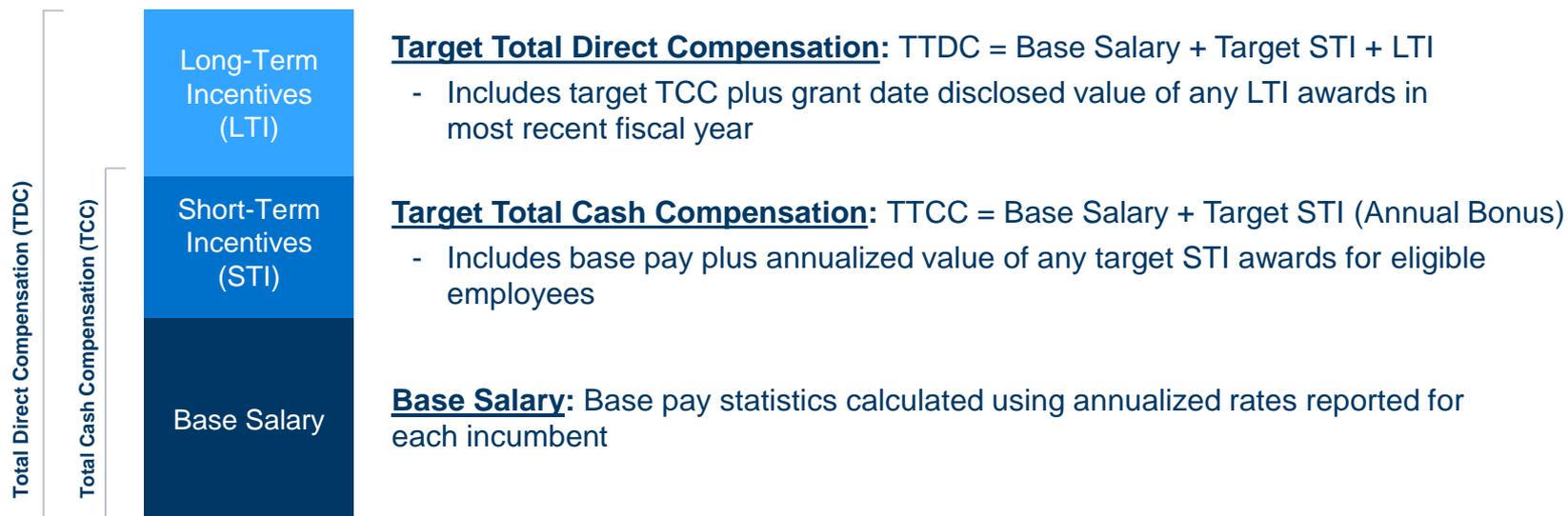
Perquisites

	Broward Health	Market Practice	Comments
<i>Executive Perquisites</i>	<ul style="list-style-type: none"> Annual \$6,000 car allowance provided for most executive roles 	<ul style="list-style-type: none"> Approximately 30% of comparable organizations provide a car or car allowance to the top officer (~20% to non-CEO executives) while other perquisites are far less prevalent <ul style="list-style-type: none"> The median annual car/car allowance value is \$9,500 In general, perquisites without a clear business purpose continue to decline in prevalence 	<ul style="list-style-type: none"> Generally aligned with market practice

Appendix

Appendix

Definition of Market Elements



Market Statistics

- 25th percentile, 50th percentile, 65th percentile, 75th percentile
 - Each percentile is defined as the data point that is higher than X% of all other data in the sample when ranked from low to high, where X is the percentile value
- Variance to market is defined as the percentage above or below a given market statistic

Appendix

Benefit Valuation Assumptions

Assumptions for Market Benefits / Total Remuneration Calculation

- Normal retirement age: 65
- Future salary increases: 4.0%
- Bonus assumed to pay at target and remain constant to retirement
- Annual consumer price index: 2.5%
- Annual taxable wage base increase: 3.0%
- Interest rate for lump sum present value conversions: 5.0%
- Mortality for lump sum present value conversions: 2021 PPA mortality
- Pre-tax earnings rate for account balance plans: 6%
- Market rate for life insurance: \$0.23 per \$1,000 of coverage per month
- Market rate for long-term disability insurance: \$0.50 per \$100 of coverage per month

