



**SAIF CORPORATION**  
**BOARD OF DIRECTORS**  
**COMPENSATION COMMITTEE**

**Friday**  
**February 13, 2015**  
**11 a.m.**

**SAIF Corporation**  
**1500 SW First Avenue**  
**Portland, Oregon**

The meeting was called to order at 11 a.m.

**Roll Call:**

Krishna Balasubramani  
Jeff Stone

**SAIF Corporation personnel present:**

Shannon Rickard, Vice President of Legal Services and Human Resources  
Jen Coney, Human Resources Director  
Stacy Johnson, Compensation Analyst

**Other attendees:**

John Jolliff

**Interim president and CEO performance review**

Mr. Balasubramani reported that John Gilkey's performance for 2014 was rated by the five board members individually with the following results: three "Exceptional" ratings, one "Surpasses Expectations" rating, and one "Achieves Expectations" rating. Mr. Stone indicated that the form required the board members to choose a rating, which was difficult given that he had not worked with Mr. Gilkey long enough to adequately assess his overall performance.

Mr. Balasubramani said that he has been working with Mr. Gilkey for close to a year and cannot imagine anyone having done a better job, given the hand that was dealt to him since May, 2014.

Shannon Rickard said that in her capacity as a member of the Executive Council, she has a deep respect for Mr. Gilkey and believes he has done a superior job. He has been very diligent, provided good input, taken the time to think through issues to ensure the right action is taken, and has worked tirelessly over the past year.

Jen Coney said that although her interaction with Mr. Gilkey has been limited, she supports and concurs with everything that Ms. Rickard stated. He was appointed to his position at a very watershed moment for the company and has done an exceptional job.

The committee members agreed to recommend to the full board to approve an "Exceptional" rating for Mr. Gilkey's 2014 performance rating.

### **Interim president and CEO compensation review**

Ms. Coney summarized the compensation review process that typically occurs when an employee moves from one position to another. Generally, the employee's supervisor would complete a close-out performance evaluation for the position the employee was vacating, and that employee would be paid for their past performance in that position. In Mr. Gilkey's prior position as Senior Vice President of Policyholder Services (SVP), his supervisor was the CEO. When Mr. Gilkey was appointed interim president and CEO, there was no supervisor to perform his close-out performance evaluation for his work as SVP, and as a result, he was not compensated for his performance in that job. For that reason, the committee reviewed two lump sum award options for Mr. Gilkey's 2015 focal point award: one to award a lump sum based on his current salary as president and CEO for all of 2014, and one that would pro-rate the lump sum award based on his salary as SVP for January - April and his CEO salary from April - December.

Ms. Coney explained that SAIF continues to use a five level performance rating system for all employees, with each level tied to a related focal point percentage that is determined each year. The five categories and their corresponding focal point percentages for 2015 are:

- Exceptional – 12 percent
- Surpasses Expectations – 8 to 10 percent
- Achieves Expectations – 4 to 6 percent
- Needs Development – 0 or 2 percent
- Not Meeting Expectations – 0 percent

The committee discussed the information and agreed to recommend to the full board to award Mr. Gilkey a 12 percent lump sum payment of \$33,160, based on his current CEO salary and an "Exceptional" performance rating.

### **President and CEO salary structure movement**

Ms. Coney reviewed the methodology used for setting salary ranges within SAIF. SAIF uses market survey data to set the salary ranges. Due to market pricing, salaries for all positions in the company are increasing, on average, 1.8 percent, effective March 1, 2015.

Ms. Coney informed the committee that Mr. Gilkey's current salary is at the minimum of the president and CEO salary range. The compensation team recommended that if the committee agrees to move the CEO salary range for 2015, that Mr. Gilkey's salary be adjusted at least to the minimum of the new salary range, effective March 1, 2015.

The committee discussed the information and agreed to recommend to the full board to bring Mr. Gilkey's salary to at least the minimum of the new salary range retroactive to March 1, 2015.

Committee members were provided with reference documents that listed the SAIF president and CEO salary history since 1999, lump sum payment options for Mr. Gillkey based on the focal point award for 2015, market data from three external surveys that addressed CEO salary ranges, and two options for the SAIF CEO salary range.

SAIF used three external surveys that specifically address public and private sector CEO salaries: the Milliman 2014 Northwest Executive Survey, the Towers Watson PCI 2014 Executive Compensation Survey (PCI), and the Hay Group American Associates of State Compensation Insurance Funds (AASCIF) Executive Survey from 2013. The AASCIF survey looks at other

workers' compensation state funds across the nation. SAIF's work was analyzed and verified by an independent compensation consultant.

The consultant recommended that the AASCIF survey be used as the primary data source for determining SAIF's CEO salary structure movement, and the PCI survey be used as the secondary data source. Market data showed salary structure movement ranging from less than two percent to over six percent, with an average movement of three percent.

SAIF provided the committee with two options for moving SAIF's president and CEO salary range. The first option would be a salary range increase of 1.8 percent, which would be the identical range increase used for all SAIF employees effective March 1, 2015. The consultant noted that the 1.8 percent salary range increase put the maximum of SAIF's president and CEO salary range at approximately 81 percent of the market. However, SAIF has historically put more emphasis and consideration on the AASCIF survey because it contains data with other similar state funds and option one, with the 1.8 percent movement, would put SAIF slightly over the AASCIF base salary data at 103.5 percent. The first option would bring SAIF's proposed president and CEO salary range minimum to \$281,280 and the maximum to \$375,060.

The proposed salary range movement in the second option is based on salary range increases of the entire company since 2013. The SAIF CEO salary range did not move in 2013, while all other salary ranges in the company, including executive salary ranges for the vice presidents, moved an average of 1.5 percent. In 2014, all salary ranges, including the CEO's, moved an average of 1.6 percent. On March 1, 2015, all other salary ranges, excluding the CEO's, are going to move an average of 1.8 percent. During the past three years, 2013-2015, the market average executive salary movement was three percent. The second option goes back three years to 2013 and applies three percent compounded annually, bringing the proposed 2015 salary range minimum to \$297,120 and the maximum to \$396,180. When comparing this range with the AASCIF survey, option two puts SAIF's CEO salary range at 109.4 percent of the AASCIF base salary data, and brings SAIF closer to the Milliman and PCI salary data.

The committee reviewed and discussed the information in detail.

In response to Mr. Balasubramani's question regarding total cash compensation for CEOs in the external survey data, Stacy Johnson said the 50<sup>th</sup> percentile for PCI is \$762,509; AASCIF is \$483,552; and Milliman is \$710,188. Ms. Johnson added that several AASCIF funds have other types of compensation, separate from salary and lump sums, such as long-term incentive programs. The base salary range for SAIF, as listed in options one and two in the handouts, is aligned with base salaries listed in the external surveys.

Mr. Stone said the total cash compensation information for AASCIF funds will be helpful to the committee when making the final recommendation to the board.

In response to Mr. Balasubramani's question regarding availability of a comparison of SAIF's CEO salary range to the salary range of CEOs of quasi-public organizations of SAIF's scope and size in Oregon, Ms. Johnson said that she will research the information and provide it to the committee for discussion with the full board at the March 11 board meeting.

Mr. Stone said the Oregon salary information will be helpful to the committee when making the final recommendation to the board.

Based on its discussion, the committee agreed to recommend to the full board to move SAIF's CEO salary range in line with option two. The committee will also recommend to the full board to review information regarding salaries of CEOs of Oregon quasi-public organizations of SAIF's scope and size, as well as total cash compensation awards for CEOs from other AASCIF funds.

**Public comment**

John Jolliff addressed the board: "I followed exactly what you were doing, and I understood your questions. I thought they were really good questions and it was a great process. I am perfectly comfortable with it."

There being no further business, the meeting was adjourned at 11:55 a.m.

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Kellie Lute, Executive Assistant to the Board