[Hospital Name]

*Board of Trustees*

Compensation Committee Charter

**Purpose**

The Compensation Committee assists the Board in establishing a compensation philosophy, carrying out the regular review of the performance and compensation of the Chief Executive Officer and setting policies for the evaluation process and compensation structure of other senior executives.

**Membership**

The Compensation Committee chair and committee membership shall be appointed annually by the Board Chair. The Committee shall be comprised of [insert number of Committee members and any other membership requirements (e.g. “…shall be comprised of at least three Board members, and may include two non-Board members, specifically consultants or individuals with insight into the field of compensation and benefits.)]. Committee members shall possess a sound understanding of the compensation process and legal and regulatory requirements.

Committee members must be free from relationships or interests that would interfere with the exercise of their independent judgment as a member of the Committee.

**Meetings**

The Compensation Committee shall meet [insert requirements for meeting frequency (e.g. once annually)].

Meeting attendance shall include in-person presence, teleconference, videoconference or other electronic presence. The quorum for Compensation Committee meetings shall be [insert any quorum requirements]. Committee action requires a majority vote of members present

Minutes of all committee meetings will be kept and submitted at the next meeting of the Board. Minutes shall fully document the work of the committee and capture the reasoning used in the committee’s decision-making.

**Responsibilities**

The Compensation Committee shall be accountable to carry out the following responsibilities:

***Compensation Philosophy and Compliance***

* Advises the Board on compliance issues including:
  + Federal and state laws and regulations concerning compensation of executives, including the application of “rebuttable presumption of reasonableness”
  + Review of IRS Form 990 prior to filing
  + Application of compensation philosophy and performance incentives
  + CEO and senior leader compensation and benefit packages
* Recommends a compensation philosophy to the full Board for approval

***CEO Performance Evaluation and Compensation***

* Evaluates the CEO's performance annually, based on pre-determined and clearly communicated performance criteria
* Uses evaluation results to set the CEO's annual compensation, including salary and incentive compensation
* Ensures CEO compensation is directly tied to performance
* Utilizes comparability data to ensure CEO compensation is reasonable and comparable to CEO salaries of health care organizations similar in size and scope
* Evaluates appropriateness and comparability of other CEO benefits programs (e.g. deferred compensation, travel and expenses, etc.)
* Conducts annual reviews of the CEO’s employment agreement
* Annually recommends a compensation package (compensation, incentive compensation and benefits) to the Board for approval

***Senior Leader Performance Evaluation and Compensation***

* Conducts annual reviews of the performance evaluation process and compensation structure for the hospital's senior leaders
* Ensures compensation is directly tied to performance
* Utilizes comparability data to ensure compensation of senior leaders is reasonable and comparable to salaries of health care organizations similar in size and scope
* Evaluates appropriateness and comparability of other executive benefits programs (e.g. deferred compensation, travel and expenses, etc.)
* Conducts annual reviews of employment agreements for the hospital's executive officers
* Annually makes recommendations regarding senior leader performance evaluation processes and compensation structures to the Board for approval

***[Executive Leadership Succession Planning***

* If the Board does not have a separate Governance and Nomination Committee, CEO and senior management succession planning should be added here as the responsibilities of the Compensation Committee]

***Committee Performance***

* Engages an independent compensation consultant or legal counsel as needed to ensure compliance with IRS and other legal and regulatory compensation requirements
* Conducts annual reviews of the committee’s performance, including its compliance with this charter

**Reporting**

Reports to the Board of Trustees

**Date of Board Approval:**

**Dates of Reviews and/or Revisions:**

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