

EXECUTIVE INCENTIVE COMPENSATION

ZIEGLER CFO HOTLINESM

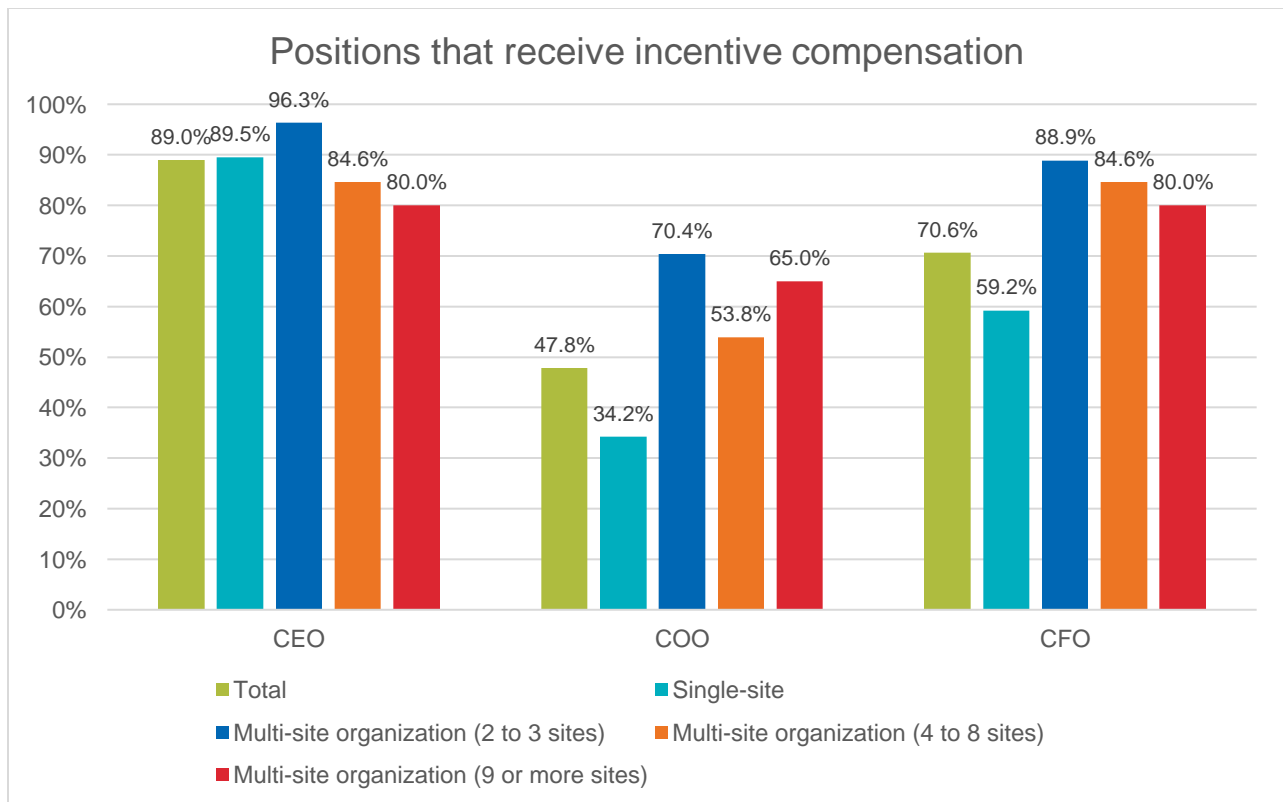
In March 2019, a *Ziegler CFO HotlineSM* survey gathered feedback on Executive Incentive Compensation among senior living organizations. Just under 200 Chief Financial Officers (CFOs) and financial professionals participated in this survey, with more than half representing single-site organizations. Of the 191 respondents, 57% were from single-site organizations and 43% of respondents represented multi-site providers of varying sizes. It should be noted that the actual number of respondents varied for each survey category.



The survey asked what positions receive incentive-based compensation, what compensation is included and how it is calculated. Multi-site organizations are more likely to offer bonus-compensation for C-Suite executives; multi-site organizations with 2 to 3 sites are most likely to offer incentive compensation to all three executives (CEO, COO, CFO); CEOs are offered incentive compensation most often, followed by CFOs and COOs.



C-Suite positions that are compensated, as shown by type of position.

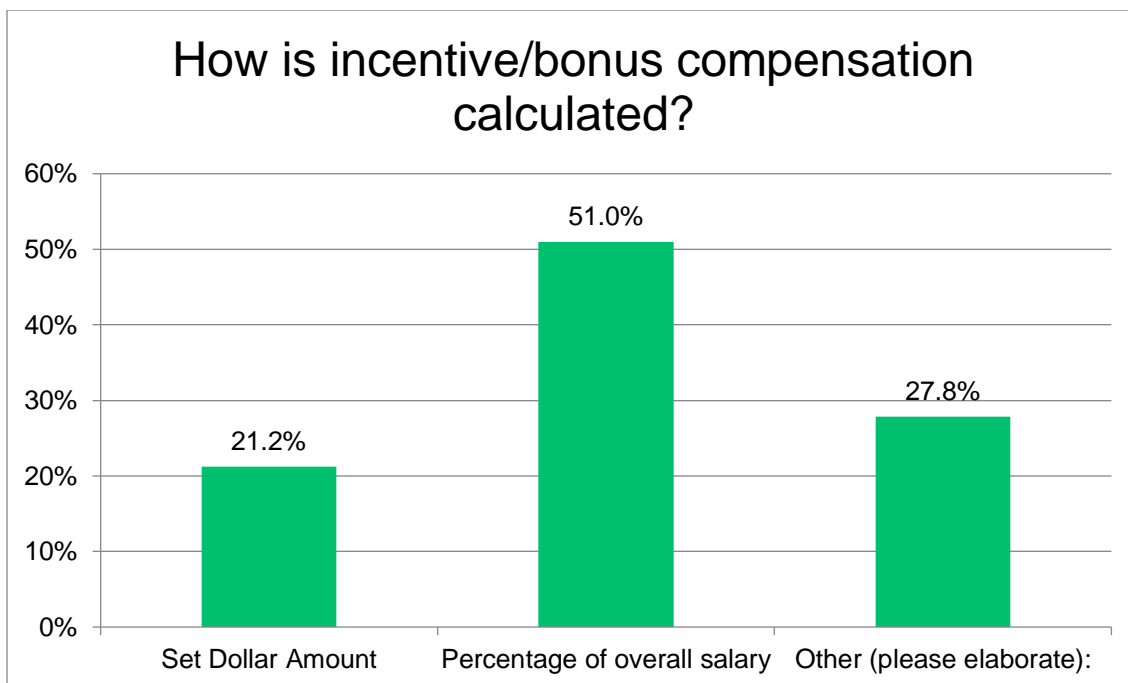


More than 71% of respondents said positions outside of the C-suite are compensated. Top positions/areas mentioned include:

| Position/Area | Number of Mentions |
|---|--------------------|
| All department/division/management/executives | 69 |
| Executive Directors & Administrators | 39 |
| Human Resources | 23 |
| Nursing | 16 |
| Operations | 11 |
| Health Services/Healthcare | 9 |
| Finance | 9 |

One of the questions on the survey asked about timing of the incentive compensation. Respondents indicated that incentive/bonus compensation is distributed annually 80% of the time, semi-annually 2% of the time. Of the 17 percent listing “Other” timing for payouts, quarterly payments and timing that aligned with attaining sales goals were mentioned most often, followed by meeting particular milestones such as budgets or project implementations.

More than 50% of the time incentive/bonus compensation is based on a percentage of overall salary. Percentages range from 2.5% to 100% depending on the position, with the median at 15% and average at 16.3% (based on an average of ranges). These percentages presume all goals are met and the individual is obtaining the maximum percentage allocated.



Metrics used to determine the incentive/bonus:

| Metric | Percent |
|---|---------|
| Financial performance | 75.5% |
| Occupancy goals | 63.3% |
| Fulfilling growth goals (e.g. new developments, project completion) | 64.0% |
| Workforce recruitment/retention metrics (turnover) | 44.2% |
| Stakeholder satisfaction/engagement survey results | 51.0% |
| Other | 36.1% |

Lastly, the survey allowed for open-ended comments to be made. Below is a sampling of those comments and comments made in other questions:

- *This is new in 2019.*
- *Metrics include both organizational and individual performance goals.*
- *The incentive goals are generally individual, based upon pre-defined annual goals for special projects/initiatives. Incentive payments are based upon performance against the goals.*
- *We have a Long Term Incentive Plan (LTIP) for C-Suite and key senior management team members, which includes equity grants.*
- *Eliminated by board in 2014*
- *Some years may go by where no bonuses are awarded to any employee at any level.*
- *Incentive plan subject to gate keeper. Organization must meet or exceed all bond covenant. Cash flow from operations must be at break even or more*
- *We are in the process of putting metrics / goals in place to measure amounts paid for incentive compensation.*
- *I believe incentive-based programs enhance performance but we choose to just give a bonus pay.*
- *We developed an incentive program for senior leadership but have not implemented it yet so that would apply to all our vice presidents.*
- *No incentive/bonus compensation except in Sales/Marketing.*
- *We have looked at one, but the executive team and CEO both felt it better to put any resources into the employees that need it.*
- *CEO has discretion regarding giving bonuses to managers annually.*
- *We are looking to institute a bonus program in the near future.*
- *There is also a retention compensation plan for the CEO/COO/CFO. Every year they are employed, financial amount is funded into a whole life insurance policy that carries value... about 10K a year*
- *When the incentive compensation was implemented a couple of years ago, the incentive was added to existing salary. Salary was not reduced to accommodate the incentive. If overall organizational financial goal is not met, no incentive is given.*
- *Our bonus program looks to the staff to over-perform from the norm.*
- *Bonuses are not regular and normally are associated with large projects or implementations of broad new policies, procedures or software packages*
- *Random bonuses, as alternatives to / in place of 457 plans at the highest levels,*
- *Sign on bonuses have occurred. We are looking to change this to provide incentives to directors including those outside the C-suite.*

The senior living organizations' responses included in this report have been collated without verification of the accuracy of the data/comments therein. The results provided do not express an opinion of nor can they be guaranteed by Ziegler.

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