
From: Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>
Sent: Tuesday, April 2, 2019 5:17 PM
To: Maillis, Patricia L. - Director, Employee Services
Cc: Wathen, David (Atlanta)
Subject: Re: Comp Committee Presentation

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Hi Pat,

What's the best way to reach you?

Sent from my iPhone

On Apr 2, 2019, at 8:00 AM, Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com> wrote:

Here are some of the answers. I can be available today at 5:15.

From: Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>
Sent: Monday, April 1, 2019 6:27 PM
To: Maillis, Patricia L. - Director, Employee Services <mailpl@jea.com>; Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>
Subject: RE: Comp Committee Presentation

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Hi Pat,

As you'll see below, I do have several questions related to the 2019 P4P Plan. It might be easier to talk tomorrow (Tues), but I am not available until 5:15 eastern time. Let me know what works for you.

1. There appear to be four performance measures: Customer Value, Financial Value, Community Impact Value, and Environmental Value. It's good to have a portfolio of performance measures; however, it appears that there are a total of 18 performance metrics under these 4 categories. In our experience, and based on best practice, no single performance measure should be weighted less than 10%, and ideally, an organization should have 5-8 performance measures. Given that each category appears to be weighted equally (25%), each of the 6 metrics under customer would nominally impact the award, which typically doesn't change behavior. And with 18 performance measures, it dilutes the focus you want to create with an incentive plan. You are correct. There are four overarching values of measurement, weighted at 25% total each. And then further delineated by the metrics within each of those categories. It is actually a total of 22

(6 Customer, 4 Financial, 4 Community and 4 Environmental). Agree with best practice, and will share. This is this year's existing plan.

2. There is an individual component for the Appointed population, and based on the calculation, it appears to be weighted 50% overall. So, 50% for the 18 corporate measures across 4 categories, and 50% for the individual component. Can you confirm? Yes, this is correct. What comprises the individual component? Each employee develops individual goals related to the 4 measures of value. This is typically projects. They also have alignment with some of the corporate goals, such as cost savings. They receive a rating of Below, Meets, or Exceeds which is then used to determine their performance increases and incentive awards. Having an individual component is a good practice, but there isn't anything to tell me how many performance goals are there, are they measurable, is this a subjective piece, etc. Typically they will have 4-5 individual goals and these are aligned with key projects that may be aligned with one of the four metrics of value (but note, these goals are not typically the same as those at the corporate level, just the category of measure).
3. Relative to performance range and payout range, I see payouts for "meets" and "exceeds." Is there a threshold level of performance? The company must realize a savings. The payout must be less than the overall savings realized by the company in order to payout. It is the same, but I neglected to include. There was one in the earlier plan I reviewed, but it's not captured here. We would suggest that having a full range of performance (including threshold, target and maximum) provides maximum motivation for employees to perform. It is highly unusual to only have a "meets" and "exceeds" performance goal and corresponding payout. I tried this a few years ago and it got shot down. However, with the review that you are doing, suggest that this be a recommendation for the new plan, and show the differentiation in payout. One thing that Aaron has been pretty passionate about lately has been to have greater differentiation between the Meets and Exceeds. Just yesterday, he reduced the payout for the SLT members who obtain a Meets to 6% and 12% for Exceeds (which is current percent).
4. Relative to the incremental incentive opportunity between target and maximum, it appears to be about 66%-68% (i.e., maximum awards are approx. 67% of target payout within each performance category). Correct. And it appears to be the same upside for both corporate and individual awards. Please confirm. Correct. That's a good compromise between general industry and investor-owned utilities (typically at 200% of target) and public power (more likely at 150% of target).
5. Can you give me any perspective on how the goals are set within each of the corporate categories? The SLT members take several months to evaluate the business components they wish to improve and what is measurable. Best practice is that threshold should be achievable 80-90% of the time, target achieved 50-60% of the time and maximum achieved 10-20% of the time. I cannot comment on whether the goals you have set are aligned with market practices. We understand this. We were forced by the Board to make it stretch goals. The only goal that is probably the hardest to achieve is Safety. Also, we sometimes cannot control the issues that come from the community which may result in bad press. We have had some pretty difficult 3 years. I think the tides are shifting and we want to do what is right. I can explain more via phone.
6. If an individual achieves all of his/her individual goals, but the corporate targets are not achieved, it appears that the calculation would still pay out 50% of the target opportunity (based on the 50% allocated to individual performance). We've not had this happen yet. But if we did not realize 1) a savings and 2) achieve any of the goals, you are correct, there would not be a payout for the individual piece. Is there any circuit breaker by which the entire plan shuts down. We can discuss. It is not a good practice to have 50% of the award be based on individual performance (particularly if that performance is more subjective), without protection for the organization if financial performance cannot support award payouts. Please let me know how this will be addressed.

Those are the most pressing questions (and I believe that I covered these design elements in the summary I prepared for the last report that Aaron reviewed).

Thanks for your help, Pat.

Andrea

From: Maillis, Patricia L. - Director, Employee Services [<mailto:mailpl@jea.com>]

Sent: Monday, April 01, 2019 11:10 AM

To: Wathen, David (Atlanta) <david.wathen@willistowerswatson.com>; Deeb, Andrea (Atlanta) <andrea.deeb@willistowerswatson.com>

Subject: Comp Committee Presentation

Hi David,

In my 1 on 1 with Angie today, she mentioned that Aaron would like to make sure that the Compensation Committee presentation, includes:

- a statement indicating that JEA's current STI plan design is appropriate, but the target values are slightly below market and WTW, suggests changes in the values for XX population....Providing the FY19 STI plan for your reference. No changes in the target values, just the mix of metrics.

- estimated cost associated with the LTI plan(s) being recommended (based on headcount provided early in the project)

Also, Ryan is wanting to meet a little earlier than Wed. His Exec Asst sent an email a little while ago.

Pat Maillis

Director, Employee Services

Direct: (904-665-4132)

Cell : (904-703-3453)

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