



Office of the Chair, Board of Directors

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January 5, 2012

Dr. Gillian Kernaghan
President and Chief Executive Officer
St. Joseph's Health Care, London

Personal and Confidential

RE: Update on Benefit Plan

Dear Gillian:

With the recent proactive disclosure of executive contracts, we have received feedback prompting us to review the eligible expenses under our current executive benefit plan for expenses related to fitness within the Flexible Spending Account.

As a result, effective retroactive to August 2, 2011 exercise programs (including aerobic classes, personal trainer, memberships at gym – GoodLife, The Athletic Club, YMCA, etc.) are no longer an eligible expense under the Flexible Spending Account.

If you have any questions please do not hesitate to contact me.

Sincerely,

F. Marcella Grail B.A. C.A. CFP
Chair, Board of Directors

cc: Human Resources File



To: Executive employees –St. Joseph's Health Care, London
From: Stacey Weir, Director, Total Compensation, Human Resources
Date: August 3, 2011
Re: **Perquisites Directive**

Further to previous email communication on July 18, 2011, I am writing to provide you an update on changes to the flexible spending account as well as clarify your car allowance benefit. If you recall, the Management Board of Cabinet recently introduced a Perquisites Directive under the Broader Public Sector Accountability Act, 2010 that came into effect August 2, 2011. In order to ensure St. Joseph's Health Care, London is compliant with this directive, changes to the Flexible Spending Account plan design are required.

Effective August 2, 2011, the following Flexible Spending Account expenses will be allowable for reimbursement:

Exercise Programs for employee only

- Includes aerobics classes, personal trainer, membership at gym (GoodLife, The Athletic Club, YMCA, etc.)
- Excludes fitness equipment, sports leagues, tennis lessons, golf, curling, tennis, squash, social club memberships, etc.

Professional fees/dues for employee only

Professional Development expenses for employee only

Home and Mobile Internet service expenses

Nutrition Support expenses for employee only

- Includes fees for recognized programs such as weight watchers, jenny craig, etc.
- Excludes the cost of food or vitamins, cookbooks, cooking utensils

Smoking Cessation expenses for employee only

As a result of these changes you will be given the opportunity to re-allocate dollars currently in your flexible spending account to your Health Care Spending Account. A re-allocation form is attached and can be submitted to me directly in Human Resources, RMHC, London by August 31, 2011. If a re-allocation form is not received by this date, it will be assumed that you do not wish to amend your allocation.

For expenses that have been incurred prior to August 2nd and may have been eligible with the previous plan, you will have until August 31, 2011 to submit to myself for reimbursement.

Car Allowance

In order to provide further clarification on your car allowance benefit, please be advised this benefit is intended to cover all local mileage and parking expenses you may incur (inclusive of travel to RMHC, St. Thomas). Should you travel out of town and use your own vehicle, rental car or public transit you will be eligible for reimbursement of those additional travel expenses (including mileage and parking).

If you have questions regarding the above, please contact me directly at ext. 42779.

CC: HR file

EXECUTIVE EMPLOYMENT AGREEMENT

AGREEMENT made the 23rd day of August, 2010.

B E T W E E N:

ST. JOSEPH'S HEALTH CARE, LONDON a corporation without share capital duly incorporated under the laws of the Province of Ontario, having its head office at the City of London, in the County of Middlesex, in the said Province, hereinafter referred to as "ST. JOSEPH's"

OF THE FIRST PART

- and -

Dr. Gillian Kernaghan, hereinafter referred to as the "Executive"

OF THE SECOND PART

WHEREAS ST. JOSEPH's is engaged in the operation, maintenance, and management of a public hospital in the County of Middlesex;

AND WHEREAS the Executive possesses desirable skills and qualifications in the areas of health care administration and management ;

AND WHEREAS ST. JOSEPH's and the Executive have agreed to enter into an employment agreement for the mutual benefit of ST. JOSEPH's and the Executive in accordance with the terms and conditions set out in this Executive Employment Agreement ("Agreement"):

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the promises and mutual covenants herein contained, the parties hereto covenant and agree as follows:

1.0 ENGAGEMENT AND TERM

1.1 ST. JOSEPH's hereby confirms the engagement of the Executive in the position of President and Chief Executive Officer ("CEO") and the Executive hereby accepts the said employment.

1.2 Subject to the terms and conditions of this Agreement, ST. JOSEPH's shall employ the Executive in the position of President and CEO for an eight-year term that commences on the 4th of October 2010 and ends on the 30th of September,

2018) (the "Term"), subject to early termination in accordance with the terms and provisions of this Agreement.

1.3 ST. JOSEPH's shall advise the Executive on or before the commencement of the final year of the term of this Agreement whether the Agreement may be extended, and if so, for what further term. In the event an extension is not agreed to, the Executive shall continue to perform her responsibilities under this Agreement until the expiration of the Term, subject to early termination in accordance with the terms and conditions of this Agreement.

2.0 DUTIES AND RESPONSIBILITIES

2.1 As ST. JOSEPH's President and CEO, the Executive will exercise the authorities, duties and responsibilities of the most senior hospital administrator at ST. JOSEPH's, and as delegated by the Board of Directors (the "Board"), to represent, manage and direct the operations of ST. JOSEPH's, subject always to the control and direction of the Board. In this capacity, the Executive must well and faithfully serve ST. JOSEPH's, and shall make all reasonable efforts to protect and promote ST. JOSEPH's goals and interests, as a fiduciary of ST. JOSEPH's. The Executive will obey and carry out all lawful direction given by the Board, as well as all by-laws, policies, rules, regulations and constituting documents of ST. JOSEPH's as may be in place from time to time.

2.2 The Executive shall discharge her duties and responsibilities in a manner consistent with the expectations outlined in Appendix 1 hereto, and which Appendix shall form part of this Agreement.

2.3 The direct reporting relationship for the Executive, as the President and CEO of ST. JOSEPH's, will be to the Board and, as such, the Executive must regularly report, and be accountable, to the Board.

2.4 Unless prevented by ill health or for reasons as described in paragraphs 2.6 or 2.7, the Executive shall, during the term of employment, devote the whole of her work-time and attention to the business of ST. JOSEPH's and shall not, without prior written consent of the Board, engage in any other business or employment. It is recognized that a normal part of the Executive's employment includes representing ST. JOSEPH's on task groups or committees, or being a voluntary member of one or more boards of directors or committees of other healthcare related organizations or community associations. The Board specifically

acknowledges and consents to the Executive's affiliation with the Faculty of the Canadian Medical Association as well as her upcoming volunteer two year role as President of the Canadian Society of Physician Executives.

- 2.5 The Executive shall well and faithfully serve ST. JOSEPH's and shall use her best efforts to promote the interests thereof of the organizations and shall not disclose the private affairs of ST. JOSEPH's or any related or associated corporations or confidential personal information during her employment pursuant to this Agreement or at any time thereafter, except for:
- (a) disclosures required in the performance of the Executive's duties and responsibilities; and
 - (b) information that is already public or when required by law or court order.
- 2.6 At the request of the Executive, the Board may grant a temporary reduction in the Executive's workload or a short-term paid or unpaid leave(s) depending on the circumstances. Reasons for a such a change may include, but, will not be limited to an urgent family emergency or personal matter. Reasonable effort will be made to accommodate the Executive in such matters and grant the requested change. The Executive's benefits will be maintained during such a temporary change in working conditions.
- 2.7 At the request of the Executive, the Board may approve the Executive accepting a short-term special assignment to perform work for another organization for which the Executive may receive additional compensation. Such approval is contingent on such an assignment not impairing the ability of the Executive to fulfil her obligations to ST. JOSEPH's or creating a conflict of interest.

3.0 EMPLOYMENT COMPENSATION

3.1 SALARY

Subject to expiration and/or termination in accordance with this Agreement, ST. JOSEPH's agrees to provide the Executive with the following salary.

Effective October 4, 2010 an annual base salary of \$390,000 will be paid bi-weekly, subject to any and all necessary withholdings and payroll deductions as required by applicable laws. Commencing in the Fall of 2011 and continuing annually thereafter during the Term, the Executive's base salary shall be

reviewed by the Board based on an annual review of the Executive's performance and, subject to approval of the Board, the Executive's annual base salary may be increased effective October 1st of each year, or as soon as permitted by law, and such increase will be communicated to the Executive by the Board Chair in writing. The Board may engage the services of an executive compensation expert, as and when required, to provide advice and other assistance to the Board.

3.2 PERFORMANCE INCENTIVE

Effective October 4, 2010, the Executive shall be eligible to earn annual performance based compensation of up to twenty per cent (20%) of base salary. Commencing on or after October 4, 2010, the Board and the Executive will establish mutually agreeable target goals and objectives to be achieved and delivered by the Executive in the coming twelve months, which will include those objectives required in accordance with the *Excellent Care for All Act, 2010*. Effective October 1, 2011 and annually thereafter, the Board will conduct a review of the Executive's achievement of the pre-established goals and objectives to determine the Executive's eligibility to receive any portion of the performance based compensation. The Board Chair will communicate any such Board approved lump sum payment to the Executive in writing.

3.3 BENEFITS

Subject to expiration and/or termination in accordance with this Agreement, ST. JOSEPH's agrees to provide the Executive with the following benefits.

Employment benefits are established by the Board of ST. JOSEPH's in accordance with Board Policy and executive remuneration practices as may be amended or revised from time to time by ST. JOSEPH's. The Executive will be entitled to participate in all of the benefits available to other executive employees of ST. JOSEPH's from time to time in effect, subject to, and in accordance with, the terms and conditions of the applicable benefit plans. The Executive employment benefits will not be less than the following:

1. Automobile allowance of \$1,200.00 per month. Because of this benefit, the Executive is not eligible for reimbursement for automobile travel in her vehicle.

2. Extended Health Care, Hospitalization, and Dental benefits consistent with ST. JOSEPH's defined executive benefits plan.
3. Membership in the Healthcare of Ontario Pension Plan (HOOPP) per the terms and conditions of HOOPP.
4. Executive Flexible Benefit Spending Account of \$8,000.00 per calendar year that includes flexible healthcare spending account provisions as described in the Executive Flexible Benefit Spending Account plan document.
5. Long-term disability insurance in accordance with the ST. JOSEPH's executive benefits plan.
6. Paid sick leave and short-term disability coverage in accordance with the ST. JOSEPH's executive benefits plan.
7. Life insurance and accidental death and dismemberment coverage each in the amount of \$1,000,000.00, payable to the Executive's designated beneficiary.
8. Paid time off for the twelve (12) statutory and ST. JOSEPH's recognized public holidays.
9. Each calendar year, the Executive will be entitled to six (6) weeks [thirty (30) days]paid vacation. Increases to paid vacation are based on years of service and in accordance with the vacation policy for the ST. JOSEPH's executive benefits plan.
10. The Executive is required to take regular vacation breaks from work, and shall only be permitted to accumulate a balance of unused vacation time in the amount up to four (4) weeks or twenty (20) workdays at any time, unless expressly authorized in writing by the Chair or Vice Chair of the Board. Vacation shall be taken at a time mutually agreed to by the Executive and the Board.
11. Out-of-province and country business and personal comprehensive travel insurance.
12. Employer paid annual professional memberships including, but not limited to, Ontario Medical Association/Canadian Medical Association, College of Physicians and Surgeons of Ontario, Canadian College of Family Practice, Canadian Medical Protective Association, and Canadian Society of Physician

Executives, to a maximum of eight thousand dollars (\$8,000.00), related to healthcare or the Executive's profession.

13. Reimbursement for reasonable professional development expenses plus five days paid professional development leave per year to be used for the Executive's work related individualized professional development.

It is understood that ST. JOSEPH's responsibility for any insurance, pension or benefit plans is limited to the contribution of ST. JOSEPH's agreed share of premiums and ST. JOSEPH's is not the insurer of any benefits provided pursuant to such plans.

- 3.4 ST. JOSEPH's will reimburse the Executive for all reasonable business-related expenses, including, but not limited to, expenses for public relations, conferences, courses, study tours, symposiums and related travel incidental and other expenses actually and properly incurred by the Executive directly in the course of her employment with ST. JOSEPH's in accordance with, and subject to, ST. JOSEPH's expense policies in effect from time to time. An expense report, along with appropriate statements, vouchers and receipts verifying such expenses, shall be submitted for approval by the Chair or Vice-Chair of the Board.
- 3.5 It is a business requirement that the Executive be able to travel to any of the facilities and sites operated by ST. JOSEPH's, travel out of the London area, and to be in contact with ST. JOSEPH's during declared emergencies or unusual situations that may arise at any time. Because of the requirement to carry out hospital business at all sites, be accessible when working away from London, and to respond to ST. JOSEPH's emergencies, the Executive will be provided with the following equipment: a ST. JOSEPH's desktop computer (at work), a laptop computer, mobile internet access, a blackberry and a standard pager. For greater certainty, all expenses related to this equipment, including, but not limited to, the costs for blackberry services, mobile internet access, long-distance charges and home internet connection, that are actually and properly incurred by the Executive in the course of her employment with ST. JOSEPH's will be reimbursed by ST. JOSEPH's under this Agreement.

4.0 RETIREMENT

- 4.1 At any time after the age of fifty-five (55) [HOOPP Early Retirement Provisions], the Executive may voluntarily choose to retire under the HOOPP Provisions. The Executive will provide the Board with at least six (6) months written notice prior to her retirement date.
- 4.2 ST. JOSEPH's retains the right to search for a replacement during the period when the Executive has announced her retirement and to employ her replacement prior to the Executive's retirement date. Under such a circumstance the Executive will cease performing her normal job duties on a date designated by the Board. The Executive will continue to receive all employment compensation as specified in section 3.0 until her retirement date.
- 4.3 Should the Executive retire under paragraphs 4.1, a limited benefit package will be offered and includes: Semi Private Hospitalization, Extended Health, Dental benefits and a flat amount of \$100,000 Life Insurance. ST. JOESPH's shall pay 100% of the premium cost of such benefits. This benefit package will continue to be provided up to the age of sixty-five (65), however, it shall cease if the Executive becomes re-employed and eligible for benefit coverage elsewhere.

5.0 EXPIRATION OR TERMINATION

The Executive's employment with ST. JOSEPH's, unless earlier terminated, will expire or terminate, as the case may be, in the following circumstances:

- 5.1 The Executive's employment will automatically expire, without any notice or payment of compensation in lieu of notice or damages of any kind, on the expiration of the earlier of:
- (i) the Executive's declared voluntary retirement date; or
 - (ii) the Term.

In the year prior to the expiration of the Term, if requested by the Executive, in an effort to assist the Executive in transitioning to new employment as soon as possible after the expiration date, the Board will provide the Executive with a temporary reduction in the Executive's workload and/or a short-term leave of absence to enable the Executive to engage in retraining to facilitate her return to clinical practice and/or engage in a search of alternate employment. The

Executive's will continue to receive all employment compensation as specified in section 3.0 during such temporary change in working conditions. Additionally, if requested by the Executive, ST. JOSEPH's will provide the Executive with "executive level counselling services" that are suitable and appropriate to a President and Chief Executive Officer position for a maximum period of six (6) months.

A limited benefit package will be offered to the Executive that will include: Semi Private Hospitalization, Extended Health, Dental benefits and a flat amount of \$100,000 Life Insurance. ST. JOSEPH's shall pay 100% of the premium cost of such benefits. This benefit package will continue to be provided up to the age of sixty-five (65), however, it shall cease if the Executive becomes re-employed and eligible for comparable benefit coverage elsewhere.

Subject to the foregoing, in the event of such expiration, the Executive's entitlements will be strictly limited to receipt of any outstanding salary plus performance incentive and benefits under Section 3.0 of this Agreement until such expiration date.

- 5.2 The Executive's employment will terminate, at any time, without any notice or payment of compensation in lieu of notice or damages of any kind, in the event that the Executive and the Board mutually consent in writing to such mutual termination. In the event of such termination, the Executive's entitlements will be strictly limited to receipt of any outstanding salary plus performance incentive and benefits under Section 3.0 of this Agreement, until such termination date.
- 5.3 The Executive may terminate her employment, at any time, by providing, where practical, six (6) months, but in no event less than 120 days, written notice (or such lesser notice upon which the parties may mutually agree) of her resignation date to ST. JOSEPH's. In the event of such termination, the Executive's entitlements will be strictly limited to receipt of any outstanding salary plus performance incentive and benefits under Section 3.0 of this Agreement, until such resignation date.
- 5.4 Without limiting or otherwise affecting any of the remedies that ST. JOSEPH's may have hereunder, ST. JOSEPH's may immediately terminate the Executive's employment, at any time, for cause as defined by the common law (without

notice or payment of compensation in lieu of notice or damages of any kind) by notifying the Executive in writing of such termination.

5.5 ST. JOSEPH's may, at its sole discretion, terminate the Executive's employment, at any time, without cause by notifying the Executive in writing of such termination and by thereafter providing the Executive with working notice, pay-in-lieu of notice or any combination of the foregoing, as determined by ST. JOSEPH's, ("Notice Period") as follows:

- (a) on or before April 1, 2017, eighteen (18) months notice, thereafter on a declining prorated basis to the date that would have otherwise been the expiration of the Term ; or
- (b) the Executive's declared voluntary retirement date.

For greater certainty, during any Notice Period:

- (i) ST. JOSEPH's will continue to pay to the Executive, on ST. JOSEPH's regular payroll, an amount (less all applicable deductions, equal to the Executive's base salary as of her termination date for the full Notice Period.
- (ii) ST. JOSEPH's will continue to pay its regular employer contributions to maintain the Executive's full benefit coverage for the minimum period, if any, required by the then applicable employment standards legislation and, thereafter (so long as ST. JOSEPH's is able to obtain the required permission from its applicable benefit providers to continue the following coverage), ST. JOSEPH's will continue to pay its regular employer contributions to maintain each of the Executive's benefit coverage under paragraph 3.3 (excluding any life insurance and disability coverage), of this Agreement until the earlier of: (a) the last date in the Notice Period; or (b) the date that the Executive otherwise obtains replacement coverage for such benefits via new employment or otherwise. If ST. JOSEPH's is unable to obtain the required permission from its applicable benefit providers to continue the aforementioned coverage, ST. JOSEPH's will pay to the Executive a monthly lump sum amount equivalent to the monthly premium cost that would have been payable by ST. JOSEPH'S.

- (iii) ST. JOSEPH's will pay to the Executive her vacation pay for all accrued vacation the Executive has accumulated in accordance with paragraph 3.3 (10). ; and
- (iv) If requested by the Executive, ST. JOSEPH's will provide the Executive with "executive level counselling services" that are suitable and appropriate to a President and Chief Executive Officer position for a maximum period of six (6) months in an effort to assist the Executive in obtaining new employment as soon as possible after her termination date.

5.6 The parties confirm that the provisions in Sections 5.1 to 5.5 of this Agreement are fair and reasonable, and are in full satisfaction of any and all entitlements that the Executive may have, pursuant to statute (including any claim for termination pay or severance pay under the then applicable employment standards legislation), contract, common law or otherwise, as a result of the expiration or termination (as the case may be) of the Executive's employment with ST. JOSEPH's.

The parties further agree that, upon any expiration or termination (as the case may be) of the Executive's employment with ST. JOSEPH's in accordance with this Agreement, or upon any such termination by the Executive, the Executive will have no action, cause of action, claim, complaint or demand whatsoever against ST. JOSEPH's, its successors or assigns, its officers, directors, employees or agents or any other person as a consequence of such expiration or termination (as the case may be).

6.0 CONFIDENTIALITY

6.1 The Executive acknowledges that she will have access to and will be entrusted with, during the course of her employment, confidential information and documents relating to individuals as well as to the present and future business of ST. JOSEPH's and the Executive acknowledges and agrees that the right to maintain the confidentiality of such information and documents to preserve the goodwill of ST. JOSEPH's constitutes proprietary rights which ST. JOSEPH's is entitled to protect. Accordingly, the Executive hereby covenants, agrees and acknowledges that this covenant shall survive the termination of this Agreement, that she will not, either during the currency of this Agreement or any time thereafter, disclose any confidential information or documents of ST. JOSEPH's to any person, or use the same for purposes other than the purpose of ST.

JOSEPH's, unless required at law. The Executive acknowledges and agrees with ST. JOSEPH's that the restrictions hereinbefore contained are reasonable in the circumstances and hereby waives all defences to the strict enforcement thereof.

7.0. ILLEGALITY

7.1 In the event that any covenant or provision of the within Agreement is determined to be void or unenforceable in whole or in part, it shall not effect or be deemed to effect or impair the validity of any other covenant or provision hereof and the remainder of the Agreement shall be in full force and effect.

8.0 NOTICE

8.1 The parties shall be deemed to have received notice if,

- (a) it is hand-delivered in writing to the Executive or to the Chair or Vice-Chair of ST. JOSEPH's Board as the case may be; or,
- (b) it is mailed, addressed to that party, in the case of ST. JOSEPH's to the attention of the Chair or Vice-Chair of the Board of Directors, or in the case of the Executive, at her last residential address known to ST. JOSEPH's, and five (5) days have elapsed thereafter without a substantial and relevant postal disruption.

9.0 ASSIGNMENT

9.1 This Agreement shall not be assigned by the Executive without the prior written consent of ST. JOSEPH's.

10.0 GOVERNING LAW

10.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario. The Courts of the Province of Ontario shall have jurisdiction to hear and determine all disputes and claims relating to this Agreement.

11.0 ENTIRE AGREEMENT

11.1 This Agreement as well as applicable letters from the Board as contemplated by this Agreement specifying changes to the Executive's salary, benefits, or conditions of employment constitute the entire agreement between ST. JOSEPH's

and the Executive with respect to the employment of the Executive and cancels and supersedes all previous negotiations, understandings and agreements whether verbal or written. The parties acknowledge that there are no representations, warranties, terms, conditions, or collateral agreements express or implied, between the parties other than as expressly set forth herein.

11.2 The Executive hereby acknowledges having read and understood all of the provisions of this Agreement, having obtained independent legal advice and agrees to be fully bound by all of the terms, conditions and covenants contained in this Agreement.

12.0 SUCCESSORS AND ASSIGNS

12.1 This Agreement shall ensure to the benefit of and be binding upon the parties hereto, their respective permitted heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

SIGNED, SEALED AND DELIVERED) ST. JOSEPH'S HEALTH CARE,
 in the presence of) LONDON
) Per:
)
)
 _____)
 Witness) Chair, Board of Directors
)
)
 _____)
 Date August 25, 2010

_____)
 Witness) Dr. Gillian Kernaghan
)
)
 _____)
 Date Aug 25, 2010