

MINUTES OF THE SEPTEMBER 24, 2015, COMPENSATION AND HUMAN RESOURCES COMMITTEE MEETING

The Compensation and Resources Committee (“Committee”) of the Board of Regents of the Smithsonian Institution (“Smithsonian”) held a meeting on September 24, 2015, at the Smithsonian Castle in Washington, D.C. Participating were Committee Chair John Fahey* and Committee members Ambassador Barbara Barrett*, and John W. McCarter, Jr.*

Also present by invitation of the Committee were Secretary David Skorton*; Associate Director for Human Resources and Acting Chief of Staff to the Secretary Greg Bettwy; Director of the Office of Human Resources James Douglas; Office of the Regents Senior Researcher and Writer Jennifer Ehlinger (recorder); Inspector General Cathy Helm*; Under Secretary for Finance and Administration and Chief Financial Officer Albert Horvath; General Counsel Judith Leonard; Deputy Chief of Staff to the Regents Rachel Parker; and Chief of Staff to the Regents Porter Wilkinson*.

CALL TO ORDER

Committee Chair John Fahey called the meeting to order at 11:02 a.m.

APPROVAL OF MINUTES

Upon motion duly made and seconded, the Committee approved the draft minutes of the January 20, 2015, meeting without modification.

COMPENSATION CONSULTANT SELECTION

Chief of Staff to the Regents Porter Wilkinson updated the Committee on the progress of the compensation consultant selection process. Ms. Wilkinson reported that there have been a total of four responses received, from the original eight proposals that were sent out. The responses have been reviewed, evaluated, and rated by the Selection Committee, and the top three firms have been selected. The next step will include an interview process, during which the teams of the three top-rated firms will meet either in-person or telephonically with the members of the Selection Committee to discuss qualifications and merit. The process is expected to be finalized, with a firm selected and contract awarded by the end of October.

CALENDAR YEAR 2016 COMPENSATION

2016 List of Disqualified Person Positions

Associate Director for Human Resources and Acting Chief of Staff to the Secretary Greg Bettwy presented materials to support the Committee’s annual decision on disqualified persons. Mr. Bettwy explained that the list is unchanged from 2015, as there were no re-organizations or budgetary shifts that would require amending the position list for 2016.

** participated by teleconference*

Upon duly made and seconded, the following motion was approved:

VOTED that the Compensation and Human Resources Committee adopts the proposed 2016 list of disqualified persons, which remains unchanged from the previous year.

2016 Decision-Making Levels

Mr. Fahey reviewed the recommended proposed changes for the 2016 compensation decision-making levels. Management has recommended changes to the current decision-making levels, which have been in place since 2010. Changes have been proposed in order to ensure that the Board of Regents focuses their attention on the very top tier of compensation decisions.

Based on the proposed changes, the Board's review would include the following: Trust Positions that report to the Regents and/or Secretary; Federal Positions that reports to the Regents (Inspector General); Trust Positions designated as Disqualified Person positions; and any other position with a proposed salary above \$275,000, or proposed total compensation above \$300,000. This newly proposed criteria would keep the estimated number of positions, which warrant Board review to 35, as opposed to an estimated 45 positions, which would trigger review using the former criteria established in 2010.

Upon motion duly made and seconded, the following motion was approved:

VOTED that the Compensation and Human Resources Committee accepts the proposed changes and adopts the 2016 decision-making levels

2016 Updated Compensation Philosophies

Mr. Bettwy reviewed the proposed 2016 compensation philosophies. He explained that the philosophies are updated based on the anticipated federal pay range for the year. He reported that this year, management expects a one percent change in the salary range for Federal employees, which also impacts Trust compensation. Mr. Bettwy noted that the philosophies have been shortened due to the removal of the grandfathered employee's policy, which is no longer relevant since the grandfather period ended in 2014. The Committee agreed to adopt the draft 2016 Federal and Trust compensation philosophies, with a final version of the philosophies for review expected in January.

Upon motion duly made and seconded, the Committee voted to approve the following motion:

VOTED that the Committee agrees to adopt the draft of the proposed updated Compensation Philosophies, with a final version expected in January.

Committee Charter Review

The Committee charter is reviewed on an annual basis. The Committee made no changes to the Charter since it had previously been reviewed in January.

Upon motion duly made and seconded, the following motion was approved:

VOTED that the Compensation and Human Resources Committee approves that the Committee's charter remains unchanged, as no changes are needed since the most recent update, which was approved by the Full Board in January 2016.

Investment Incentive Payouts

The Committee reviewed preliminary data for the investment incentive payout for the annual performance period ending June 30, 2015. Mr. Bettwy reminded the Committee that the incentive program includes both quantitative and qualitative components. Preliminary data shows the Smithsonian's annual portfolio return at 6.1%, which is 5.9% greater than the benchmark return of 0.2%. The data also shows a three-year portfolio return of 11.3%, which is 4.2% greater than the benchmark return of 7.1%. Mr. Bettwy then reviewed preliminary estimates of maximum total cash levels for certain Office of Investment executives. The Committee will discuss the final data at their meeting in January 2016.

Under Secretary for Finance and Administration and Chief Financial Officer Al Horvath updated the Committee on the general framework and implementation progress of the incentive program for the Office of Investment and Smithsonian Enterprises. The Committee asked management to brief any Committee members not present on the status of the investment incentive payouts and the approach.

Updated Compensation Timeline

The Committee reviewed the executive compensation timeline for the 2016 process.

EXECUTIVE SESSION

The Committee then conducted an executive session to discuss the contract extension of the Smithsonian's former Secretary.

Upon motion duly made and seconded, the following motion was approved:

VOTED that the Compensation and Human Resources Committee approves the proposed compensation recommendation for the former Secretary and recommends to the full Board of Regents for approval.

ADJOURNMENT

The meeting was adjourned at 11:47 a.m.

Respectfully submitted,

John Fahey
Chair