

MINUTES OF THE JANUARY 20, 2016, COMPENSATION AND HUMAN RESOURCES COMMITTEE MEETING

The Compensation and Human Resources Committee (“Committee”) of the Smithsonian Institution Board of Regents held a meeting on January 20, 2016, at the Smithsonian Institution Building in Washington, DC. Participating were Committee Chair John Fahey, Ambassador Barbara Barrett*; member Representative Xavier Becerra*; member Senator John Boozman*; and Board and Executive Committee Chair John W. McCarter, Jr.*

Also present by invitation of the Committee were Secretary of the Smithsonian David Skorton; Associate Director of the Office of Human Resources (“OHR”) Greg Bettwy; Director of OHR James D. Douglas; Under Secretary for Finance & Administration/Chief Financial Officer Albert Horvath; Deputy Chief of Staff to the Regents Rachel Parker; and Chief of Staff to the Regents Porter Wilkinson.

Pearl Meyer consultants Jim Hudner and Terry Brown also participated in the meeting.

CALL TO ORDER AND INTRODUCTIONS

Committee Chair John Fahey called the meeting to order at 10:00 a.m. He welcomed the Committee members and meeting participants, and thanked new consultants Jim Hudner and Terry Brown for their participation in the meeting and compensation decision efforts. Committee members and Smithsonian and Regent staff then went around the room to introduce themselves for the benefit of the new consultants.

APPROVAL OF MINUTES

Upon motion duly made and seconded, the draft minutes of the September 24, 2015, and December 18, 2015, Committee meetings were approved without modification.

GENERAL COMPENSATION ISSUES & DECISIONS

Secretary David Skorton presented updates on two initiatives that align with the work of the Committee. The first initiative will evaluate the effectiveness of the current unified compensation approach that was put into place in 2007. The second, is a new hiring initiative called the “Smithsonian Secretary’s Scholars.” The program’s aim is to enhance the Smithsonian’s creative and intellectual workforce by funding 40 new positions in the curatorial, conservation, research, and science fields. The positions would have initial term-limits of five years, with the goal of funding the positions for a longer period. The Secretary highlighted the importance of this effort and pointed out that the Smithsonian’s creative workforce has decreased, while at the same time, its collections have grown. Without the knowledge and expertise of curators, conservators, researchers, and scientists, treasured Smithsonian collections will be merely objects with no context or purpose.

**Participated by telephone*

2016 COMPENSATION BACKGROUND

Mr. Fahey opened the discussion of compensation recommendations by first reviewing the Committee's role and duties related to the area of compensation for a not-for-profit organization, including the disclosure of any real or perceived conflicts of interest with regard to any of the executives noted in the meeting materials. All members affirmed they held no real or perceived conflicts of interest. In the absence of General Counsel Judith Leonard, Chief of Staff to the Regents Porter Wilkinson and Associate Director of OHR Greg Bettwy confirmed the participants' attestations were sufficient to support the compensation deliberations.

The Committee was reminded of the updated compensation philosophies that were approved in September 2015. Associate Director of OHR Greg Bettwy explained the general summary statistics data provided in the meeting materials, which included general demographic information, performance appraisal data, and average total cash and salary information.

The Committee then reviewed the summary report from the independent compensation consultants. All positions are benchmarked every two years, and since the current year is considered an "off" year, management aged data from previous years and received new and recent comparables from the consultants on roughly 50 positions. Those positions include new positions and positions for which data anomalies were encountered from the previous year. Management and the consultants ensured the Committee that the best data set was established, which is important particularly in the areas of Investments and Smithsonian Enterprises.

Pearl Meyer consultants Jim Hudner and Terry Brown reviewed the summary report in further detail and affirmed to the Committee that the compensation levels for Smithsonian executives are reasonable for Internal Revenue Service ("IRS") intermediate sanctions purposes.

2016 COMPENSATION DECISIONS

Decisions Made by the Committee

The Committee first reviewed compensation information regarding the positions for which the Committee alone approves compensation decisions. The positions include those considered to be market-based and Federal-equivalent, which are Trust-funded positions. The Committee reviewed justifications for variances above and below the competitive market range. Four specific proposals above the competitive range were also presented and thoroughly discussed.

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

VOTED that the Compensation and Human Resources Committee approves the Secretary's compensation recommendations for those positions in Tab C.

Decisions Made by the Full Board

Mr. Fahey reminded the Committee that compensation decisions for a limited number of “high-impact” positions require the approval of the full Board. Staff exited the meeting during discussions of his or her compensation. The Committee discussed two instances wherein compensation recommendations exceeded the competitive market range.

Staff re-entered the room and the Committee moved onto a discussion of investment incentives. Mr. Fahey reminded the Committee of the investment portfolio’s performance level, which is outperforming the benchmark, and is therefore driving the proposed compensation levels in the incentives.

After consideration and upon motion duly made and seconded, the following motion was approved:

VOTED that the Compensation and Human Resources Committee recommends that the Board of Regents approve the Secretary’s compensation recommendations for those positions in Tab D.

EXECUTIVE SESSION

The Committee then conducted an executive session to discuss compensation recommendations for the current Secretary and the contract extension of the Smithsonian’s former Secretary.

The Committee discussed the timing of the Secretary’s start date related to performance evaluation and compensation recommendations. In line with Smithsonian policy, the Secretary and Board of Regents Chair will work to develop performance expectations during the fiscal year. The Board will use those standards to evaluate the Secretary’s performance at the end of fiscal year 2016.

The Committee then discussed the contract extension of the Smithsonian’s former Secretary. Upon 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 approximately 12:00 p.m.

Respectfully submitted,

John Fahey
Chair