

MINUTES OF THE JANUARY 7, 2011, COMPENSATION AND HUMAN RESOURCES COMMITTEE MEETING

The Compensation and Human Resources Committee (“the Committee”) of the Smithsonian Institution Board of Regents held a meeting on January 7, 2011, beginning at 2:30 p.m. at the Smithsonian Institution Building in Washington, D.C. Participating were Committee Chair Roger Sant and members Representative Xavier Becerra*, John McCarter*, and Patricia Stonesifer*. Also present were Secretary G. Wayne Clough, Chief of Staff to the Secretary Patricia Bartlett, Associate Director of the Office of Human Resources (OHR) Gregory R. Bettwy, Director of OHR James D. Douglas, Assistant to Representative Becerra Melody Gonzales*, Office of the Regents Program Officer Grace Jaeger (recorder), Chief of Staff to the Regents John K. Lapiana, General Counsel Judith Leonard, and PricewaterhouseCoopers Principal Carl Weinberg*.

CALL TO ORDER AND APPROVAL OF MINUTES

Mr. Sant called the meeting to order. The Committee approved the minutes of the September 27, 2010, meeting.

2011 COMPENSATION FREEZE

Salaries

Mr. Sant began the discussion by explaining that government-wide Federal salaries are frozen for two years. There will be no annual cost of living increases for employees at both the senior and non-senior levels. The Institution has a longstanding tradition of following the Federal scale for non-senior Trust employees and Secretary Clough recommended maintaining the tradition with no increases for non-senior Trust employees. While Federal senior level salaries are frozen, there is discretion for senior level Trust employees. Secretary Clough recommended that the Committee follow the same principle and freeze their salaries as well. He noted that there are exceptions to the freeze, such as allowances for step increases and promotions.

Awards

Mr. Douglas noted that while the Federal freeze legislation did not address awards, the Office of Management and Budget issued guidelines recommending their deferment. The Secretary suggested that the Committee approve his recommendation to defer awards until the moratorium on awards is lifted. This would preclude the need to convene an additional meeting and vote at a later date. Members discussed the recommendations and agreed to also defer Trust awards in accordance with the same timeline.

Hiring

The Secretary is also instituting a Federal hiring freeze, with exceptions provided for a limited number of critical-to-fill vacancies, and a freeze on discretionary spending. There will be no Trust hiring freeze.

* *participated by teleconference*

Ms. Stonesifer commended the Secretary on his leadership in handling this difficult issue by sending a strong and important message of unity.

The Committee then approved the following motion:

VOTED that the Compensation and Human Resources Committee adopts the recommendations of the Secretary regarding the freeze of 2011 salaries and awards.

2011 COMPENSATION PROCESS

Mr. Sant began the discussion of the 2011 compensation process by reminding Committee members of their duties as a compensation review board for a not-for-profit organization. This requires full disclosure of any real or perceived conflicts of interest with any of the Smithsonian executives for whom pay will be determined. All members of the Committee verified that they had none.

Mr. Weinberg presented an overview of the results of the compensation survey that PricewaterhouseCoopers conducted. He summarized the methodology, sources, and peer groups used, and noted that the survey reflected the Committee's discussion at its September 27, 2010, meeting and the Smithsonian's philosophy of targeting compensation levels at the 50th percentile of the relevant labor market.

Mr. Sant directed members to the compensation proposals in the meeting materials behind TAB C and the committee discussed those proposals.

The Committee then reviewed the positions included in TAB D of the Committee's meeting materials. Compensation for these positions is determined by the Committee which recommends its decisions for subsequent approval by the full Board of Regents. Because their positions were included in this list, Ms. Bartlett, Mr. Lapiana, and Ms. Leonard did not participate in the review and left the meeting.

In some cases established formulas are used to determine compensation. Those formulas were described by Mr. Bettwy in terms of the recommendations in TAB D. Secretary Clough explained his recommendations for his direct reports.

The Committee also discussed compensation for the "grandfathered" executives (executives whose salaries will revert back to market-based or Federal-equivalent rates in January 2013). The Committee concurred with the Secretary's proposal.

The following motions were then approved:

VOTED that the Compensation and Human Resources Committee approves the Secretary's compensation recommendations for positions in TAB C of the meeting materials.

VOTED that the Compensation and Human Resources Committee concurs with the Secretary's compensation recommendations for those positions in TAB D of the meeting materials and forwards them to the Full Board for final decision at the January 31, 2011, meeting.

The Committee then went into Executive Session and discussed the Secretary's compensation. Members received a briefing from the Board Chair on the Secretary's performance for fiscal year 2010. A discussion followed and the following motion was approved. The Committee concluded that the proposed compensation is consistent with the recommendation of the Chair and with comparables provided by the Committee's compensation consultant, PricewaterhouseCoopers. The Secretary declined a cash bonus.

VOTED that the Compensation and Human Resources Committee recommends to the Full Board that the Secretary receive a salary of \$504,700 and a time-off award of 40 hours for 2011.

Ms. Stonesifer suggested that a future meeting topic include a review of compensation in terms of retention given that salaries will remain tight for the foreseeable future.

ADJOURNMENT

The meeting was adjourned at 4:15 p.m.

Respectfully submitted,
Roger W. Sant