

## **MINUTES OF THE JUNE 16, 2009, COMPENSATION AND HUMAN RESOURCES COMMITTEE MEETING**

The Compensation and Human Resources Committee (“the Committee”) of the Smithsonian Institution Board of Regents conducted a meeting on June 16, 2009, beginning at 3:00 p.m. at the Smithsonian Institution Building in Washington, D.C. Participating were Committee Chair Roger W. Sant and Committee members John W. McCarter\*, and Patty Stonesifer. Also present were Associate Director of the Office of Human Resources (OHR) Gregory R. Bettwy; Director of OHR James D. Douglas; Assistant to Congressman Becerra Melody Gonzales\*; Associate General Counsel Lauryn Guttenplan; Office of the Regents Program Officer Grace Jaeger; Chief of Staff to the Regents John K. Lapiana; and General Counsel Judith Leonard.

Mr. Sant called the meeting to order at 3:02 p.m. He asked if there were any questions or comments on the minutes from the January 12, 2009, meeting. There were none and the minutes were approved.

Mr. Sant asked Mr. Douglas to provide an update on the executive level freeze on salary increases and cash awards for specific Trust executives (market-based positions and Federal-equivalent positions with salaries above the Federal cap). Mr. Douglas reported that, since the freeze was enacted in January 2009, the economic climate had not improved nor was it expected to improve before the end of fiscal year. He said that the Secretary had extended the freeze through the end of the compensation year and, in lieu of cash awards, time-off awards had been given in some cases, which would not impact the Institution financially.

Mr. Bettwy gave an update on the incentive program for the Office of Investments, details of which were in the meeting materials. The Office of General Counsel, on advice from outside counsel, suggested changes to the plan, which were incorporated by OHR and included in the agenda materials for the meeting. He said that the first compensation decision using the plan would take place during the next compensation cycle. Mr. Sant commented that the benchmarks were based on the portfolio allocations from the previous year and that the Investment Committee had made tactical changes to that allocation. Mr. Bettwy said OHR was working with Chief Investment Officer Amy Chen to develop a preliminary revised set of benchmarks and asset class weightings to reflect the new tactical strategy.

Mr. Bettwy gave an update on the 2008 payouts for all Smithsonian Enterprises (SE) employees in incentive and commission plans. He referred members to a chart in the meeting materials that showed the relationship between total cash received by SE employees and the Federal aggregate cap and/or market data. He confirmed that the aggregate level cap was not exceeded by any Smithsonian non-senior employee and that the incentive program used by SE was in alignment with market data. He also said that this information would be reviewed annually for compliance with policies.

*\* participated by teleconference*

Mr. Bettwy then briefed the Committee on executive recruitment, relocation, and retention bonuses and referred members to supporting data in the meeting materials. Bonuses awarded were within the permissible ranges under Smithsonian policy and in line with the unified compensation policy. Mr. Douglas noted that the Office of Personnel Management recently had reminded agencies to annually review the conditions under which they provide retention incentives to ensure compliance with Federal law. Ms. Stonesifer questioned the use of retention bonuses for certain positions and Mr. Douglas responded that all retention bonuses were under review, given the current job market situation.

Mr. Douglas provided an update on the Smithsonian Leadership Development Program (SLDP), a successful 18-month program that recently had graduated 11 employees. He explained that it initially was a succession-management program that focused on developing bench strength for specific executive positions. That initial effort evolved into a merit-based program to provide leadership skills to help program participants in their current and future positions. He said that elements of the program would be strategically revised, and the updated program would be launched in late 2009. Following a question from Mr. Sant, Mr. Douglas discussed the selection process for the next program, noting that it would be more rigorous and exhaustive and would include a competitive application procedure. Mr. McCarter suggested looking to the Aspen Institute's Henry Crown Fellowship Program as a successful model. Mr. Douglas expressed his gratitude for the financial assistance provided by two Smithsonian National Board members, who also actively participated in the program. Ms. Stonesifer suggested acknowledging their support at the next Regents' meeting.

Mr. Bettwy discussed several informational charts in the meeting materials that included data on employee and executive diversity, age, attrition rates, and performance appraisals, among other issues. The Committee discussed which data should be included in the periodic "dashboard" prepared by OHR for the Committee. Members discussed showing a small set of no more than six indicators on a single page, but decided that it would continue to review the issue. Mr. Bettwy pointed out that the current information indicated a relatively stable workforce but that diversity among senior level positions remained a challenge.

Mr. Douglas updated the Committee on the senior level performance system that was being overhauled under an accelerated schedule in order to petition the Office of Personnel Management for certification. He explained that if the Institution's petition was approved and its system was certified, pay for senior level employees could be raised for approximately 140 Federal and Trust executives in 2010 rather than 2011. This would raise the aggregate salary cap to \$227,300 a year. Mr. McCarter referred OHR and Committee members to current literature on performance reviews.

The meeting was adjourned at 4:30 p.m. and the Committee went into executive session.

Respectfully submitted,  
Roger W. Sant, Chair