

MINUTES OF THE SEPTEMBER 14, 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 September 14, 2009, beginning at 1:30 p.m. at the Smithsonian Institution Building in Washington, D.C. Participating were Committee Chair Roger W. Sant and Committee members Senator Thad Cochran*, Representative Xavier Becerra*, 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 Senator Cochran T.A. Hawks*, Office of the Regents Program Officer Grace Jaeger, Chief of Staff to the Regents John K. Lapiana, General Counsel Judith Leonard, Chief Financial Officer Alice Maroni**, and PricewaterhouseCoopers Principal Carl Weinberg.

Mr. Sant called the meeting to order at 1:35 p.m.

Mr. Douglas gave the Committee updates on the Smithsonian Leadership Development Program, noting that the second session, Leadership 2.0, had begun and that a four-session Leadership Forum featuring prominent human resources professionals providing lectures and interactive sessions, will be held shortly. Funded in part by a gift, the Forum will be provided to 50–60 participants.

Secretary Clough updated the Committee on the remaining senior vacancies. Dr. Eva Pell was selected as the Under Secretary for Science and will begin in January 2010; she will attend the September 20, 2009, Regents’ dinner and the September 21, 2009, Regents’ meeting. The search for a new National Zoological Park (NZP) Director is under way; the candidate pool will be narrowed to three shortly. Former NZP Director John Berry, now the Director of the Office of Personnel Management, has provided valuable assistance to OHR. The search for a new Cooper-Hewitt Director has begun anew after the final candidate declined and the vacancy announcement for the Director of Education, funded by Regent Robert P. Kogod, was posted publicly and interviews will be scheduled shortly.

Mr. Sant asked if there were any questions or comments on the minutes from the June 16, 2009, Committee meeting. There were none and the minutes were approved.

FISCAL YEAR 2010 COMPENSATION

Several aspects of fiscal year 2010 compensation were discussed and agreed upon by the Committee. Detailed background information was provided in the meeting materials.

Compensation Approach

Several cost-saving measures were proposed at the August 2009 meeting of the Finance Committee that would have required approval of the Committee. Since then, the financial situation has improved such that the proposed measures will not be necessary. Smithsonian Enterprises (SE) has projected higher revenues than anticipated and the 2010

** participated by teleconference*

*** Ms. Maroni was present from 1:35 to 1:45 p.m.*

general pay increase is projected to be smaller than previously estimated. Therefore, a pay freeze for non-senior Trust positions will not be necessary; however, the Trust hiring freeze will continue and there will likely be a buyout program. Secretary Clough noted that senior level pay increases may be possible and that the decision will be made in December 2009.

Disqualified Person Positions

Information provided in the meeting materials was discussed and members concurred on the following changes to the Disqualified Persons List suggested by OHR:

- approve the list of Disqualified Persons positions for 2010 provided in the meeting materials, leaving the total number at 25,
- delete the position of Under Secretary for Art, and
- add the Director of Business Development and Licensing position.

Decision Making Levels

Mr. Sant noted that over time the number of positions for which the Committee and Full Board decide compensation has decreased from hundreds to less than 25. The recommended total number of positions for review for 2010 is 225 with 37 decided by the Committee and 16 by the Full Board. The remaining will be decided by the Secretary. Members of the Committee concurred with the recommendations made by OHR.

Compensation Philosophies

The Committee reviewed changes made to the Smithsonian's Compensation Philosophies for Senior Level Trust and Federal Executives, which were made in response to the new IRS form 990. Drafted by the Office of General Counsel and incorporated by OHR, the changes will document the Institution's compensation decision-making process and ensure that the Institution fully meets IRS standards and that there are no conflicts of interest.

Executive Compensation Process

The Smithsonian obtains comparable compensation data for its executive positions every two years and ages that data in the off years, as documented in the Compensation Philosophies. Calendar year 2010 will be an off year and under the terms of the contract with PricewaterhouseCoopers (PWC), which was executed in 2008 for calendar year 2009, PWC will provide the Institution with an aging factor that OHR will use to determine executive level compensation proposals for the Committee's review at the December 2009 and January 2010 meetings.

In addition to the aging factor, for 2010 the Smithsonian will ask PWC to provide comparable salary data for three new positions: Director of Education, Director of Planned Giving, and Director of the National Capital Campaign, as well as for the position of Secretary, which will be requested every year due to high degree of scrutiny given to this position. PWC will also look at comparable data for Smithsonian Enterprises publishing positions and positions in the Office of the Chief Investment Officer, although data may not be available due to changes in the economy.

Mr. Sant requested that the minutes document the compensation discussion in order to comply with IRS Form 990 requirements.

COMMITTEE DASHBOARDS

Mr. Bettwy provided an overview of the Committee dashboards provided in the meeting materials. The dashboards provide statistics on race/ethnicity and gender, performance ratings distribution for staff and executives, and the executive compensation timeline. He said that the charts (which include Smithsonian Enterprises, or SE) show a stable workforce and a stable distribution of race/ethnicity and gender.

The performance rating chart shows that most employees receive an outstanding rating but it is anticipated that senior ratings will change once the new performance appraisal system is in place. He noted that for fiscal year 2009, the Smithsonian's attrition rate was 13.4% (vs. 15.29% average for the Federal government) and its gain rate was 13.8% (vs. 17% average for the Federal government). As of August 1, 2009, the total number of Smithsonian employees was 6,240. Mr. Sant requested the chart be shown without SE employees and always with the Federal government rates for comparison.

Discussion followed on which charts Committee members would like to continue receiving and what changes should be made to their content. Ms. Stonesifer requested information on recruitment pools and Mr. Sant requested a chart on diversity in the senior ranks. Mr. Becerra noted that the populations in many of the categories are small and percentages can be misleading; he requested that actual numbers be given as well as percentages.

Ms. Stonesifer also requested that a metric be developed to show employee engagement as measured by the employee survey.

NEW REQUIREMENTS FROM THE OFFICE OF PERSONNEL MANAGEMENT

The Committee discussed the new priorities that the Office of Personnel Management, with the change in administration, is emphasizing:

- Hiring Reform (improvements in hiring process mapping, streamlined/plain language job announcements, hiring manager involvement, and applicant notification);
- Work-Life Initiatives (improving employee satisfaction and worklife practices);
- Federal Benefits for Same-Sex Domestic Partners; and
- Recruitment, Relocation, and Retention Incentives.

Because the latter was discussed at the previous Committee meeting, OHR submitted a report on use of these incentives at the Smithsonian.

The Committee went into executive session and the meeting was adjourned at 2:45 p.m.

Respectfully submitted,
Roger W. Sant, Chair