

## **MINUTES OF THE JANUARY 27, 2020, MEETING OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE**

The Compensation and Human Resources Committee (“Committee”) of the Board of Regents (“Board”) of the Smithsonian Institution (“Smithsonian”) conducted a meeting on January 27, 2020, in the Regents’ Room at the Smithsonian Castle in Washington, D.C. Participating were Committee Chair John Fahey and Committee members Senator John Boozman, and David M. Rubenstein.

Also present by invitation of the Committee were Secretary Lonnie Bunch; Associate Director of Human Resources Angela Ameen; Chief of Staff to the Secretary Greg Bettwy; Provost and Under Secretary for Museums, Education, and Research John Davis; Associate General Counsel Farleigh Earhart; Deputy Chief of Staff to the Regents Kate Forester; Inspector General Cathy Helm; General Counsel Judith Leonard; Human Resources Specialist Suleyka Lozins; Special Advisor to the Acting Under Secretary for Finance and Administration Brenda Richardson Malone; Director of the Office of Equal Employment and Minority Affairs Era Marshall; Acting Under Secretary for Finance and Administration Mike McCarthy; and Chief of Staff to the Regents Porter Wilkinson.

Pearl Meyer consultant Jim Hudner\* also participated in the meeting.

### **CALL TO ORDER AND AGENDA REVIEW**

Committee Chair John Fahey called the meeting to order at approximately 8:00 a.m. and reviewed the agenda.

### **APPROVAL OF MINUTES**

Upon motion duly made and seconded, the draft minutes of the December 10, 2019, Committee meeting were approved without modification.

### **GENERAL COMPENSATION AND HUMAN RESOURCES UPDATES**

At its December 2019 meeting, the Committee reviewed the initial results of Pearl Meyer’s benchmarking work for Smithsonian senior level executives as the first step in the development of a new pay band approach for compensation of senior level market-based positions. At the Committee’s request, Pearl Meyer is continuing work on the development of pay ranges for additional senior level market-based positions in addition to guidelines for executive pay-setting and administration. Pearl Meyer consultant Jim Hudner outlined the proposed plan and timeline for the continued work and will report back to the Committee at its May meeting.

*\*Participated by telephone*

## 2020 COMPENSATION BACKGROUND

Mr. Fahey opened the discussion of compensation recommendations by reviewing the Committee's responsibilities and duties related to the area of compensation. As part of the review process, the Committee is required to confirm the absence of any real or perceived conflicts of interest with any of the Smithsonian executives considered in the meeting materials, thus ensuring an independent review. All Committee members affirmed they held no real or perceived conflicts of interest.

Next, Mr. Fahey outlined the Smithsonian's general approach to compensating senior level Trust and Federal executives. Since approving the addition of an Augmented ("hybrid") category to the Trust compensation approach in September 2018, the Institution now applies a three-pronged test to determine which compensation approach should be followed for senior level Trust positions, which identifies positions as Federal-equivalent, market-based, or hybrid. For the Federal-equivalent compensation approach, the Smithsonian relies on the Federal Senior Level pay scale, which is set by the Office of Personnel Management. Smithsonian compensation levels are also defined by the Smithsonian's compensation philosophy, past practice, and relevant labor market comparisons. When setting compensation levels, the Smithsonian ensures that the compensation paid is both reasonable, as defined by the Internal Revenue Service ("IRS") guidelines, and comparable to compensation offered by organizations and executives with similar duties and responsibilities. The Committee's review is validated and supported through a reasonable analysis provided by independent compensation consultant Pearl Meyer. As with its Trust senior executives, the Smithsonian strives to ensure that compensation paid to Federal executives is consistent with that offered by other government organizations to executives with similar duties and responsibilities.

## 2020 COMPENSATION DECISIONS

Mr. Fahey then reviewed the compensation recommendations being considered as part of the annual compensation review and decision process and noted that vacant positions are not included in the review, nor are positions that will be filled on or after January 5, 2020, which is the start of the 2020 compensation year. Salary adjustments, if approved, will be effective January 5, 2020, and implemented retroactively. The Committee reviewed 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.

### **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, Federal-equivalent, or Augmented ("hybrid"), which are Trust-funded positions. The Committee reviewed justifications for variances above and below the competitive market range.

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

**VOTED** that the Compensation and Human Resources Committee approves the 2020 compensation recommendations for senior executive positions recommended for Committee decision, effective January 5, 2020.

***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 Board. The Committee and Board consider factors including alignment with the Institution’s compensation philosophy and the competitive market range when making these decisions. Affected staff exited the meeting for this discussion.

Upon motions duly made and seconded, the following motions were approved:

**VOTED** that the Compensation and Human Resources Committee recommends that the Board of Regents approves the 2020 compensation recommendations for senior executive positions.

**EXECUTIVE SESSION: SECRETARIAL COMPENSATION**

The Committee then conducted an executive session to review compensation recommendations for the Secretary. Mr. Fahey informed the Committee that the Secretary assumed his position effective June 16, 2019, and thus is not eligible to be evaluated on his fiscal year 2019 performance. The Secretary will be eligible to be considered for a salary increase or award during the fiscal year 2020 performance cycle.

**EXECUTIVE SESSION: PAY EQUITY**

The Committee remained in executive session to receive legal advice and advice from its compensation consultants and to discuss the internal pay equity analysis. The consultants identified job-based and incumbent-based factors that are currently influencing internal pay levels, and did not find any bias in predicting pay levels based on gender, race, or ethnicity.

**ADJOURNMENT**

With no further business to consider, the meeting was adjourned at approximately 9:15 a.m.

Respectfully submitted,

John Fahey  
Chair