

MINUTES OF THE JANUARY 29, 2018, MEETING OF THE COMPENSATION AND HUMAN RESOURCES COMMITTEE

The Compensation and Human Resources Committee (“Committee”) of the Smithsonian Institution Board of Regents (“Board”) held a meeting on January 29, 2018, at the National Museum of the American Indian (“NMAI”) in Washington, D.C. Participating were Committee Chair John Fahey and Committee members Senator John Boozman, Ambassador Barbara M. Barrett, Congresswoman Doris Matsui, and David M. Rubenstein.

Also present by invitation of the Committee were Chief of Staff to the Secretary Greg Bettwy, Under Secretary for Finance & Administration/CFO Albert Horvath, General Counsel Judith Leonard, Director of Human Resources Brenda Malone, 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. The Committee immediately moved into executive session to review compensation and personnel matters.

COMPENSATION POLICY UPDATES

Prior to making specific determinations for 2018, the Committee addressed two compensation policy issues.

First, the committee determined that it would like Pearl Meyer, as the Board’s compensation consultant, to look into the creation of a possible new third category of compensation approach for Trust executives specific to Trust positions that have not only significant duties found in the Federal sector but also duties that require skill sets that are not common in the Federal sector. The consultant will make a presentation to the committee at their May meeting.

Second, the committee discussed a potential change to the comparator group for the Inspector General’s compensation, in line with best practices in the Federal sector for determining the compensation of Inspectors General in organizations like the Smithsonian.

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

VOTED that the Compensation and Human Resources Committee approves the updated comparator group for determining the Inspector General’s compensation.

2018 COMPENSATION BACKGROUND

Mr. Fahey started the discussion of compensation recommendations by reviewing the Committee's responsibilities and duties related to the area of compensation, including full disclosure of any real or perceived conflicts of interest with any of the Smithsonian executives considered in the meeting materials. All Committee members affirmed they held no real or perceived conflicts of interest. Chief of Staff to the Regents Porter Wilkinson and Chief of Staff to the Secretary Greg Bettwy confirmed the members' attestations were sufficient to support the compensation deliberations.

The Committee was reminded of the compensation philosophies, policies, and procedures, which were amended in September 2015. Mr. Fahey outlined the general summary statistics data provided in the meeting materials, which included performance appraisal data, average total cash and salary information, and general demographic information.

The Smithsonian Institution ensures that the compensation levels for Trust positions are (i) reasonable as defined by the Internal Revenue Service ("IRS") guidelines, and (ii) 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. For Trust executive positions subject to a market-based compensation approach, the Committee's compensation recommendations are based on a dual comparator survey. The Committee reviewed the reasonable analysis used by the consultants and compared the 75th percentile to the proposed compensation levels. The Committee also considered compensation proposals using the 50th percentile, recognizing the Smithsonian's role as a public trust and compensation philosophy of targeting the 50th percentile

The Committee also discussed the competitive and reasonableness of Smithsonian compensation levels as defined by the Smithsonian's compensation philosophy and past practice.

2018 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. One specific proposal above the competitive range was presented and discussed.

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

VOTED that the Compensation and Human Resources Committee approves the 2018 compensation recommendations for senior executive positions.

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. Affected staff exited the meeting for this discussion. The Committee confirmed compensation recommendations as outlined by the Smithsonian compensation policy.

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

VOTED that the Compensation and Human Resources Committee recommends that the Board of Regents approves the 2018 compensation recommendations for senior executive positions.

Secretarial Compensation and Terms of Employment

The Committee then discussed compensation recommendation and terms of employment for the Secretary. Members received a briefing from Board Chair David M. Rubenstein with regard to the Secretary’s performance for fiscal year 2017. The Committee concluded that the proposed compensation recommendation of the Chair was consistent with the comparable positions identified by Pearl Meyer.

After full consideration of all recommendations 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 2018 compensation recommendation and proposed terms of employment.

ADJOURNMENT

The meeting was adjourned at approximately 9:30 a.m.

Respectfully submitted,

John Fahey, Chair