

MINUTES OF THE JANUARY 19, 2021, 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 videoconference meeting on January 19, 2021. Participating were Committee Chair John Fahey and Committee members Steve Case, Michael Govan, and Denise M. O’Leary.

Also present by invitation of the Committee were Associate Director of the Office of Human Resources Angela Ameen, Chief of Staff to the Secretary Greg Bettwy, 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, Director of the Office of Equal Employment and Supplier Diversity Era Marshall, Under Secretary for Administration Mike McCarthy, Deputy Secretary and Chief Operating Officer Meroë Park, and Chief of Staff to the Regents Porter Wilkinson.

CALL TO ORDER AND AGENDA REVIEW

Committee Chair John Fahey called the meeting to order at approximately 2:00 p.m. and reviewed the agenda.

APPROVAL OF MINUTES

Upon motion duly made and seconded, the draft minutes of the December 11, 2020, Committee meeting were approved without modification.

GENERAL COMPENSATION AND HUMAN RESOURCES UPDATES

The Committee entered an executive session at approximately 2:06 p.m. Mr. Fahey opened the discussion on general compensation and human resources 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.

Updating Inspector General Comparator Group

The Committee first reviewed proposed updates to the Inspector General compensation approach to reflect a Federal Inspector General position. Mr. Fahey noted that the comparable list was last updated in 2017, prior to the Smithsonian’s reorganization, which was approved by Congress in April 2020. The Committee reviewed the proposed comparable that was developed, focusing in general on positions that have a direct reporting relationship to the Secretary or Deputy Secretary, with Institution-wide responsibilities, or are listed specifically in

the Inspector General Reform Act of 2008, which includes provisions for the compensation of Inspectors General.

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

VOTED that the Compensation and Human Resources Committee approves the comparable group be revised and that a full review be completed encompassing new positions and presented to the Regents by December 2021 for approval prior to the 2022 compensation decisions.

Annual Report on Sexual Harassment and Workplace Culture

In addition to reviewing information on individual sexual-harassment complaints as specified by the Committee, the Compensation and Human Resources Committee Charter mandates that the Committee review an annual report on workplace culture at the Smithsonian. Workplace culture accomplishments for fiscal year 2020 included the hiring of an Anti-Harassment and Workplace Violence Prevention Coordinator, and the formal launch of the Smithsonian Institution Civil Program. The Committee received an inaugural report that will be further developed for future years.

Performance Narratives and Compensation Background Summary Charts

Next, the Committee reviewed the performance narratives and summary charts for Smithsonian senior-level executives. Mr. Fahey reminded the Committee that mitigation efforts as part of the Smithsonian’s response to the COVID-19 (Coronavirus) pandemic included a mandatory 10 percent one-year pay reduction and elimination of pay increases and cash awards in calendar year 2021 for certain senior-level Trust employees.

2021 COMPENSATION AND TOTAL CASH CAP

Compensation Philosophy

Next, Mr. Fahey outlined the Smithsonian’s general approach to compensating senior-level Trust and Federal executives. Since 2018, the Institution has applied 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 philosophies are reviewed and updated annually to reflect any changes either in compensation approaches, salary ranges, and/or effective dates. Smithsonian compensation levels are also defined by the Smithsonian’s compensation philosophy, past practice, and relevant labor market comparisons. 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. Mr. Fahey noted that Federal pay scale adjustments had not yet been determined. As part of the compensation

recommendations, the Committee also recommended that the Board approve the removal of the total cash cap of 80% of the Secretary's base salary applied to the maximum annual incentive compensation payout.

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

VOTED that the Compensation and Human Resources Committee approves the updated compensation philosophy to include total cash cap, new salary ranges, and effective dates for calendar year 2021.

Update on Investment Incentive Compensation

At the request of the Regents' Investment Committee, the Board engaged the human resources consulting firm Mercer to assist with the assessment and review of the Smithsonian's investment incentive compensation plan. The Committee reviewed Mercer's findings and discussed the incentive compensation plan for professionals in the Smithsonian Office of Investments.

2021 COMPENSATION DECISIONS

Mr. Fahey then reviewed the compensation recommendations being considered as part of the annual compensation review and decision process. Mr. Fahey outlined the financial implications related to the 2021 compensation cycle for senior-level Trust employees, including measures adopted to address the significant loss of revenue due to the impact of the COVID-19 pandemic. These measures resulted in an abbreviated list of executive compensation for the Committee's review. The Committee reviewed the general summary statistics data, including general demographic information, performance appraisal data, and average total cash and salary information.

Decisions Made by the Committee

The Committee first considered compensation information regarding the positions for which the Committee alone approves compensation decisions.

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

VOTED that the Compensation and Human Resources Committee approves the 2021 compensation adjustments recommended for Committee decision, effective January 4, 2021.

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. For 2021, the Committee and Board were asked to consider compensation decisions for select senior executives.

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 approves the 2021 compensation recommendations for senior executive positions.

Special Act Awards

To conclude the Committee's 2021 compensation review, Mr. Fahey presented the Secretary's recommendation to provide special act awards to select senior-level executives. Mr. Fahey noted that in order to recognize the performance of outstanding employees, special act awards would be permitted with the appropriate approval for senior-level Trust employees who have demonstrated thoughtful leadership during extraordinarily challenging times.

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

VOTED that the Compensation and Human Resources Committee recommends the eight (8) Senior-level Executive special act awards to the full Board for review and approval, to be effective January 31, 2021.

EXECUTIVE SESSION: SECRETARIAL COMPENSATION

The Committee continued the executive session to review the Secretary's fiscal year 2020 performance appraisal.

ADJOURNMENT

With no further business to consider, the meeting was adjourned at approximately 3:22 p.m.

Respectfully submitted,

John Fahey
Chair