

## **MINUTES OF THE JANUARY 23, 2017, COMPENSATION AND HUMAN RESOURCES COMMITTEE MEETING**

The Compensation and Human Resources Committee (“Committee”) of the Smithsonian Institution Board of Regents held a meeting on January 23, 2017, at the Smithsonian Institution Building in Washington, DC. Participating were Committee Chair John Fahey and members Senator John Boozman,\* Ambassador Barbara Barrett,\* and Board and Executive Committee Chair John W. McCarter, Jr.\*

Also present by invitation of the Committee were Chief of Staff to the Secretary Greg Bettwy; Director of OHR James D. Douglas; Inspector General Cathy Helm;\* Under Secretary for Finance & Administration/Chief Financial Officer Albert Horvath; and Chief of Staff to the Regents Porter Wilkinson.

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

### **CALL TO ORDER AND INTRODUCTIONS**

Committee Chair John Fahey called the meeting to order at 10:00 a.m. and reviewed the agenda.

### **APPROVAL OF MINUTES**

Upon motion duly made and seconded, the draft minutes of the December 2, 2016, Committee meetings were approved without modification.

### **2017 COMPENSATION BACKGROUND**

Mr. Fahey opened the discussion of compensation recommendations by first reviewing the Committee’s role and duties related to the area of compensation for a not-for-profit organization, including the disclosure of any real or perceived conflicts of interest with regard to any of the executives noted in the meeting materials. All 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 participants’ attestations were sufficient to support the compensation deliberations.

The Committee was reminded of the compensation philosophies, and reviewed the general summary statistics data provided in the meeting materials. Statistics included general demographic information, performance appraisal data, and average total cash and salary information.

*\*Participated by telephone*

The Smithsonian ensures that the compensation levels for Trust positions are both reasonable and comparable to that offered by similar organizations to executives with related duties and responsibilities. For those positions subject to a market-based compensation approach, the Committee's review is supported by a comparative survey, performed by independent Compensation Consultant Pearl Meyer. Consultant Jim Hudner provided the Committee with an overview of Pearl Meyer's summary report for determining comparable compensation for Trust executive positions. Those positions reviewed include new positions and positions for which data anomalies were encountered from the previous year.

The Committee reviewed the reasonable analysis used by the consultants and compared the 75th percentile to the proposed compensation levels. Additionally, recognizing the Smithsonian's role as a public trust and compensation philosophy of targeting the 50th percentile, the Committee also considered compensation proposals using the 50th percentile comparator. This method of dual comparators enables the Smithsonian to fully comply with Internal Revenue Service ("IRS") guidelines, while providing a critical analysis tool rooted in our internal compensation philosophy. Mr. Hudner affirmed to the Committee that the recommended compensation levels for Smithsonian executives are reasonable for IRS intermediate sanctions purposes.

The Committee also discussed the competitive and reasonableness of Smithsonian compensation levels as defined by the Smithsonian's compensation philosophy, past practice, and relevant labor market comparisons. Mr. Hudner affirmed to the Committee that the Smithsonian's compensation are both reasonable and competitive.

## **2017 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. Two specific proposals above the competitive range were also presented and thoroughly discussed.

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

**VOTED** that the Compensation and Human Resources Committee approves the Secretary's 2017 compensation recommendations for senior executive positions in Tab B.

### **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. Staff exited the meeting during discussions of his or her compensation. The Committee discussed one instance wherein compensation recommendations exceeded the competitive market range.

After consideration of all recommendations provided under Tab C 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 2017 compensation recommendations for senior executive positions in Tab C.

#### **EXECUTIVE SESSION**

The Committee then conducted an executive session to discuss compensation recommendations for the Secretary. Members received a briefing from Board Chair John W. McCarter, Jr., with regard to the Secretary's performance for fiscal year 2016. The Committee concluded that the proposed compensation recommendation of the Chair was consistent with the comparable positions identified by Pearl Meyer.

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

**VOTED** that the Compensation and Human Resources Committee approves the proposed compensation recommendation for the Secretary and recommends to the Full Board of Regents for approval.

#### **ADJOURNMENT**

The meeting was adjourned at 11:14 a.m.

#### **EMAIL BALLOT**

By email ballot completed on March 30, 2017, the Compensation and Human Resources Committee voted to approve the following motion for recommendation to the Board of Regents:

**VOTED** that the Compensation and Human Resources Committee endorses the Secretary's recommendation for a special act award for the Assistant Secretary for Education and Access and recommends to the full Board of Regents for approval.

Respectfully submitted,

John Fahey  
Chair