

**SMITHSONIAN INSTITUTION
COMPENSATION FOR SENIOR LEVEL TRUST EXECUTIVES
FEDERAL EQUIVALENT COMPENSATION APPROACH
(EXCLUDING SMITHSONIAN BUSINESS VENTURES)**

General Philosophy

The Smithsonian Institution seeks to hire talented and dedicated staff with diverse backgrounds, skills, and competencies. Its compensation policy is designed to attract and retain superior talent, while competing with other large, sophisticated organizations, including the Federal government and entities that receive a large portion of public funding, for the best non-profit sector leadership.

In looking at its Senior Trust positions, the Institution applies a two-pronged test to determine if its Senior Trust positions should follow a market-based compensation approach or a Federal equivalent approach. In order to follow the Federal equivalent test, both of the following conditions must be met:

1. The position is in a job family that exists in a significant way in the Federal pay system
2. The Smithsonian is likely to find sufficient bona fide candidates in the Federal labor market

This compensation philosophy applies to those positions that meet the above tests.

When setting compensation levels, the Smithsonian ensures that the compensation paid is equivalent to the Federal SL pay scale for these positions. If a position subject to the Federal equivalent approach is a Secretary Designated (SD) position, a 9% differential will be added to the maximum possible salary and aggregate pay caps. That differential is an increase in the maximum possible salary, but it is not an employee entitlement.

Based on the grandfathering approach approved by the Committee on Compensation and Human Resources, there are 38 Smithsonian Executives now subject to this approach that were subject to a market-based approach in the past. Those employees have been grandfathered, and the terms of the grandfathering are as follows:

Salary	For those positions with salaries under the applicable salary cap, salary remains unchanged. For those positions with salaries above the applicable salary cap, salary consists of two components: base salary (equal to Federal SL Pay Cap or Augmented Pay Cap) plus transition salary. Transition salary is the difference between the Federal SL Pay cap and the existing salary.
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Differential	<p>If Secretary Designated (SD) position, eligible for 9% differential due to “at will” nature of position. Salary floor may be waived. This determines what the salary cap and aggregate pay caps will be.</p> <p>Positions not designated SD will have salary and aggregate compensation caps equal to the Federal SL caps.</p>
Salary Increases (COLA)	<p>For positions with salaries at or under the applicable salary cap, may receive salary increases up to the salary cap.</p> <p>For positions with salaries above the applicable salary cap, may receive salary increases up to the amount (not the percentage) of the increase in the Federal SL salary cap. For instance, the Federal SL salary cap increased by \$3,900 from 2007 to 2008, which was a 2.5% increase. Employees in this category would only be eligible for a \$3,900 COLA, not 2.5% of their salary.</p>
Awards & Retention Incentives	<p>Not available for positions with salaries at or above the applicable aggregate compensation cap, except in very limited circumstances.</p> <p>Available to positions below the applicable aggregate compensation cap, but aggregate compensation is not permitted to exceed the aggregate cap.</p>
Portability	<p>If the executive moves to another SI positions, the new salary will be set based on the new position. The transition salary is not portable to the new position.</p> <p>If the position is vacated, a new incumbent is not eligible for the transition salary.</p>

Federal Equivalent Based positions that meet the following criteria require approval of the Full Board of Regents, and are reflected in the following pages:

- Federal-Equivalent Based Disqualified Person Positions
- Federal-Equivalent Based Secretary Designated (SD) Positions
- Federal-Equivalent Based Positions with 2007 salaries at or greater than \$200,000 (salaries grandfathered)

Federal Equivalent Based positions that meet the following criteria require approval of the Committee only and not the Full Board, and summary information on these positions is included in the final tab of the compensation book:

- Federal Equivalent Based SE Positions
- Federal Equivalent Based positions with 2007 salaries greater than the Federal SL salary cap, but less than \$200,000 (salaries grandfathered)

2008 Compensation Range

For its Federal-equivalent compensation approach, the Smithsonian relies on the Federal SL/ST (Senior Level/Senior Technical) pay scale, which for calendar year 2007 ranged from \$132,437 to \$154,600 for Washington, D.C. SL/ST executives. Congress passes annual legislation establishing the annual pay increase, and the President and the Office of Personnel Management (“OPM”) conduct annual pay range reviews for Federal employees to determine an appropriate balance between general adjustments and locality adjustments. The overall pay scales are then created annually.

The final 2008 range for SL/ST employees in Washington, DC is \$138,380 - \$158,500. Under the unified compensation approach, positions in this category designated as “Secretary Designated” positions would have a pay range with an added 9% adjustment to recognize the “at-will” nature of those positions. The pay range for SD employees would thus be \$150,834 - \$172,765. The Secretary would have the ability to waive the minimum salary requirement in special circumstances (for instance, the position of the Director, Smithsonian Astrophysical Laboratory).

Base Salary Adjustments for Senior Level Trust Executives

Base salary adjustments will be effective January 6, 2008. Because of the timing of the meeting of the Full Board of Regents, those decisions will be retroactive, as in the past.