

REPORT OF THE HOUSE OF DELEGATES COMMITTEE ON COMPENSATION OF THE OFFICERS

The following report was presented by Sandra B. Reed, MD, Chair:

REPORT OF THE HOUSE OF DELEGATES COMMITTEE ON COMPENSATION OF THE OFFICERS

Reference committee hearing: see report of [Reference Committee F](#).

HOUSE ACTION: RECOMMENDATIONS ADOPTED AND REMAINDER OF REPORT FILED

See Policy [D-605.990](#)

This report by the Committee at the 2013 Annual Meeting recommends two changes for the period July 1, 2013 through June 30, 2014.

BACKGROUND

At the 1998 Interim Meeting, the House of Delegates (HOD) established a House Committee on Trustee Compensation, currently named the Committee on Compensation of the Officers, (the “Committee”). The officers are defined in the American Medical Association’s (AMA) Constitution and Bylaws. (Note: under changes to the Constitution previously approved by the HOD, Article V refers simply to “officer,” which includes all 21 members of the Board among whom are President, President-Elect, Immediate Past President, Secretary, Speaker of the HOD and Vice Speaker of the HOD, collectively referred to in this report as officers). The composition, appointment, tenure, vacancy process and reporting requirements for the Committee are covered under the AMA Bylaws. Bylaw 2.645 provides:

The Committee shall present an annual report to the House of Delegates recommending the level of total compensation for the officers for the following year. The recommendations of the report may be adopted, not adopted or referred back to the committee, and may be amended for clarification only with the concurrence of the committee.

At A-00, the Committee and the Board jointly adopted the American Compensation Association’s definition of total compensation which was added to the Glossary of the AMA Constitution and Bylaws. Total compensation is defined as the complete reward/recognition package awarded to an individual for work performance including: (a) all forms of money or cash compensation; (b) benefits; (c) perquisites; (d) services; and (e) in-kind payments.

Since the inception of this Committee, its reports document the process the Committee follows to ensure that the then current officer compensation recommended for approval is based on sound, fair, cost-effective compensation practices as derived from research and use of independent external consultants expert in board compensation. Reports beginning in December 2002 documented the principles the Committee followed in creating its recommendations for officer compensation.

At A-08, the HOD approved changes that simplified compensation practices and increased transparency and consistency of same. At A-10, Reference Committee F requested that this Committee recommend that the HOD affirm a codification of the current compensation principle, which occurred at I-10. At that time, the House affirmed that this Committee has and will continue to base its recommendations for officer compensation on the overarching principle of the value of the work performed, consistent with IRS guidance and best practices as recommended by the Committee’s external independent consultant, who is expert in board compensation.

At A-11 the HOD approved aligning the medical student and resident officer compensation to that of all other officers (excluding Presidents and Chair) because these positions perform comparable work.

Immediately following A-11, the Committee retained Mr. Don Delves, founder of the Delves Group, to update his 2007 research to provide the Committee comprehensive advice and counsel on officer compensation. The Committee asked for this update because it had been four years since the last comprehensive review and because the Committee wanted to continue refining its compensation practices for increased simplification and transparency.

The updated compensation structure was presented and approved by the HOD at I-11 with an effective date of July 1, 2012 and is shown in the Appendix of this report.

At I-11, Reference Committee F requested that the Committee list the specific benefits, perquisites and in-kind payments provided to the officers and to annually document the taxable value of these benefits. The Committee's A-12 report listed the specifics. This report documents the values reported to the IRS of 2011 benefits, perquisites, services and in-kind payments.

The Committee's I-12 report presented the Cash Compensation Summary and detailed reference to discussion and research concerning Presidents travel on regional airlines. This report expands that discussion to travel on non-status airlines and includes a recommendation limited to the Presidents, who travel most frequently in representing our AMA. Further, this report recommends no changes to officers' compensation for the period July 1, 2013 through June 30, 2014. The Appendix shows current compensation with the effective date of the originally approved change.

FINDINGS

As stated earlier, the Committee's report has two recommendations.

The first recommendation is officer compensation. The Committee recommends no change to officer compensation for the period July 1, 2013 through June 30, 2014. No change is recommended as the changes approved by the HOD and implemented on July 1, 2012 continue to reflect appropriate levels of compensation for the Governance and Representation work. The Committee commends the Board on its extensive and tenacious work for our AMA. Compensation details are shown in the Appendix.

The second recommendation concerns the Travel Policy. As stated in its I-11 report, the Committee was open to and is re-visiting the request to consider a limited increase in flexibility in the Travel Policy. The Committee has narrowed its focus to only the Presidents, as these roles require the most significant level of travel on behalf of our AMA.

Airline travel continues to be particularly arduous as airlines reduce the number of flights resulting in crowded flights, last minute flight cancellations, reductions in non-stop flights, an increased use of regional jets and travel on airlines with non-preferred status. Non-preferred status refers to those airline(s) the respective President has not accumulated sufficient travel miles to hold preferred status which is necessary for consideration of complimentary upgrades. The Committee also noted that airline policies and prices are very fluid and frequently changing. The level of unreliability and discomfort, coupled with the need for the Presidents to often go directly from a flight to a meeting, are the drivers for the Committee's recommendation.

The Committee recommends amending the current Travel Policy to provide each President position (President, Immediate Past President and President-Elect) with access to an individual \$2500 gross allowance for use during each term (July to June). This allowance may be used for upgrades at the sole discretion of the respective President; however, use will typically be when traveling on an airline with non-preferred status. Any unused allowance remains the property of AMA and there is no carry forward into the next term or transfer for use by any other officer. As always, the AMA respects and follows IRS 990 reporting rules and notes that a President's use of the allowance may trigger IRS 990 reporting for use during the respective calendar year. The Committee recommends this prudent approach as the most cost-effective solution available at the current time and will review the allowance annually.

RECOMMENDATIONS

The Committee on Compensation of the Officers recommends that the following be adopted and the remainder of the report filed.

1. That there be no changes to the officers' compensation for the period beginning July 1, 2013 through June 30, 2014.

2. That the travel policy and the Board travel and expense standing rules be amended by addition as follows:

Transportation

- a. Air: AMA policy on reimbursement for domestic air travel for members of the Board is that the AMA will reimburse for coach fare only. The Presidents (President, Immediate Past President and President Elect) will each have access to an individual \$2,500 term allowance (July 1 to June 30) to use for upgrades as each deems appropriate, typically when traveling on an airline with non-preferred status. The unused portion of the allowance is not subject to carry forward or use by any other officer and remains the property of the AMA. In rare instances it is recognized that short notice assignments may require up to first class travel because of the lack of availability of coach seating, and this will be authorized when necessary by the Board Chair, prior to travel. Business Class airfare is authorized for foreign travel on AMA business. (Also see Rule IV—Invitations, B–Foreign, for policy on foreign travel).

APPENDIX – Compensation Summary.

Officer compensation and definitions approved at I-11.

POSITION	HONORARIUM
President	\$279,000
Immediate Past President & President-Elect	\$274,000
Chair	\$269,500
Chair-Elect	\$199,500
Other Officers	\$ 61,500

Definition of Governance Honorarium effective July 1, 2012:

The purpose of this payment is to compensate Officers for all Chair-assigned internal AMA work and related travel. This payment is intended to cover all currently scheduled Board meetings, special Board or Board committee meetings, task forces, subcommittees, Board orientation, development and media training, Board calls, sections, councils or other internal representation meetings or calls, and any associated review or preparatory work, and all travel days related to all meetings as noted above.

Definition of Per Diem for Representation effective July 1, 2012:

The purpose of this payment is to compensate for Board Chair-assigned representation day(s) and related travel. Representation is either external to the AMA, or for participation in a group or organization with which the AMA has a key role in creating/partnering/facilitating achievement of the respective organization goals such as the AMA Foundation, PCPI etc. The Board Chair may also approve a per diem for special circumstances that cannot be anticipated such as weather related travel delays. Per diem for Chair-assigned representation and related travel is \$1,200 per day.

Definition of Telephonic Per Diem for External Representation effective July 1, 2011:

Officers, excluding the Board Chair and the Presidents, who are assigned as the AMA representative to outside groups as one of their specific Board assignments, receive a per diem rate for teleconference meetings when the total of all teleconference meetings of 30 minutes or longer during a calendar day equal 2 or more hours. Payment for these meetings would require approval of the Chair of the Board. The amount of the Telephonic Per diem will be ½ of the full Per diem or \$600.