

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

The following report was presented by Anthony M. Padula, MD, Chair.

### **1. 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 REMAINDER OF REPORT FILED**

*See Policy D-605.990*

This report by the Committee at the 2017 Annual Meeting presents two recommendations.

#### **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. Bylaws 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 current or recommended Officer compensation 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 with increased transparency and consistency. 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 HOD affirmed that this Committee has and will continue to base its recommendations for Officer compensation on the 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 the alignment of Medical Student and Resident Officer compensation with 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 by providing the Committee with 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 to improve 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.

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 document annually the taxable value of these benefits. The Committee first reported this information, as reported to the IRS, in its A-12 report.

The Committee's I-12 report referenced discussion and research concerning Presidents' travel on regional airlines. The A-13 report expanded the travel discussion to include travel on airlines without preferred status. The HOD approved the Committee's recommendation to provide a travel allowance for each President to be used for upgrades, primarily on non-preferred status airlines, because of the significant volume of travel by the Presidents in representing our AMA.

At A-16 the Committee reported that they had commissioned a comprehensive compensation review with their new consultant, Becky Glantz Huddleston, of Willis Towers Watson. Ms. Huddleston is an expert in Board compensation and the firm she works for is one of the largest, most prestigious and well-respected compensation firms. At I-16, based on this review, the Committee made five recommendations for Officer compensation which were approved by the HOD. These changes, effective July 1, 2017, provided modest increases to the Governance Honorarium and Per Diems (representation and telephonic representation) for Officer Compensation (excluding the Presidents and Chairs) and no changes to the definitions or other changes.

The recommendations in this report focus on the definitions based on the same data used to arrive at the I-16 recommendations.

## METHODOLOGY

Early in 2016, the Committee commissioned a comprehensive compensation review with an outside consultant expert in Board compensation. The purpose of the review was to ensure the Officers are compensated appropriately for the work performed on behalf of the AMA and to review how the Officer compensation is structured to ensure continued alignment with current trends in for-profit Board compensation which had been to move away from paying for each individual Board or Board committee meeting to one annual fee.

The Committee's review and subsequent recommendations for Officer compensation are based on the principle of the value of the work performed, as affirmed by the HOD. In addition, the following additional guidelines were followed:

- Compensation should be based on the value expected by the AMA from its Officers.
- Compensation should take into account that the AMA is a complex organization when comparing compensation provided to Board members by for-profit organizations and by complex not-for-profit organizations of similar size and activities.
- Compensation should be aligned with the long-term interests of AMA members and the fulfillment of the fiduciary responsibilities of the Officers.
- Officers should be adequately compensated for their value, time, and effort.
- Compensation should reinforce choices and behaviors that enhance effectiveness.
- Compensation should be approached on a comprehensive basis, rather than as an array of separate elements.

The process the Committee followed along with the aforementioned principles is consistent with the guidelines recommended by the IRS for determining reasonable and competitive levels of Officer compensation.

Ms. Huddleston and the Committee developed their recommendations based on:

- The current compensation structure.
- Interviews with certain Board members to gain an understanding of their insights related to the current Officer compensation program.
- Review and analysis of Officer compensation data for the past three terms.
- Pay practices for Board of Directors at for-profit and not-for-profit organizations similar to the AMA who pay their Board members.

- A collaborative, deliberative and objective review process.

## FINDINGS

The Committee notes that Officers continue to make significant time commitments in supporting our AMA in governance and representation functions. Given the amount of time required of Board members, it is important that individuals seeking a position on the Board be aware of the scope of the commitment and the related compensation.

As noted in its I-16 report, the Committee balanced simplicity, transparency and comparability with Board feedback, internal and external compensation data and the total cost of governance to the AMA when recommending the modest increases to the Governance Honorarium and Per Diems. One of the results of the review, as noted in the I-16 report, was that Chair-assigned External Representation, compensated by a per diem, had the greatest variability in the number of representation days by Officer, followed by Chair-assigned Internal Representation. Internal Representation is defined as any representation within AMA groups (e.g., council and section liaisons) that does not relate to currently scheduled Board meetings, special Board or Board committee, subcommittee and task force meetings, Board orientation, Board development, media training, and Board conference calls.

All Internal Representation work, by definition, is included as part of the Governance Honorarium, which also compensated Officers for Board meetings, so Internal Representation days do not receive a per diem. The variability in the number of Internal Representation days by Officer was a concern expressed by Board leadership during their interviews about Officer compensation.

Subsequent Committee discussions about the variability in the number of Internal Representation days resulted in the Committee and their external consultant, Ms. Huddleston, again reviewing the data previously gathered along with its related analysis. This review focused on internal AMA data from the past three terms, specifically the number of Internal Representation days per Officer per term. This review showed that for each term there were several Officers with assigned Internal Representation days significantly above each year's Internal Representation day average. While comparability and simplicity remain important in determining appropriate compensation based on the value of the work performed, in some cases, these variances were outside the scope of comparability.

Analysis of the data for the 3 terms calculated the average number of Internal Representation days at eleven (11). To better align Officer compensation, the Committee recommends that Internal Representation days exceeding eleven (11) days per term be compensated by a per diem for each day or teleconference meetings as defined in the current definitions of Per Diems used for External Representation effective July 1, 2017. The Committee views this recommendation as a fiscally responsible solution.

The Committee will also incorporate this more detailed review of Internal Representation days into its future reviews of board compensation which typically takes place every 3 to 5 years.

## RECOMMENDATIONS

The Committee on Compensation of the Officers recommends the following recommendations be adopted and the remainder of this report be filed:

1. That there be changes to the current Definitions as they appear in the Travel and Expenses Standing Rules for AMA Officers for the Governance Honorarium, Per Diem for External Representation and Telephonic Per Diem for External Representation and that the changes become effective July 1, 2017, as noted below.
  - Definition of Governance Honorarium effective July 1, ~~2012~~ 2017:  
~~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.~~

The purpose of this payment is to compensate Officers, excluding Board Chair, Chair-Elect and Presidents, 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, subcommittee and task force meetings, Board orientation, Board development and media training, and Board conference calls, and any associated review or preparatory work, and all travel days related to all such meetings. The Governance Honorarium also covers Internal Representation, such as section and council liaison meetings (and associated travel) or calls, up to eleven (11) Internal Representation days.

- **Definition of Per Diem for Representation effective July 1, 2017:**  
The purpose of this payment is to compensate for Board Chair-assigned representation day(s) and related travel for Officers, excluding Board Chair, Chair-Elect and Presidents. 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., or for Internal Representation days above eleven (11). 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 \$1,300 per day.
- **Definition of Telephonic Per Diem for Representation effective July 1, 2017:**  
Officers, excluding the Board Chair, Chair-Elect and Presidents, who are assigned as the AMA representative to outside groups as one of their specific Board assignments or assigned Internal Representation days above eleven (11), 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 \$650.

2. Except as noted above, there be no other changes to the Officers’ compensation for the period beginning July 1, 2017.

APPENDIX

POSITION	GOVERNANCE HONORARIUM
President	\$279,000
Immediate Past President & President-Elect	\$274,000
Chair	\$269,500
Chair-Elect	\$199,500
Other Officers	\$65,000

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, 2017:

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 \$1,300 per day.

Definition of Telephonic Per Diem for External Representation effective July 1, 2017:

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 \$650.