

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

The following report was presented by Brooks F. Bock, 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 2018 Annual Meeting presents one recommendation.

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 2.13.4.5 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. At I-11, an updated compensation structure, based on research and counsel provided by the committee’s external consultant Mr. Don Delves, founder of the Delves group, was recommended to and approved by the HOD.

At I-13 the committee recommended and the HOD approved providing a travel allowance for each President to be used for upgrades because of the significant volume of travel in representing our AMA.

At I-16, based on results of a comprehensive compensation review conducted by Ms. Becky Glantz Huddleston an expert in board compensation with Willis Towers Watson, the Committee recommended and the HOD approved modest increases to the governance honorarium and per diems for officer compensation, excluding the presidents and chair, effective July 1, 2017. A-17's report, approved by the HOD, modified the governance honorarium and per diem definition so that internal representation, in excess of eleven days, receives a per diem.

METHODOLOGY

Early in 2018, the Committee asked its outside consultant to review and update the 2016 research on compensation of the officers, focusing on the compensation of the leadership positions: president, president-elect, immediate past president, chair and chair-elect. The purpose of the review was to ensure the leadership roles are compensated appropriately for the work performed on behalf of the AMA.

The Committee's review and subsequent recommendations for leadership 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.

The Committee, with assistance from Ms. Huddleston developed their recommendations based on:

- The current compensation structure.
- Review and analysis of leadership compensation data for the past ten terms – the last increase in leadership compensation was in 2008.
- Pay practices for leadership positions 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 Board leadership roles president, president-elect, immediate past president, chair and chair-elect continue to make significant time commitments in supporting our AMA in governance and representation functions and that representation work is unique to AMA leadership and officer roles.

AMA's leadership roles have a significant level of responsibility, resulting in a time commitment well above that required by other not-for-profit boards. As a result, to assess the AMA compensation levels versus the not-for-profits compensation levels, a four-year average hourly rate was determined for each AMA leadership position aligned with the hourly rate for the chair position at other not-for-profit organizations and associations. The three presidents and the chair-elect positions are unique to the AMA and as such, these roles were also aligned to the external data of the chair position.

The report concluded that while the leadership compensation structure is generally aligned with the external market, modest increases are appropriate to better align AMA leadership compensation to the market median hourly rate. In

considering an increase, the report also cited the fact that annual honoraria have not been changed since 2008. Additionally the external market data from other not-for-profit organizations and associations reflected a 1% annual increase in compensation for the chair position for the past two years.

While one might apply the 1% annual market median increase to each of the past 10 years leadership did not receive an increase, the AMA's Compensation Philosophy for Officers requires consideration of a volunteerism component in their compensation while fairly compensating leadership for the level of fiduciary responsibilities and the time commitment required of the roles. As such the Committee is recommending a modest increase of 4% to the leadership honoraria recognizing that this will be the first increase in ten years.

RECOMMENDATIONS

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

1. That the President, President-elect, Immediate Past-President, Chair, and Chair-elect Honoraria be increased by 4% effective July 1, 2018. The 4% increase results in the following honoraria:

POSITION	GOVERNANCE HONORARIUM
President	\$290,160
Immediate Past President	\$284,960
President-Elect	\$284,960
Chair	\$280,280
Chair-Elect	\$207,480

APPENDIX

POSITION	GOVERNANCE HONORARIUM
Other Officers	\$65,000

Definition of Governance Honorarium Effective July 1, 2017:

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 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. 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 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 or assigned Internal Representation day 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 $\frac{1}{2}$ of the full Per Diem or \$650.