

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

February 28, 2013
Chattanooga, Tennessee

The Executive and Compensation Committee of The University of Tennessee Board of Trustees met at 11:15 a.m. EST, on Thursday, February 28, 2013, in the University Center on the campus of The University of Tennessee at Chattanooga.

I. CALL TO ORDER

Chair Don C. Stansberry, Jr., called the meeting to order.

II. ROLL CALL

Secretary Catherine S. Mizell called the roll, and the following members of the Executive and Compensation Committee were present:

Don C. Stansberry, Jr., Chair
Charles C. Anderson
George E. Cates
Joseph A. DiPietro (non-voting)
Spruell Driver, Jr.
D. Crawford Gallimore
James L. Murphy, III
Charles E. Wharton

The Secretary announced the presence of a quorum of the Committee. Other Trustees, administrative staff, faculty, students, and media were also present.

III. MINUTES OF LAST MEETING

Chair Stansberry asked for any corrections to the minutes of the January 28, 2013 meeting of the Committee. Trustee Cates moved approval of the minutes. Trustee Wharton seconded the motion, and it carried unanimously.

The next three agenda items were presented collectively by President DiPietro. After his presentation and response to questions, the President and all other participants left the meeting room while the Trustees discussed and voted on the items.

IV. PERFORMANCE AND RETENTION PLAN FOR EXECUTIVE OFFICERS

President DiPietro explained that the Executive and Compensation Committee approved an earlier version of the Performance and Retention Plan for executive officers on October 2, 2012, but that several technical and clarifying revisions have been made to the Plan document since then. President DiPietro then presented the new version of the Plan. He explained that the only substantive change to the version previously approved provides that a person newly hired or promoted into the position of President, Executive Vice President, or Chancellor will not be eligible to participate in the Plan until July 1 of the year following hire or promotion.

Trustee Murphy commented that from the beginning of the presidential search process, the Trustees were interested in including a performance-based element in the President's compensation. He commended Dr. DiPietro for recognizing that any performance-based plan should be tied to the strategic plan and that other executive leaders should also be incentivized. He also noted that a financial award is not a given under the Plan; if goals are not reached, a Participant might receive no financial award.

V. PERFORMANCE GOALS FOR EXECUTIVE OFFICERS

President DiPietro presented proposed performance goals the Participants in the Performance and Retention Plan will seek to achieve by June 30 of the final year of the retention period. He explained that the Committee had previously approved the proposed goals for recommendation to the Board, subject to the addition of performance and financial goals for Athletics, to the Subjective Goals for the Chancellors of UTC, UTK, and UTM, and further subject to the addition of improvement in employee satisfaction to the Subjective Goals for all Participants.

Trustee Ferguson expressed support for performance-based compensation, but asked for clarification of whether the individual Participant's goals would indicate, for example, whether the System is fulfilling its research mission. Dr. DiPietro responded that the Chancellor's goals are rolled up into the President's

goal, which becomes, in effect, a System goal. Trustee Driver asked how an extraordinary circumstance like a significant decrease in federal funding of research would be taken into account. Dr. DiPietro responded that other factors (for example, number of proposals submitted) might indicate that diligent efforts were made although funding was unavailable, and in that event, the Participant might receive some part of the retention amount. Vice Chair Stansberry noted that in the end, it will be a subjective determination, even if all numeric goals are achieved, as to if and how much will be awarded.

Trustee Wharton expressed his view that some of the goals appear to be low, noting the UTK goal of improving retention by 1% in three years. Dr. DiPietro responded that moving the dial on these goals is not easy and that he firmly believes the goals are challenging. Chancellor Cheek responded that the retention goal for UTK is the best prediction of where the campus will be in three years and that this is based in part on the number of students from families with average income in the \$20,000's.

VI. RETENTION AMOUNTS FOR EXECUTIVE OFFICERS

President DiPietro explained that under the Performance and Retention Plan for executive officers of the University, the Executive and Compensation Committee must recommend to the Board a retention amount for each Participant that "will not exceed the sum of fifteen percent (15%) of the base salary of the Participant as of July 1 of the first year of the retention period, multiplied by the number of years in the retention period." According to the Plan, the initial retention period for all original Participants will be three years, from July 1, 2012 through June 30, 2015. Dr. DiPietro presented the proposed retention amounts, which represent the maximum allowed under the Plan, but stressed that receipt of the maximum amount is not guaranteed. Vice Chair Stansberry reiterated that payment of part or all of the retention amount will be a subjective determination by the Board.

At this point, President DiPietro, Executive Vice President Millhorn, and the Chancellors left the room, and the Trustees proceeded to discuss the Plan, goals, and retention amounts. Vice Chair Stansberry echoed the earlier comments of Trustee Murphy concerning the Board's interest in performance-based compensation and expressed his desire for the concept to be used more broadly in the future. Trustee Ferguson expressed his approval of the plan and its scope, while noting that identifying metrics that lead to outcomes rather than activities is difficult, but future plans should seek to do so.

Trustee Horne expressed concern that merit raises tend to go to the maximum and asked how the Board will ensure that an award of the maximum amount is warranted. Trustee Murphy responded that the Board must approve the award and that Participants will need to convince the Board that they should receive an award.

The Secretary suggested the Committee consider whether the Participants must be in active service on the date of payment. After extensive discussion, the consensus of the Committee was that modifications should be made to the Plan to clarify that no right to payment will vest in the Participants on June 30 of the last year of the retention period and that the Participant must be in active service on the date payment is made.

Trustee Gallimore moved to amend the Performance and Retention Plan to provide that Participants must be in active service on the date the retention amount is paid. Trustee Murphy seconded the motion, and it carried unanimously.

Trustee Cates then moved that the Performance and Retention Plan for executive officers of the University (Exhibit 1) be approved as amended to provide that payment of all or any portion of the retention amount will be made only if the Participant is in active service as President, Executive Vice President, or Chancellor on the date payment is to be made, except in the case of termination of employment for medical reasons or by reason of death. Trustee Wharton seconded the motion, and it carried unanimously.

Trustee Murphy moved that the performance goals (Exhibit 2) for Participants in the Performance and Retention Plan be approved. Trustee Anderson seconded the motion, and it carried unanimously.

Trustee Gallimore moved that the proposed retention amounts (Exhibit 3) for Participants in the Performance and Retention Plan be approved. Trustee Driver seconded the motion, and it carried unanimously.

VII. ELECTION AND COMPENSATION OF UTC CHANCELLOR

President DiPietro recommended the election of Dr. Steven R. Angle as the next Chancellor of The University of Tennessee at Chattanooga, effective July 1, 2013,

with the following compensation:

Base Salary:	\$24,250 per month
Expense Allowance:	\$583.33 per month
Housing Allowance:	\$1666.67 per month
Moving Allowance:	\$20,000

Dr. Angle holds a Ph.D. in Organic Chemistry from the University of California, Irvine, an M.S. in Organic Chemistry from the University of California, Los Angeles, and a B.A. in Chemistry from the University of California, Irvine. Since August 2012, he has been serving as Senior Vice President at Wright State University in Ohio. From March 2007 to August 2012, he served as Provost (chief academic and operating officer) at Wright State. Dr. DiPietro commended the work of the search committee in presenting an outstanding pool of candidates for his consideration. Trustee Foy concurred in Dr. DiPietro's comments about the work of the search committee and in his recommendation of Dr. Angle as the next Chancellor of UTC.

Trustee Murphy moved that the President's recommendation for the election and compensation of Dr. Steven R. Angle as the next Chancellor of The University of Tennessee at Chattanooga, effective July 1, 2013, be approved (Exhibit 4). Trustee Gallimore seconded the motion, and it carried unanimously.

VIII. OTHER BUSINESS

There was no other business to come before the Committee for action.

IX. ADJOURNMENT

There being no further business to come before the Executive and Compensation Committee, the meeting was adjourned.

Respectfully Submitted,


Catherine S. Mizell
Secretary