

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE OF THE
BOARD OF TRUSTEES OF
THE UNIVERSITY OF TENNESSEE

May 13, 2010
Nashville, Tennessee

A meeting of the Executive and Compensation Committee of the Board of Trustees of The University of Tennessee was held at 12:30 P.M. CDT, Thursday, May 13, 2010 at the offices of Bradley Arant Boult Cummings, 1600 Division Street, Suite 700, Nashville, Tennessee.

I. CALL TO ORDER

James L. Murphy, III, Chair, called the meeting to order.

II. ROLL CALL

Chair Murphy, called the roll, and the following members of the Executive and Compensation Committee were present:

George E. Cates
Spruell Driver, Jr.
James E. Hall
Andrea J. Loughry
James L. Murphy, III
Jan F. Simek
Don C. Stansberry, Jr.
Robert S. Talbott

The Chair announced that a quorum was present. Trustee Charles Wharton and members of the administrative staff were also in attendance.

III. APPROVAL OF MINUTES OF LAST MEETING

The Chair called for any corrections or additions to the minutes of the January 20, 2010 meeting of the Executive and Compensation Committee. There being none, Trustee Talbott moved approval of the minutes. Trustee Stansberry seconded the motion, and the motion carried unanimously.

IV. PRESIDENT'S REPORT AND RECOMMENDATIONS

Dr. Simek discussed the retirement of Dr. Gary Rogers, noting that it creates potential for further reorganization and streamlining of the system administration by combining the CFO with the Treasurer to achieve substantial savings. Because these are two critical functions, the administration will proceed carefully and deliberately on an interim basis. Dr. Simek stated that Butch Peccolo, Treasurer, will serve as Chief Financial Officer on an interim basis, which will allow the new President to determine whether the combined office is a successful arrangement. Trustee Wharton asked what Mr. Peccolo's title will be and whether there will be a compensation adjustment. Dr. Simek responded that Mr. Peccolo's title will be Treasurer and Interim CFO and that there will be a compensation adjustment, but there will still be savings to the University from the combination of the positions. Dr. Simek stated that staffing of the two departments would also be reviewed.

A. Change in Title of Vice President for Agriculture

Dr. Simek stated that he discussed the proposed change in title for the Vice President for Agriculture at Trusteeship Committee meeting, and the Trusteeship Committee recommended a Bylaw change that will go to the full Board in June. Dr. Simek explained that the duties of Vice President for Agriculture are largely identical to those of Chancellors: approving faculty appointments (including promotion and tenure); overseeing academic programs (including approval of new programs); interacting with the faculty senate; overseeing all aspects of the Institute and its statewide mission and entities; and other duties as included in the Responsibilities Matrix in the meeting materials (Exhibit 1).

Dr. Simek stated that he has spoken with constituents, and they see this as a positive step in recognition of the status of this position. Dr. Simek stated that changing the title to Chancellor will eliminate any ambiguity about authority of the Vice President to make decisions, especially as they relate to faculty personnel issues. He stated that the title of Chancellor is fitting and will serve to bring greater focus to the Institute, its programs, and initiatives. He noted that changing the title does not change any joint efforts between UT Knoxville and the Institute. Undergraduate students are still UTK students, and the position will continue to report to the President.

Dr. Simek stated that although it is the Board's practice to provide a housing allowance for Chancellors, Dr. DiPietro has declined the offer of a housing allowance at this time. No change in salary will occur, but in the longer term, a housing allowance may be paid for this position.

B. Report of Knoxville Athletics Task Force

Dr. Simek stated that as discussed at several prior meetings of the Board, a Knoxville Athletics Task Force was convened to review the current reporting structure for the Athletics departments in Knoxville. The Task Force included representatives from the UT system administration, a current trustee, a former trustee, the UT Knoxville provost, the athletic Directors, current and former faculty athletics representatives, two UT Knoxville professors (one representing the faculty senate), and a student-athlete. He noted that the vote for the change was conducted as a secret ballot and was unanimous. He stated that he considers the Task Force report (Exhibit 2) a deliberate and considered assessment of the situation, examining best practices and involving conversations with a variety of constituents. The Task Force unanimously concluded that the reporting line should be moved from the President to the Chancellor. Dr. Simek stated that this change does not diminish the ultimate authority of the President.

Dr. Simek reported that the administration of student-athletes is entirely the responsibility of UT Knoxville administrators currently, and roughly 70-80 percent of the remaining day-to-day administration of athletics is also done by UT Knoxville already. He stated that UT is currently the only university not represented by the campus chief executive at semi-annual meetings of the Southeastern Conference. Dr. Simek noted that the Athletics Departments will benefit from regular and closer conversations with campus leadership.

Dr. Simek discussed three critical roles of the presidency--legislative and government relations, System-wide development, and the voice and leadership of higher education for the State of Tennessee. Transferring the reporting line for Knoxville Athletics to the Chancellor will allow the President to focus on those critical roles. Trustee Stansberry stated that he is concerned that the President may be perceived as merely a lobbyist if he does not actually run the University. Dr. Simek agreed and stated that the President is "where the buck stops" at the University and remains in charge of all of the campuses but must be able to delegate responsibilities to others.

Trustee Loughry stated that the last presidency had many unresolved long-term issues, and it is very important that the Board make strategic long range plans prior to the new presidency. She stated that the proposal being presented is the kind of long range, system-campus issue the Board needs to resolve and then hire the right person who fits the characteristics of the job as it will be.

Trustee Stansberry asked whether this change in reporting translates to a change in the way the Athletics budgets and the overall budget are currently handled. Dr. Simek stated that the separation of the Athletics budgets will be

included in the articulation agreement that will be prepared if the Board approves the reporting change. The Chair stated that the Board also has oversight of the Athletics budgets and is committed to the fact that this structural change will not have a negative effect on Athletics.

The Chair added that Dr. Simek has indicated that to prepare for the SEC and NCAA meetings he spends a lot of time with the Chancellor discussing the campus. This restructuring eliminates that duplication of effort and basically lets the person in “the trenches,” so to speak, meet with peers, and discuss campus issues. The Chair stated that we are trying to avoid any kind of unintended consequence and are just trying to put the reporting responsibility with Dr. Cheek and involve the Athletics Directors with campus operations and management, which is where more of their interactions occur.

Trustee Hall stated his agreement with the proposal and added that he would much rather see the President spend his time on the UTC, UTM and UTHSC campuses than in NCAA and SEC meetings. The Chair stated that he agrees with Mr. Hall’s statement and added that it illustrated the Board’s concerns voiced at the August workshop. There was no interest in diminishing the role of the President in any way, and no intent to convert the office to a low-profile figurehead dominated by the Chancellors. Rather, the Board is interested in finding ways to maximize the role of the President by focusing on the true priorities of the office, such as being the leader of higher education for the State of Tennessee.

C. Appointment to the University Health System Board of Directors

Dr. Simek stated that Dr. Joe DiPietro was appointed to the UHS Board of Directors in June 2008 to fill the unexpired term of Dr. Michael Blackwell, former dean of the College of Veterinary Medicine (Exhibit 3). Dr. Simek recommended appointment of Dr. DiPietro for a three-year term on the UHS Board of Directors, beginning July 1, 2010 and ending June 30, 2013.

Trustee Talbott moved approval of the proposal to appoint Dr. DiPietro to the UHS Board of Directors. Trustee Stansberry seconded the motion, and it was unanimously approved.

V. PRESIDENTIAL SEARCH

A. Selection of a Search Firm

Chair Murphy provided a summary of the status of the presidential search. At the Winter Board meeting, the Board authorized the administration to solicit proposals for a search firm. The administration issued an RFP and received proposals from six firms. A committee composed of Henry Nemcik, Linda Hendricks, and Katie High reviewed the written proposals and narrowed the bidders to three firms. The three firms made presentations, and based on the presentations, cost proposals, and technical proposals, the committee scored the firms and unanimously determined Witt/Keifer to be the successful bidder. Chair Murphy referred the Committee to the memorandum in the meeting materials listing the reasons why Witt/Kieffer was the successful bidder (Exhibit 4). He stated that Witt/Kieffer's fees of \$110,000 are reasonable, and the firm is a well known national firm. He noted that the firm was not involved in the last three presidential searches.

Trustee Stansberry moved approval of Witt/Kieffer to assist with the presidential search. Trustee Hall seconded the motion, and it was unanimously approved.

Trustee Talbott asked whether Witt/Kieffer would provide personality profiles. Dr. Katie High stated that it would be an additional service but she and Chair Murphy will discuss it with the firm.

Trustee Driver discussed a potential listening tour for citizens of Tennessee. Chair Murphy stated that several of the Trustees did such a tour in 2003-04, visiting each campus and collecting comments from across the state. He indicated that some kind of listening tour would be included in this search. Trustee Loughry commented that several good ideas regarding the System were collected from constituents during the tour.

B. Discussion of the Compensation Package for the Next President

Chair Murphy stated that action on the compensation package would be deferred until the Committee meets in June. He stated that he is deferring the item primarily so Witt/Kieffer can provide more data than what is available at this time. In addition to the date included in the meeting materials, Chair Murphy distributed some preliminary information on compensation provided by Witt/Kieffer (Exhibit 5).

Trustee Wharton stated that he would like the administration to consider whether a University vehicle or a car allowance should be included in the compensation

package. Discussion ensued about the cost-effectiveness of providing vehicles to certain senior administrators who are required to travel in Tennessee frequently.

C. GRANT OF TENURE TO THREE UT KNOXVILLE FACULTY UNDER EXPEDITED PROCEDURES

Dr. Simek stated that the Board Policy on Academic Freedom, Responsibility, and Tenure provides for expedited consideration and grant of tenure in exceptional circumstances, such as when an individual with outstanding credentials is recruited from another institution where he or she holds tenure. The policy calls for completion of all the steps in the normal review process—review by tenured professors in the base department followed by formal recommendations by the department head, dean, chief academic officer, Chancellor, and President—but allows those steps to be accomplished on an accelerated schedule. When those steps have been completed, the policy allows for the President’s recommendation to be acted on by the Executive and Compensation Committee rather than the full Board.

Dr. Simek stated that Chancellor Jimmy Cheek has recommended that three members of the UT Knoxville faculty be granted tenure by the Committee under the expedited procedures, and he referred the Committee to the memorandum included in the meeting materials (Exhibit 6):

J. David Matthews, College of Architecture and Interior Design

Kenneth D. McCown, Landscape Architecture

William J. Weber, Department of Materials Science and Engineering

Dr. Simek stated that he fully concurs in the Chancellor’s recommendation and requests that the Committee approve the granting of tenure to these outstanding faculty members.

Trustee Stansberry moved that tenure be granted to J. David Matthews, Kenneth D. McCown, and William J. Weber under expedited procedures. Trustee Driver seconded the motion, and it was unanimously approved.

D. APPROVAL OF ACQUISITION AND SUBSEQUENT DISPOSAL OF REAL PROPERTY

Dr. Simek explained that the administration is seeking approval to acquire

approximately 0.28 acres located at 143 Oak Road, Norris, Tennessee (Exhibit 7). He stated that the property contains a single family residence in disrepair that will be demolished prior to the acquisition. He stated that gift funds will be used to acquire the property.

He reported that the proposed property would be used by the UT Knoxville College of Architecture and Design to construct a sustainable dwelling designed for the 21st century. He noted that grant funds as well as UT Knoxville funds will be used to complete the project. When the project and associated research is complete, the property will be sold.

Dr. Simek stated that the administration requests approval to acquire the property at or below the appraised value and also requests approval to dispose of the property at or above the appraised value when the project and associated research is complete.

Trustee Loughry asked why Norris Tennessee was selected. Dr. Simek responded that he believed it was because of the availability of this property and the location being promising for resale.

Trustee Talbott moved approval of the acquisition of the property as presented at this meeting. Trustee Hall seconded the motion, and it was unanimously approved. Trustee Talbott moved approval of the disposition of the property as presented at this meeting. Trustee Hall seconded the motion, and it was unanimously approved.

E. RECOMMENDATION OF A RESOLUTION APPOINTING A MANAGERIAL GROUP FOR U.S. GOVERNMENT

Chair Murphy called on Catherine Mizell to present the recommendation of a resolution appointing a Managerial Group for U.S. Government (Exhibit 8). Ms. Mizell stated that the Department of Energy, Department of Defense, and other federal agencies with which the University has contracts impacting national security require the Board to appoint a Managerial Group and delegate to that group responsibility for negotiation, execution, and administration of U.S. Government contracts. She stated that only members of the Managerial Group will receive security clearance and have access to classified information.

She reported that the Board initially appointed a Managerial Group by resolution adopted on December 11, 2001 but a new resolution is required annually to reflect changes in personnel.

Trustee Stansberry moved approval of the resolution appointing a Managerial

Group for U.S. Government as presented at this meeting. Trustee Driver seconded the motion, and it was unanimously approved.

F. PLANNING FOR ANNUAL MEETING OF THE BOARD

Ms. Mizell discussed the proposed schedule and agenda items for the June 23-24, 2010 meeting of the Board of Trustees included in the meeting materials (Exhibit 9). She noted that Governor Bredesen will attend the full Board meeting.

The Chair stated that during the Finance and Administration Committee, or wherever it may be appropriate, the Board needs to discuss the number of positions eliminated after stimulus funds are no longer available. Dr. Simek agreed and added that people who have jobs supported by stimulus funds have received notification that their position is supported by these funds. Chancellor Cheek commented that the numbers fluctuate daily based on retirements, turnover, grant money, etc. Trustee Stansberry stated that he would like the presentation also to include any programs that may be discontinued.

G. RECOMMENDATION FOR 2011 REGULAR MEETING DATES

The Chair referred the Committee to the memorandum included in the meeting materials (Exhibit 10) and asked for any comments on the proposed dates for the three regular meetings of the Board in 2011 and for the summer workshop:

Winter Meeting, February 24-25, 2011 in Chattanooga

Annual Meeting, June 22-23, 2011 in Knoxville

Summer Workshop, August 24, 2011 (TBD)

Fall Meeting, October 27-28, 2011 in Knoxville

Trustee Talbott moved approval of the 2011 meeting dates as presented at this meeting. Trustee Stansberry seconded the motion, and it was unanimously approved.

H. REPORT OF AD HOC FOUNDATIONS STUDY COMMITTEE

The Chair asked Trustee Wharton to provide an update on the Foundations Study Committee. Trustee Wharton provided a brief update and noted that the committee will be meeting with Dr. Simek, the Chancellors, Dr. DiPietro, and other members of the administration to discuss the funding and organization of the proposed foundation; and the full committee will meet again on June 14th.

I. OTHER BUSINESS

The Chair called for any other business to come before the Committee. There was none.

J. ADJOURNMENT

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

Respectfully submitted,

Catherine S. Mizell
General Counsel and Secretary