

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

June 8, 2015  
Nashville, Tennessee

The Executive and Compensation Committee of The University of Tennessee Board of Trustees met at 9:00 a.m. CDT on Monday, June 8, 2015, in the offices of Bradley Arant Boult Cummings at 1600 Division Street in Nashville, Tennessee.

**I. CALL TO ORDER**

Chair Murphy called the meeting to order and asked the Secretary to call the roll.

**II. ROLL CALL**

The Secretary called the roll, and the following members of the Executive and Compensation Committee were present at the meeting location or by telephone:

Charles C. Anderson  
George E. Cates  
Joseph A. DiPietro  
D. Crawford Gallimore  
Vicky B. Gregg  
James L. Murphy, III  
Charles E. Wharton

The Secretary announced the presence of a quorum by telephone.

The Secretary noted the requirements for meetings conducted with members participating by telephone, including the requirement that all votes be conducted by a roll call. Trustees Anderson, Cates, Gallimore, Gregg, and Wharton acknowledged that no one else was present at their respective locations. The following members of the President's Staff joined Dr. DiPietro in his office for the meeting: Dr. Carver, Dr. Millhorn, Dr. Johnson, Dr. Cheek, Dr. Hengstler and Mr. Peccolo. The Chair and the Secretary were present at the meeting location.

### **III. RESOLUTION ON DETERMINATION OF NECESSITY TO ALLOW PARTICIPATION BY ELECTRONIC MEANS WITHOUT A PHYSICAL QUORUM**

Secretary Mizell presented the Determination of Necessity to allow participation by electronic means without a physical quorum (Exhibit 1). The Committee determined that the following facts and circumstances make it necessary for the Committee to meet without a physical quorum at the location of the meeting and to allow participation by a quorum of the members by electronic means of communication:

1. The Executive and Compensation Committee routinely meets five or six weeks before each regular meeting of the Board of Trustees to address matters needing review or action prior to the Board meeting ; and
2. The Committee was schedule to meet on May 19, 2015, but the meeting was cancelled due to the unexpected lack of a quorum; and
3. The next meeting of the Board is scheduled for June 24-25, 2015 and certain matters require the Committee's review or action before that date; and
4. Scheduling a meeting of the Committee with a physical quorum in sufficient time to prepare materials for the June 24-25 Board meeting was impractical, given the geographic distribution of Committee members and their other commitments.

A motion to approve the Determination of Necessity as presented was made by Trustee Cates and seconded by Trustee Wharton, a roll call vote was taken, and the motion carried unanimously.

### **IV. MINUTES OF LAST MEETING**

Chair Murphy called for a motion to approve the April 7, 2015 minutes as presented in the meeting materials. Trustee Wharton moved approval, Trustee Gregg seconded, a roll call vote was taken, and the motion carried unanimously.

### **IV. PRESIDENT'S REPORT**

Dr. DiPietro discussed the proposed revision of the reporting structure for the

President's Staff, highlighting the following revisions presented in the meeting materials (Exhibit 2):

- the role of three Senior Vice Presidents responsible for Programs (Research and Economic Development), Finance & Operations, Legal Counsel & Governance, respectively;
- the title and responsibilities for a Chief of Staff;
- continuing staff vice president positions for Academic Affairs & Student Success, Communications and Marketing, Government Relations and Advocacy, Human Resources, and the Institute for Public Service; and
- staff vice president positions reporting operationally to the Chief of Staff as of July 1, 2015.

He informed the Committee that Chief Financial Officer Butch Peccolo plans to retire at the end of 2015 and said he proposes filling that position as the Chief Financial Officer and Chief Operating Officer. He indicated that as vacancies occur in the staff vice president positions, individuals filling those positions would report to one of the Senior Vice Presidents. He discussed changes in general operating procedures, including additional duties and responsibilities for Dr. Keith Carver, who would assume the role of Chief of Staff and oversee day-to-day operations of the staff vice president positions. He asked for the Committee's endorsement to implement the staff vice president side of the organizational chart and the change in title and responsibilities for Dr. Carver, with an accompanying 10% increase in compensation, effective July 1, 2015.

Trustee Anderson reminded the Committee of the consultant's recommendation to reduce the number of direct reports to the President to 10 or so. Referring to the organizational chart's solid line to the President and dotted line to the Chief of Staff for the staff vice president positions, Trustee Anderson observed that a dotted line typically represents only a coordinating role. He questioned whether the staff vice presidents would understand to whom they report, and he asked Dr. DiPietro who would evaluate the staff vice presidents. Dr. DiPietro responded that the model he has proposed is a compromise approach for the time being. He said the staff vice presidents would work with Dr. Carver as Chief of Staff on operational matters, but they would continue to report to the President. The President would conduct an annual evaluation of all direct reports, with the assistance of the Chief of Staff. Trustee Anderson said the key question is whether the number of direct reports to the President is reduced sufficiently so that he can be as effective as he needs to be. Dr. DiPietro said the proposed approach would reduce the number of meetings on his calendar on a

monthly basis and that over time, as staff vice president positions turn over, the number reporting directly to the President will be reduced.

Trustee Cates expressed concern about moving the Institute for Public Service under Dr. Millhorn, stating that it did not seem to fit with Dr. Millhorn's primary responsibilities. Dr. Millhorn responded that the outreach and economic development components of IPS align well with programs he oversees.

Trustee Gregg asked what would happen with the Chief of Staff position when the staff vice president positions are moved to report directly to a Senior Vice President. Dr. DiPietro responded that the position would probably revert to an Executive Assistant to the President. Trustee Gregg asked where the 10% increase in salary for Dr. Carver would place him in relation to the market. Dr. DiPietro responded that his compensation would still fall below the 50<sup>th</sup> percentile for a Chief of Staff position.

Trustee Anderson urged Dr. DiPietro to consider having a Chief Operating Officer separate from the Chief Financial Officer, expressing concern that the responsibilities of both would be too burdensome for a single individual. Trustees Gregg and Wharton echoed Trustee Anderson's concern. After further discussion on this point, Chair Murphy summarized the Committee's consensus as urging the President to consider two separate positions, one as Chief Operating Officer and one as Chief Financial Officer, each with staff vice presidents reporting to them rather than directly to the President.

**V. AUTHORIZATION FOR THE VICE CHAIR TO MAKE COMMITTEE APPOINTMENTS IF NECESSARY BEFORE THE ANNUAL MEETING**

Chair Murphy stated that a vacancy currently exists in the First Congressional District seat on the Board of Trustees due to the resignation of Brian Ferguson upon moving his residence to North Carolina. If the Governor appoints a new Trustee from the First District before the Annual Meeting on June 24-25, it is recommended that the Vice Chair be authorized to appoint the new Trustee to two committees so that he or she can participate fully in the Annual Meeting.

Given that committee appointments for a new Trustee would need to occur before the next meeting of the Board of Trustees, it is recommended that the Committee determine it necessary for the Committee to act on behalf of the Board to authorize the Vice Chair to make the appointments.

Trustee Wharton moved that the Committee determine it necessary to act on

behalf of the full Board to authorize the Vice Chair to make committee appointments for a new Trustee from the First Congressional District if he or she is appointed prior to the Annual Meeting on June 24-25, 2015. Trustee Cates seconded the motion, a roll call vote was taken, and the motion carried.

## **VI. PERFORMANCE-BASED VARIABLE COMPENSATION PLAN FOR UNIVERSITY OFFICERS**

Chair Murphy stated that the proposed Performance-Based Variable Compensation Plan is presented for preliminary discussion only and that comprehensive review of the proposal will occur at a future meeting prior to the Fall Meeting of the Board.

Dr. DiPietro stated that at the direction of former Vice Chair Brian Ferguson and in consultation with current Vice Chair Jim Murphy, a draft Performance-Based Variable Compensation Plan for the elected officers of the University, as defined by the Bylaws (Exhibit 3). He stated that the proposed plan would replace the Performance and Retention Plan approved by the Board in February 2013 (with a retroactive effective date of July 1, 2012). For all participants in the Performance and Retention Plan except Chancellor Angle, the initial three-year period of the plan will end on June 30, 2015. Chancellor Angle's participation did not begin until July 1, 2014, and thus he is only in the first year of a three-year period. The Performance and Retention Plan expressly reserved to the Board discretion to terminate the plan at any time, and thus upon approval of the proposed Performance-Based Variable Compensation Plan and termination of the Performance and Retention Plan, Chancellor Angle would automatically become a participant in the new plan, which provides for annual goals and possible annual payments (rather than three-year goals and possible payment at the end of a three-year period).

Dr. DiPietro noted the three primary ways in which the proposed plan differs from the current plan:

- It expands the participants in the plan to include all the elected University Officers, as defined by the By-laws;
- It would be evaluated and awarded on an annual basis; and
- Performance goals would be largely based on the Budget Advisory Group boundaries document.

Trustee Gregg asked Dr. DiPietro to discuss how the fifteen or so goals would be weighted for purposes of making a monetary award. Dr. DiPietro responded

that the provisions of the plan provide for the goals to be weighted for the participants, and he would present details of those weightings at a future meeting. In response to a question from Trustee Wharton regarding the optics of the compensation levels of the University Officers, Dr. DiPietro stated that the administration was working on a detailed analysis for each officer and would present the analysis to the Committee. Trustees Wharton, Anderson, and Gregg asked that the subjective goals be demonstrably quantified (for example, the journey to the top 25 goal for Chancellor Cheek). When discussion and questions ended, Dr. DiPietro thanked the Trustees for their input and said a detailed follow-up presentation would be presented at a future meeting.

#### **VII. GRANT OF TENURE TO A UTHSC FACULTY MEMBER UNDER EXPEDITED PROCEDURES**

Dr. DiPietro stated that Chancellor Schwab has recommended that Dr. Steven R. Goodman, who has been appointed Professor and Vice Chancellor for Research at UTHSC and who meets the criteria for expedited tenure review, be granted tenure in his faculty appointment in the Department of Pediatrics under expedited procedures (Exhibit 4). Dr. Goodman was recruited to this position from the State University of New York Upstate Medical University where he holds the rank of Professor of Biochemistry and Molecular Biology with tenure. All the steps in the tenure review process outlined in Board policy have been completed for Professor Goodman, and he was recommended for tenure at each level of review. President DiPietro fully concurs in the Chancellor's recommendation and requests that tenure be granted to Dr. Goodman in his faculty appointment in the Department of Pediatrics at UT Health Science Center.

Trustee Murphy called for any further discussion. There being none, Trustee Gregg moved that tenure be granted to Dr. Steven R. Goodman in his faculty appointment as Professor in the Department of Pediatrics at The University of Tennessee Health Science Center. Mr. Cates seconded, a roll call vote was taken, and the motion carried unanimously.

#### **VIII. SUGGESTIONS FOR WORKSHOP TOPICS**

The Secretary stated that a workshop is tentatively scheduled for September 9-10, and the Trusteeship Committee has discussed potential topics, including research and economic development. Chair Murphy added that Trusteeship discussed looking at the connection between economic development of the state and UT programs and how to increase the connection. Dr. Millhorn discussed

other important and timely topics related to research and economic Development. Trustee Wharton requested an update on research being performed at UTSI. Trustee Cates requested a detailed analysis of curriculum versus supply and demand. Chair Murphy thanked the Committee and staff for their suggestions. He stated that he agreed with the conclusion from Trusteeship Committee to delegate to Dr. DiPietro and his staff to come up with a final topic to circulate to this Committee for approval. Dr. DiPietro agreed to do so.

**IX. OTHER BUSINESS**

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

**X. ADJOURNMENT**

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

Respectfully Submitted,

  
Catherine S. Mizell, Secretary