

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

February 23, 2016
Nashville, Tennessee

The Executive and Compensation Committee of The University of Tennessee Board of Trustees met at 12:30 p.m. CST on Tuesday, February 23, 2016, in the offices of Bradley Arant Boult Cummings at 1600 Division Street in Nashville, Tennessee.

I. CALL TO ORDER

Committee Chair Jubran called the meeting to order.

II. ROLL CALL

The Secretary called the roll, and the following members of the Executive and Compensation Committee were present:

Charles C. Anderson
Joseph A. DiPietro
Spruell Driver, Jr.
Vicky B. Gregg
Raja J. Jubran, Chair
James L. Murphy, III
Sharon J. Miller Pryse

The Secretary announced the presence of a quorum. Trustees Evans and Gallimore were not able to attend. Other Trustees and administrative staff were also present.

III. MINUTES OF THE LAST MEETING

Chair Jubran called for any additions or corrections to the minutes of the November 18, 2015 meeting as presented in the meeting materials. Hearing none, Trustee Driver moved approval of the minutes. Trustee Pryse seconded, and the motion carried.

IV. PRESIDENT'S REPORT

Dr. DiPietro provided a brief update on executive level searches. He said the search for an Executive Vice President may be suspended due to timing with other ongoing searches, depth of the candidate pool, and cost concerns. He said the search for the next Chancellor of UT Martin is getting underway, and a search for the next Chief Financial Officer will begin shortly.

He next discussed the UT System Crisis Communication Plan, which he had requested for the purpose of helping the campuses and institutes more effectively and consistently prevent and manage the negative impact of sensitive public issues. The plan has been prepared by Vice President Tonja Johnson and her team over the past 90 days. The plan is being reviewed by Chancellors and other senior staff. Next, it will be provided to the Advancement and Public Affairs Committee for review and discussion and then provided to the Board as an information item.

Turning to the current legislative session, Dr. DiPietro said this is the most active legislative session the University has experienced in several decades in terms of the number of bills that could impact the University. He described several of the bills and said he and Vice President Anthony Haynes and other members of the administration would continue to monitor developments and advocate for the University.

Dr. DiPietro updated the Committee on outsourcing, noting confusion caused by misinformation. He reported that he had provided a lengthy system-wide communication to University employees regarding the State of Tennessee's Facilities Management Initiative to provide as much detail and clarity as possible. He briefly explained next steps, including validation of data the University has produced, validation of data the state has produced with an outside vendor, and then a request for quotations for the bidding process. An estimate of what the bidders can do the job for will be submitted to each campus. The Chancellors will make a recommendation to the President, who will then make a recommendation to the Board. He said the process could take until late fall or mid-winter. As a condition of the contract, bidders must agree not to initiate a reduction-in-force at any time during the contract, and no current qualified and productive employees would be terminated just because of outsourcing. As currently constructed, the contract would be for a five-year term with annual renewals for five more years.

V. REVISION OF 2015-16 GOALS UNDER THE PERFORMANCE-BASED VARIABLE COMPENSATION PLAN AND PROPOSED METHODOLOGY FOR CALCULATING THE SCORE

Chair Jubran reminded the Committee that the Board's approval in October 2015 of a Performance-Based Variable Compensation Plan for University Officers was subject to the following requirement:

. . . base year data used to establish the goals for the FY 2015-16 performance period shall be audited by the University's Office of Audit and Compliance and that any revisions to the base year data or goals resulting from the audit shall be submitted to the Executive and Compensation Committee for approval.

The Board expressly authorized this Committee to act on its behalf to approve revisions to the base year data or goals (1) resulting from the audit or (2) as otherwise deemed necessary in the judgment of the Committee, subject to the requirement that revisions be presented to the Board for ratification at the next regular meeting of the Board, which will be on April 1.

He reviewed the documents provided to the Committee (Exhibit 1) and noted that that Sandy Jansen, Executive Director of Audit and Compliance, was available to answer questions.

Dr. DiPietro explained that the number of metrics has been reduced in response to comments by Trustees and, in a few instances, in response to a recommendation by the auditors. He noted specifically that metrics were eliminated if databases were subject to change, resulting in an "apples to oranges" comparison. Chair Jubran added that although the Board requested that Budget Advisory Group initiatives be included in the quantitative performance goals, some of those initiatives do not translate into metrics without adding some additional goals.

Dr. DiPietro acknowledged Chair Jubran's active engagement in revising the goals and making them more demanding and thus more of a stretch for the participants in the plan. Chair Jubran said he is a believer in bonuses, but also believes bonuses should be paid for achieving a challenging goal beyond the basic responsibilities of the job. He said adding a retention component to the plan, as requested by the Board, would be discussed at the next meeting.

Trustee Wharton stated his concerns about the salary gap for faculty members. Dr. DiPietro responded that turnover rate, market rate, and compression factor into the disparity between the salary gap for administrators and the faculty salary

gap. He also noted that there are bonus programs for faculty at the campus level. Chair Jubran expressed concern about the difficulty of recruiting at the senior administrator level due to salary levels, noting that recruiting the best of the best is hindered because of low salaries.

There being no further discussion, Chair Jubran called for a motion. Trustee Murphy moved adoption of the following Resolution:

BE IT RESOLVED, that the Executive and Compensation Committee, acting on behalf of the Board of Trustees, approves the following:

1. Changes to the base year data, and resulting changes to the FY 2015-16 quantitative goals under the Performance-Based Variable Compensation Plan for University Officers (Plan), based on the Audit and Compliance report;

2. Elimination of the following quantitative metrics under the Plan:

- a. Total Fall Headcount
- b. In-State Enrollment > Fall 2015
- c. Rank in top 5 in CCTA metrics;
- d. Number of Research Proposals
- e. Revenue from Licenses
- f. U.S. Patents Issued
- g. Vet Med Clients
- h. Number of Alumni Who Donate
- i. Tuition/Fees Below Peer Average
- j. Change in Graduate Tuition Rate Below HEPI +2-3%
- k. Change in Professional Tuition Rate Below HEPI +2-3%

3. Addition of the following quantitative metrics:

- a. (State Appropriation+Tuition/Fee Revenue)/Per Student FTE
- b. Research Award Dollars

4. Addition of the following goals:

- a. For all participants, Advocacy and Leadership
- b. For David Millhorn, the following additional goals:
 - (1) Achieve an ORNL performance score of 94 or higher for FY 2016; and

(2) Develop a business plan and obtain a signed contract to purchase the Pro2serve building for \$17.5 million or less and lease 25% or more of space to a third party customer before September 1, 2016.

5. Proposed Methodology for Calculating the Score:

a. No points will be awarded when the actual is less than the base;

b. If the actual exceeds the goal, the percent above the goal will be multiplied by the weight of the metric;

c. If the actual is greater than the base but lower than the goal, partial credit will be awarded based on the % from the base where:

$$\% \text{ from base} = (\text{Actual} - \text{Base}) / (\text{Goal} - \text{Base})$$

1% - 33% from Base = 25% credit

34% - 66% from Base = 50% credit

67% - 99% from Base = 75% credit

d. Advocacy and Leadership will be increased from 10% to 20% of the total score

e. Additional Goals (subjective) will be scored as Met (100%), Partial (50%), or Not Met (0%)

f. Self-evaluation and evaluation narratives may include contextual information, such as a discussion of circumstances beyond the participant's control that prevented achieving the goal, but significant improvements were made toward the spirit of the goal.

Trustee Pryse seconded the motion, and the motion carried. The Committee's action will be reported to the Board for ratification at the April 1 meeting.

IV. PRESIDENT'S FOUR-YEAR COMPREHENSIVE PERFORMANCE REVIEW OF CHANCELLOR LARRY ARRINGTON AND COMPENSATION RECOMMENDATION

Dr. DiPietro said he has conducted a comprehensive performance review of Chancellor Arrington over the past several months. He referred the Committee to the following materials (Exhibit 2):

1. The President's report of Chancellor Arrington's review, which includes the President's recommendation for a market adjustment to Chancellor Arrington's current annualized base salary of \$302,916; the recommendation is for a 10% increase, bringing his annualized base salary to \$333,208, effective July 1, 2016; supporting market data follow the President's report;
2. Chancellor Arrington's Status Report, 2011-2015;
3. Results of a 360-degree survey concerning Chancellor Arrington's performance; and
4. Guidelines under which the review was conducted.

Dr. DiPietro said Chancellor Arrington has done a wonderful job, and he hopes that he stays with UT for the long term. He noted that Chancellor Arrington received high marks in his 360-degree review.

Chair Jubran called for a motion. Trustee Murphy moved adoption of the following Resolution:

BE IT RESOLVED: That the President's Four-Year Comprehensive Performance Review of Chancellor Arrington be approved; and that the recommended 10% increase in Chancellor Arrington's annualized base salary be approved to bring his annualized base salary to \$333,208, effective July 1, 2016.

Trustee Pryse seconded the motion, and the motion carried. The Committee's action will be presented to the Board for final approval at the April 1 meeting.

V. GRANT OF TENURE TO FACULTY MEMBERS UNDER EXPEDITED PROCEDURES

A. Daniel J. Pack, Ph.D., UTC

On the recommendation of Chancellor Angle, Dr. DiPietro recommended that tenure be granted to Dr. Daniel Pack in his faculty appointment at UTC (Exhibit 3). Dr. Pack has been recruited as Dean of the College of Engineering and Computer Science at UTC effective January 1, 2016. Dr. Pack's most recent academic career has been at the University of Texas at San Antonio, having served as Professor of Electrical and Computer Engineering and Mary Clarke Endowed Department Chair as well Founding Director of the Unmanned Systems Laboratory at the University of Texas at San Antonio. Dr. Pack received his Ph.D. in Electrical Engineering from Purdue University in 1995 and his M.S. in Engineering Science from Harvard University in 1990.

Chair Jubran called for a motion. Trustee Gregg moved adoption of the following Resolution:

BE IT RESOLVED: That tenure be granted to Daniel Pack, Ph.D., in his faculty appointment in the Department of Electrical Engineering at The University of Tennessee at Chattanooga.

The motion was seconded by Trustee Pryse, and the motion carried.

B. Danielle Julie Carrier, Ph. D., UT Institute of Agriculture

On the recommendation of Chancellor Arrington, Dr. DiPietro recommended that tenure be granted to Dr. Julie Carrier in her faculty appointment at the Institute of Agriculture (Exhibit 4). Dr. Carrier has been recruited to the Department of Biosystems Engineering and Soil Science as Professor and Department Head. She Carrier is coming to the University from the University of Arkansas where she is a professor in the Department of Biological and Agricultural Engineering. Dr. Carrier previously served as Associate Professor in Agricultural and Bioresource Engineering at the University of Saskatchewan. She received her Ph.D. in Chemical Engineering from McGill University and brings very strong academic credentials, including a strong publication record and supervision of high quality graduate students. Dr. Carrier is highly visible in the engineering community and highly regarded for her student and faculty mentoring.

Chair Jubran called for a motion. Trustee Pryse moved adoption of the following Resolution:

BE IT RESOLVED: That tenure be granted to Julie Carrier, Ph.D., in her faculty appointment in the Department of Biological and Agricultural Engineering at The University of Tennessee Institute of Agriculture.

Trustee Murphy seconded the motion, and the motion carried.

C. Stuart N. Brotman, J.D. UT Knoxville

On the recommendation of Chancellor Cheek, Dr. DiPietro recommended that tenure be granted to Professor Stuart Brotman, who will be the inaugural Herb Howard Endowed Professor of Media Management and Law in the School of Journalism and Electronic Media at UT Knoxville (Exhibit 5). His professional experience outside of education include President of a global consulting firm, Stuart N. Brotman Communications (1984-2004 and 2005-present), President and CEO of The Museum of Television and Radio in New York and Los Angeles (2004-2005), Counsel of Morrison and Foerster (1995-1996), Counsel and Founder of the Communications, Information, and Entertainment Practice Group of Winthrop, Stimson, Putnam and Roberts (1992-1995), President of Communication Strategies Incorporated (1981-1984), and Special Assistant to the Assistant Secretary of Commerce for Communications and Information of the National Telecommunications and Information Administration (1978-1981). Dr. DiPietro said Professor Brotman's extensive experiences as a global executive, management consultant, international media and communication attorney, and his passion for teaching will advance the educational mission of the College of Communication and Information.

Chair Jubran called for a motion. Trustee Anderson moved adoption of the following Resolution:

BE IT RESOLVED: That tenure be granted to Stuart N. Brotman, J.D., in his faculty appointment in the School of Journalism and Electronic Media at The University of Tennessee, Knoxville.

The motion was seconded by Trustee Pryse, and the motion carried.

VI. TENTATIVE SCHEDULE AND AGENDA FOR THE SPRING MEETING

Chair Jubran called the Committee's attention to the proposed schedule and agenda are included in the meeting materials (Exhibit 6). He asked for any questions or discussion. The Secretary noted that it was a fairly typical schedule for this regularly scheduled meeting of the Board.

VII. OTHER BUSINESS

There was no other business to come before the Committee.

VIII. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary