

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

May 9, 2016  
Nashville, Tennessee

The Executive and Compensation Committee of The University of Tennessee Board of Trustees met at 1:30 p.m. CST on Monday, May 9, 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.  
William Evans  
D. Crawford Gallimore  
Raja J. Jubran, Chair  
James L. Murphy, III  
Sharon J. Miller Pryse

The Secretary announced the presence of a quorum. Trustees Gregg was 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 February 23, 2016 meeting as presented in the meeting materials. Hearing none, Trustee Murphy moved approval of the minutes. Trustee Pryse seconded, and the motion carried.

#### IV. REVIEW OF PUBLIC CHAPTER 753 ON POWERS OF THE BOARD

Due to the late start of the meeting and without objection, Chair Jubran moved the item "Review of Public Chapter 753 on Powers of the Board" forward on the agenda. He asked Ms. Mizell, General Counsel and Secretary, to present the item. Ms. Mizell directed the Committee's attention to the executive summary (Exhibit 1) of the most significant provisions of Public Chapter 753, signed into law by the Governor on April 12, 2016. She explained that the first section of the law deals with powers of the Board of Trustees and powers of the President. It codifies existing practice with respect to the President's appointment, except the language effectively eliminates the need to "re-elect" the President annually. The Board appoints the President, who is the chief executive officer of the UT System. The President serves at the pleasure of the Board, which has power to remove the President at any time, subject to the terms of any written employment contract approved by the Board. The Board defines the President's duties (which is accomplished through the Bylaws), and fixes the President's compensation and other terms of employment annually.

With respect to the Chancellors and other University Officers (as defined in the Bylaws), Ms. Mizell explained the Board is now only required to approve the appointment and initial compensation of these positions, on the President's recommendation. She stated that these positions no longer serve at the pleasure of the Board and no longer will be "re-elected" annually by the Board; rather, these positions serve at the pleasure of the President, who has power to remove them from office, provided that: (1) the Board alone has power to remove the Chief Financial Officer and the General Counsel; and (2) the Board also has power to remove a Chancellor at any time. The President has authority annually to evaluate and set the compensation and other terms of employment of the Chancellors and other University Officers. Chair Jubran added that it was a major emphasis of this legislation to show that the President clearly has the power to evaluate, set the compensation, and most significantly to terminate the Chancellors and other University Officer positions.

Ms. Mizell explained that the new law requires the Board to provide an opportunity in connection with regular Board meetings for members of the public to address the Board, or a committee of the Board. In response to a question from the Committee, she noted that the topic is not limited to agenda items but must concern an issue germane to the responsibilities of the Board.

Ms. Mizell then explained that another section of the new law codifies the existing standing committee structure of the Board and requires two additional standing committees, an Athletics Committee and a University Life Committee.

She described the purpose of the two additional committees and noted that they would meet for the first time at or before the October Board meeting. She added that the new law also requires the appointment of subcommittees for the following committees:

- Academic Affairs and Student Success
  - Subcommittee on Student Conduct, Rights, and Responsibilities
- Advancement and Public Affairs
  - Subcommittee on Community and Alumni Relations
- Finance and Administration
  - Subcommittee on Efficiency and Cost Savings
  - Subcommittee on Tuition, Fees, and Financial Aid
- University Life
  - Subcommittee on Nonacademic Programs.

Finally, Ms. Mizell noted that the new legislation requires the Tennessee Higher Education Commission to coordinate and administer an orientation and continuing education program for Board members and specifies certain components to be included in the program. She explained that Interim Executive Director Russ Deaton has indicated that the first program will be conducted jointly for all public higher education governing boards after the new boards are appointed under the FOCUS Act.

#### **V. PRESIDENT'S REPORT**

Dr. DiPietro updated the Committee on executive searches currently underway and also the succession planning process facilitated by the Oliver Group. He noted that they will begin with the system administration as the model to be used to train other groups. He briefly reviewed the recent legislative session, and a discussion ensued regarding the new law that will allow employees with handgun carry permits to carry on campus under certain conditions. He said the administration is reviewing options and diligently working on plans and policy development. He acknowledged that this is a very concerning issue for faculty and students.

#### **IV. REVIEW OF DRAFT REVISIONS TO THE PERFORMANCE-BASED VARIABLE COMPENSATION PLAN TO INCORPORATE RETENTION**

Chair Jubran stated that at a prior Board meeting, the Board discussed adding a

retention component to the Performance-Based Variable Compensation Plan approved by the Board in October 2015 (Exhibit 2). He discussed the two suggestions for the retention component:

Option 1: Payment is deferred for one year after the Board approves a variable compensation payment.

Option 2: Payment is made in three installments—the first within 30 days of Board approval, the second one year after Board approval, and the third two years after Board approval.

For the first option, the Vice Chair explained that because the performance period runs through June, the Board would not approve the payment until after the assessment period, which would be in approximately the winter or early spring time period, and the payment would be made one year from then. He stated that the second option would stretch out the retention period, but it would provide quicker incremental payments. The Committee discussed whether there could be scenarios where the Board may need to accelerate a Board-approved payment, and there was consensus that there will likely be instances in which an employee is planning to retire prior to receipt of all or some the Board-approved payment. Trustee Evans cautioned against creating a situation in which an employee is incentivized not to retire or move. The Vice Chair also noted that a good bonus plan is an important tool for recruiting the best candidates.

The Committee discussed selecting option two, noting that it offers a quicker incremental payment, and it also offers the potential for including some flexibility. A question was raised as to whether the new law that authorizes the President to set the University Officers' annual salaries affected this plan. The General Counsel said the Board initiated the plan, which is separate and in addition to the annual compensation of the Officers, and the Board will annually determine whether to approve the payments under this plan.

## **V. REVIEW OF TENTATIVE SCHEDULE AND AGENDA FOR THE ANNUAL MEETING**

Chair Jubran called the Committee's attention to the proposed schedule and agenda included in the meeting materials (Exhibit 3). He asked for any questions or discussion. The Secretary noted that it was a fairly typical agenda for this regularly scheduled annual meeting of the Board.

## **VI. 2016 WORKSHOP TOPIC**

The Secretary said that a workshop is tentatively scheduled for August 10. Chair Jubran said a workshop will not be held unless there is a relevant and significant topic and ample time to prepare materials. The Committee discussed potential topics and location options. Chair Jubran stated that he would work with Dr. DiPietro and his staff to determine if a workshop will be held, and if so, to determine a final topic and location.

## **VII. 2017 DATES FOR REGULAR BOARD MEETINGS AND A WORKSHOP**

The Secretary stated that after conducting conflict checks, the following dates are proposed for two regular meetings of the Board of Trustees and a workshop in 2017: Spring Meeting, March 28-29, 2017 in Chattanooga, Annual Meeting, June 21-22, 2017 in Knoxville and Workshop, August 9, 2017 (location to be determined) (Exhibit 4). She said the Fall Meeting date will be set after release of the 2017 Volunteer football schedule. Chair Jubran called for a motion. Trustee Pryse moved that the Executive and Compensation Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: That the following 2017 dates are approved for the first two regular meetings of the Board and a workshop:

Spring Meeting, March 28-29, 2017 in Chattanooga  
Annual Meeting, June 21-22, 2017 in Knoxville  
Workshop, August 9, 2017 (location to be determined)

Mr. Anderson seconded the motion, and the motion carried.

## **VIII. OTHER BUSINESS**

There was no other business to come before the Committee.

## **IX. ADJOURNMENT**

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

Respectfully Submitted,

  
Catherine S. Mizell, Secretary