

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

May 5, 2011
Nashville, Tennessee

A meeting of the Executive and Compensation Committee of the Board of Trustees of The University of Tennessee was held at 10:30 a.m. CDT, Thursday, May 5, 2011, 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

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

George E. Cates
Joseph A. DiPietro
Spruell Driver, Jr.
James E. Hall
Andrea J. Loughry
James L. Murphy, III
Don C. Stansberry, Jr.
Robert S. Talbott

The Secretary announced the presence of a quorum of the Committee. Other Trustees and members of the administrative staff were also present.

III. APPROVAL OF MINUTES OF LAST MEETING

The Chair called for any corrections or additions to the minutes of the January 21, 2011 meeting of the Executive and Compensation Committee (Exhibit 1). There being none, Trustee Driver moved approval of the minutes. Trustee Talbott seconded the motion, and the motion carried unanimously.

IV. PRESIDENT'S REMARKS

Dr. DiPietro provided the following summary of recent activities:

- Proposed guns-on campus legislation did not pass. Dr. DiPietro acknowledged the work of the legislative relations staff, chiefs of police, and the General Counsel's office in opposing guns-on-campus legislation.
- The Diversity Advisory Council (DAC) has been established in keeping with a recommendation of a study and report to Interim President Jan Simek. DAC will report to the Board annually but the first report will be delayed until the October meeting. Theotis Robinson chairs the group, which is looking at how to be effective and efficient in promoting a diverse learning environment across the entire system, reviewing performance measures around diversity, and accountability. DAC is structured like the Compensation Advisory Board, with representation from all campuses and institutes.
- The Compensation Advisory Board (CAB) is doing a market analysis across the system, completing a comparative analysis on compensation. CAB recommended use of a third party firm; the Chancellors agreed and are helping with financial support.
- Searches at the President's Staff level include: Institute for Agriculture Chancellor--interviews are underway with a very diverse and talented pool of four candidates; Vice President for Development and Alumni Affairs--search committee is chaired by David Millhorn, and the search firm has begun work; Chief Financial Officer--Treasurer Butch Peccolo was asked to take on the CFO responsibilities on an interim basis. Since last June he has been doing both jobs well, but he will be hiring an Executive Director of Investments to focus on the investment portfolio. Trustee Wharton suggested that Andrea Loughry be involved with selection of the person to fill that position, given her position as Foundation Chair, and he also expressed concern about whether a candidate with the required skill and competence could be hired at prevailing University salary rates. Mr. Peccolo noted that the Investment Advisory Council, of which Trustee Loughry is a member, and other Trustees will have input into selection of candidates. A lengthy discussion then ensued regarding the level of salary the current endowment will support.

- Strategic Planning will be a 12-month process. An RFP has been developed for a consulting firm. The plan will be outcomes oriented with a dashboard of indicators and will be tied to the Complete College Tennessee Act. Trustees and campus constituencies will be engaged in the planning process; a plan will not simply be developed by the administration and presented to the Board for approval. Trustee Loughry commented that core information already compiled should be retained and built upon. Trustee Cates added that a major responsibility of the Board is to establish strategy for the University, but he has not seen the Board effectively engaged in setting strategy since he has been on the Board.
- Legislative and government relations efforts have been going well. Dr. DiPietro has also been participating in many campus events and visits, development and alumni events, and receptions.
- Evaluation of all President's Staff members is underway. The process is an opportunity to review accomplishments and goals for next year and to give and receive feedback for improvement.

Dr. DiPietro closed his remarks by explaining that Butch Peccolo and his staff are putting together a statewide approach for salary increases based on the expected state across-the-board increase of 1.6%. The Chancellors strongly want to offer a 2% across-the-board, and each Chancellor has a different rationale for additional increases. The plan will allow flexibility to award merit, market, or greater across-the-board increases if the unit has the resources, with the goal of achieving some measure of uniformity throughout the System on the across-the-board increase. Trustee Stansberry asked what a 5% across-the-board increase for all faculty would cost, and Mr. Peccolo responded that it would cost approximately \$35 million. Market analysis will help to identify gaps, and the plan needs to be based on facts. Trustee Driver asked where revenue for flexibility might come from. Dr. DiPietro responded that fees, as well as vacant positions, might provide revenue for salary increases beyond the across-the-board increase.

V. PRESIDENT'S PERFORMANCE GOALS FOR 2011-2014

Dr. DiPietro distributed revised copies of the 2011-2012 Presidential Goals and Indicators of Presidential Performance (Exhibit 2). He explained that the Strategic Plan is likely to produce additional indicators of presidential performance.

A. Indicators of Presidential Performance (quantitative measurements):

Dr. DiPietro suggested that the Trustees should be looking for trends, as opposed to fixed numbers. Trustee Stansberry asked about six-year graduation rate as a standard, referring to the Complete College Tennessee Act parameter. Dr. DiPietro responded that the indicators will be refined over time and that the CCTA will certainly be a key external factor. Trustee Driver inquired about grants and awards in research as opposed to research expenditures, and Dr. DiPietro explained that grants and awards tend to spike up and down, making actual research expenditures the better indicator. Chancellor Cheek also noted some awards are sub-granted to other entities. Trustee Hall asked about goals with respect to UTHSC and expressed concern that most of the suggested indicators are not applicable to UTHSC and further urged that UTHSC have greater presidential focus to avoid another decline of that unit. Dr. DiPietro responded that clients served and research expenditures at UTHSC will be measured, and clinical faculty will be pushed to be more productive. Chair Murphy asked Dr. DiPietro to consider what the best measures of clinical practices are.

Trustee Talbott recommended adding Facilities as a quantitative goal. Dr. DiPietro explained that he has had two conversations with the Governor regarding capital improvements. Trustee Hall expressed his view that the State Building Commission procedures are not meeting state infrastructure needs. Dr. DiPietro said the Governor understands that the current process requires the University to conduct projects in sequence rather than parallel projects, causing inefficiency. Chair Murphy noted that the general public thinks state taxes gives them access to education, so they do not want to pay tuition or fees for buildings. We need to change public understanding of the funding model and user charges and raise the public's view and value of higher education. Trustee Hall said the time is right to deal with the facilities problem and urged development of a plan. Chancellor Cheek referenced data analysis showing that UTK is a great value and explained that he has engaged UTK students in a discussion about the tremendous need for improvement in facilities at UTK. Chair Murphy asked that other Chancellors do a comparable analysis and that it be used in the budget presentation. Trustee Driver urged President DiPietro to be the voice of higher education in Tennessee on this issue. Trustee Stansberry called for a strong public relations program to articulate UT's value.

B. Presidential Goals

Dr. DiPietro indicated that he will report goals and accomplishments

annually. His performance goals for 2011-12 were circulated to the President's Staff before being presented to the Committee. Trustee Driver asked about the UTSI plan. Dr. DiPietro explained that UTSI now reports to UT Knoxville and that behind each dashboard indicator there will be data for each campus/unit. The Chair pointed out that presidential goals are not campus, but System-wide issues, and that presidential goals need to allow the Board to determine if the President is doing what is needed to allow the System as a whole, and all its parts, to move forward. Trustee Talbott asked if economic development would be included. Dr. DiPietro responded that it is reflected to some extent in the outreach indicators but agreed that it probably should be included more directly. Discussion then ensued about the difficulty of defining and measuring economic development. Chair Murphy concluded the discussion by noting that this is a work in progress and will likely change in the course of the strategic planning process. Trustee Hall asked Dr. DiPietro to consider identifying, as part of the Strategic Plan, a couple of signature goals that would mark his presidency, such as solving the infrastructure problem. Trustee Talbott strongly concurred and urged Dr. DiPietro to work with the Governor to address the need for change in the area of facilities improvement.

VI. GRANT OF TENURE TO THREE KNOXVILLE FACULTY UNDER EXPEDITED PROCEDURES

Dr. DiPietro presented the recommendation of three UT Knoxville faculty for tenure (Exhibit 3). Scott Childs, J.D., is Associate Professor and Associate Dean for Library and Technology Service in the College of Law; Terry Leap, Ph.D., is Lawson Professor of Business and Head, Department of Management, College of Business Administration; and Annette Ranft, Ph.D., is Regan Professor of Business and Associate Dean for Academic Programs, Department of Management, College of Business Administration. All steps in the normal tenure review process have been completed, and each faculty member has received unanimous support. Dr. DiPietro concurred with Chancellor Cheek's recommendation and requested the Committee grant tenure to the these outstanding members of the Knoxville faculty.

The Chair called for a motion. Trustee Stansberry moved approval to grant tenure to Scott Childs, Terry Leap, and Annette Ranft under expedited procedures. Trustee Driver seconded the motion, and it carried unanimously.

VII. RECOMMENDATION OF 2012 DATES FOR REGULAR BOARD MEETINGS AND A SUMMER WORKSHOP

The Committee reviewed the proposed schedule for the 2012 meetings of the Board and a summer workshop (Exhibit 4). Secretary Mizell pointed out that the Legislative Tailgate, the Development Council, and the Board of Trustees compete politely for the best fall meeting dates; for 2012, it is proposed that the Board defer to Government Relations and Development for the earlier meeting dates.

The Chair called for a motion. Trustee Stansberry moved approval of the recommended 2012 meeting dates for regular board meetings and a summer workshop. Trustee Loughry seconded the motion, and it carried unanimously.

VIII. PLANNING FOR ANNUAL MEETING OF THE BOARD

The Chair asked Secretary Mizell to present planning information for the Annual Meeting of the Board (Exhibit 5). She presented a tentative schedule of events, subject to any concerns the Committee might have. She noted that six committees are scheduled to meet rather than the typical four. Tentative agenda items were also presented for the Committee's review.

IX. OTHER BUSINESS

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

X. 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