

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

May 15, 2012
Nashville, Tennessee

The Executive and Compensation Committee of the Board of Trustees of The University of Tennessee met at 10:45 a.m. CDT, Tuesday, May 15, 2012, at the offices of Bradley Arant Boult Cummings in Nashville, Tennessee.

I. CALL TO ORDER

Don C. Stansberry, 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
James L. Murphy, III
Don C. Stansberry, Jr.
Charles E. Wharton

The Secretary announced the presence of a quorum of the Committee. Trustee Anne Blackburn, Trustee Crawford Gallimore, and members of the administrative staff were also present.

III. APPROVAL OF MINUTES OF PRIOR MEETING

Chair Stansberry asked for any corrections to the minutes of the January 27, 2012 meeting of the Committee. Hearing none, Trustee Murphy moved approval of the minutes as presented. Trustee Driver seconded the motion, and it carried unanimously.

IV. PRESIDENT'S REMARKS

Dr. DiPietro began his remarks by announcing that Governor Haslam has signed the State's budget for FY 2013, and for the first time in five years the budget is positive for the University.

Dr. DiPietro also announced that Phil Oldham, Provost at UT Chattanooga, has been selected as the President of Tennessee Tech University. Mary Tanner, Dean of the College of Education at UTC, has been named interim Provost.

Dr. DiPietro then asked Chancellor Schwab to comment on the Health Science Center's new affiliation with Ascension Health, creating a campus in Nashville for the training of residents. Chancellor Schwab explained that the St. Thomas Hospital System will become part of the Health Science Center's core teaching hospitals. In response to a Trustee question, Chancellor Schwab said he anticipates branding and signage will be forthcoming.

Dr. DiPietro then noted that much of the current conversation about higher education concerns affordability. He presented a rank-ordered list of student debt burden from Tennessee institutions of higher education (Exhibit 1). ETSU students have the highest student debt burden but still only about half the national average. UT campuses are working to demonstrate their affordability.

Dr. DiPietro announced that the State Building Commission has approved a new threshold for disclosure of capital projects. The University will now only be required to disclose projects over \$500,000. The administration will continue efforts to increase the threshold to \$1,000,000, which would include 61% of the projects and about 13% of the dollars and would reduce the workload while maintaining accountability.

In closing, Dr. DiPietro gave credit to Chancellor Cheek and Athletics Director Dave Hart for their handling of the Trembley matter, as well as the arrangements for Coach Summitt's retirement.

V. UPDATE ON THE SYSTEM STRATEGIC PLAN

Dr. DiPietro asked Dr. Keith Carver to review the April 2012 Monthly Report (Exhibit 2) for the strategic planning project. Trustee Wharton asked whether the NAPA Group is involved on a continuing basis. Dr. DiPietro stated they have been involved since the beginning of the process, but their continued involvement has not yet been determined.

Dr. DiPietro then presented an executive summary of the UT System Administration Strategic Plan 2012-2017 (Exhibit 3). Trustee Murphy commented that he served as the Board of Trustees designee on the steering committee, and he thought the process was very well done. The plan holds the campuses to doing what needs to be done without telling them how to do it. Trustee Cates stated it is important to have true buy-in from the campuses and institutes, and Dr. DiPietro explained that he and Dr. Carver had a lengthy session with the chancellors, resulting in their complete buy-in of the plan. He further explained that one of the first things the consultants did was to review the plans and goals of each campus and institute. While the campus and institute plans might require some fine tuning, all are in line with the System Administration Strategic Plan.

Trustee Hall asked the chancellors present to comment on their participation in the strategic planning process. Chancellor Schwab stated that most of the discussion in which he was engaged related to funding and implementation. Chancellor Cheek stated that Knoxville's strategic plan fits completely within the system plan. He believes Dr. DiPietro has worked to provide the infrastructure needed. Chancellor Arrington said the Institute of Agriculture's strategic plan will contribute directly to all aspects of the system plan. The chancellors present agreed that past issues of conflict between the system administration and the campuses no longer exist.

Trustee Hall asked how issues of student success and affordability will be addressed through the dashboard metrics. Dr. DiPietro responded that student success and affordability are directly related to effectiveness and efficiency, assuring graduation on time, and retention rates. Trustee Murphy also pointed out that the category "Advocate for UT" was added to emphasize the importance of communicating on behalf of UT. Trustee Hall stated that although he endorses the strategic plan, he believes other ways of communicating with the citizens of Tennessee need to be considered.

Trustee Cates compared the once-understaffed development function to the current state of the UT Research Foundation. He requested the administration look at a similar model to what was used for the UT Foundation so that the UTRF funding and staffing issues can be strategically resolved. Trustee Murphy noted that budgeting must be consistent with the strategic plan going forward. Dr. DiPietro agreed it will require an investment to bring the UT Research Foundation to its potential. He would like to see someone working directly with

faculty researchers to connect their discoveries with opportunities. Dr. David Millhorn commented that UTRF has made progress in the past year in helping researchers identify and protect intellectual property, but money is limited, and projects must be prioritized.

VI. NEW IT GOVERNANCE MODEL

Dr. Millhorn introduced the reorganization of system and campus IT governance, and Mr. James Perry, Interim CIO, delivered a presentation (Exhibit 4) on the reorganization. Trustees Driver and Wharton inquired regarding security, and Mr. Perry responded that the University's IT system is quite secure, but security is a constant focus. Dr. Millhorn elaborated on the difficulties the University faces because of its desire to make information available for research and academic purposes.

VII. LONGEVITY, RETENTION AND PERFORMANCE PLAN FOR CHANCELLORS

At the January 27 meeting of the Committee, President DiPietro presented for discussion a draft Longevity, Retention, and Performance Plan (LRPP) for Chancellors. Incorporating feedback from the Committee, President DiPietro presented the final version of the Plan (Exhibit 5) for consideration.

Trustee Hall moved that the Longevity, Retention, and Performance Plan for Chancellors be recommended to the Board of Trustees for approval. Trustee Murphy seconded the motion, and the motion carried. Trustee Wharton opposed the motion, noting that he believes the plan should not be limited to chancellors. Dr. DiPietro said he would consider implementing performance plans for others in the future, but he believes it is appropriate to limit the plan to chancellors at this time.

VIII. 2013 DATES FOR REGULAR BOARD MEETINGS AND SUMMER WORKSHOP

The proposed dates for 2013 regular board meetings and a summer workshop are: Winter Meeting on February 28-March 1 in Chattanooga; Annual Meeting on June 19-20 in Knoxville; Summer Workshop on August 26-27 (location to be determined); and Fall Meeting on October 24-25 in Knoxville. Trustee Hall suggested that because the Winter Meeting will not be in Martin, consideration should be given to having the 2013 summer workshop somewhere in West Tennessee. Trustee Murphy moved that the proposed 2013 dates for regular

board meetings and a summer workshop be approved. Trustee Wharton seconded the motion, and it carried unanimously.

IX. POSSIBLE TOPICS FOR THE SUMMER WORKSHOP

Chair Stansberry mentioned that future trends in higher education might be a topic of discussion at the August 2012 summer workshop, with emphasis on what the University might look like in five and ten years. Dr. DiPietro suggested that examining the concept of disruptive innovation might be beneficial, which would provide an opportunity for the Trustees to learn how the campuses are already exploring changes and how innovation impacts the University and what it might be in the future. Chair Stansberry and the President will work with the chancellors and others to prepare for the workshop.

X. TENTATIVE SCHEDULE AND AGENDA FOR THE ANNUAL MEETING

Secretary Mizell presented the tentative schedule with agenda items for the Annual Meeting on June 20-21 (Exhibit 6). Although a meeting of the Health Affairs Committee has tentatively been scheduled for the morning of June 20, the committee may need to meet earlier than June 20 to give the members time to review documents and make suggestions prior to presenting items for approval at the June 21 Board meeting.

XI. STATUS OF COMMITTEE ON EFFECTIVENESS AND EFFICIENCY FOR THE FUTURE

Chair Stansberry stated that Trustee Doug Horne, Chair of the ad hoc Committee on Effectiveness and Efficiency for the Future, has requested that consideration be given to making the work of the EEF Committee part of one of the current standing committees, such as the Audit Committee. Trustee Wharton expressed concern that the EEF Committee's focus would be lost if it is combined with another committee. Trustee Murphy suggested EEF might fit better into the Finance and Administration Committee. After further discussion, the consensus of the Committee was that the EEF Committee is serving an important role and should continue for the next year, meeting twice rather than three times.

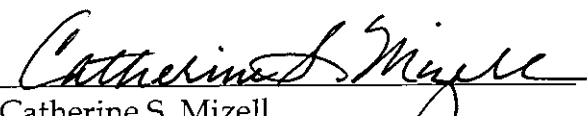
XII. OTHER BUSINESS

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

XIII. 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