

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

June 20, 2012  
Knoxville, Tennessee

The Executive and Compensation Committee of the Board of Trustees of The University of Tennessee met at 11:15 a.m. EDT, Wednesday, June 20, 2012, at Hollingsworth Auditorium on the campus of the Institute of Agriculture in Knoxville, 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.  
Robert S. Talbott  
Charles E. Wharton

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

**III. APPROVAL OF MINUTES OF PRIOR MEETING**

Chair Stansberry asked for any corrections to the minutes of the May 15, 2012 meeting of the Committee. Hearing none the Chair called for a motion. Trustee Wharton moved approval of the minutes as presented in the meeting materials. Trustee Driver seconded the motion, and it carried unanimously.

#### **IV. PRESIDENT'S REMARKS**

Dr. DiPietro began his remarks by announcing Vice President Hank Dye's July 11, 2012 retirement. He expressed gratitude to Mr. Dye for faithfully serving the University in government and public relations. Anthony Haynes is being promoted to Vice President for Government Relations, and Tom Griscom will chair a committee to recommend a structure for marketing and communications at the system level. In the interim, Gina Stafford will continue to manage the communications team, reporting to Keith Carver.

Dr. DiPietro also announced that Roger Brown, Chancellor of UT Chattanooga, has decided to retire by March 2013. A search for a new Chancellor has begun and is being carefully coordinated with the search for a new Provost. He expressed gratitude to both Chancellor Brown and Provost Oldham for their roles in advancing UT Chattanooga.

Dr. DiPietro then noted that under the agenda item Election and Compensation of University Officer, the Committee will act on his recommendation that Charles (Butch) Peccolo, who has been serving as Interim Chief Financial Officer since June 2010, be promoted to Chief Financial Officer. He noted that the State Comptroller and State Auditor fully endorse this recommendation.

#### **V. SYSTEM ADMINISTRATION STRATEGIC PLAN**

Dr. DiPietro stated the strategic planning process has been conducted over the past ten months, engaging over 400 people and various task forces and steering committees. The plan has goals that encourage everyone to participate in moving The University of Tennessee forward. It celebrates the University's uniqueness, while advancing the collective reputation.

He then presented the strategic plan documents, including an Executive Summary of the Plan, an Implementation Worksheet, and the System Administration Strategic Plan (Exhibit 1). Dr. DiPietro thanked Dr. Keith Carver for leading the strategic planning effort, the members of the steering committee for their service, and the various task forces.

Chair Stansberry asked the Chancellors present in the room to confirm whether the strategic plan clearly distinguishes the role of campuses and institutes from that of the system. Chancellors Schwab, Arrington, Cheek, and Rakes each express their agreement that the plan clearly and accurately distinguishes the

respective roles.

Trustee Murphy commented that as the Board's designee on the steering committee, it was his observation that the process was very well done. He believes the plan holds the campuses to doing what needs to be done without telling them how to do it. Past issues of conflict between system administration and campuses were not evident during the planning process. He also noted the plan is not static, but has many more action items awaiting implementation.

Trustee Murphy moved that the System Administration Strategic Plan be approved as presented. Trustee Wharton seconded the motion, and it carried unanimously. Chair Stansberry thanked Trustee Murphy for his contributions to the process.

## **VI. PRESIDENT'S ANNUAL PERFORMANCE REVIEW AND 2012-13 GOALS**

Chair Stansberry explained that the Board's Policy on Presidential Performance Reviews delegates to the Vice Chair of the Board the responsibility to organize and conduct an annual review of the President's performance, subject to the Board's ultimate authority to approve or modify the Vice Chair's assessment. The policy provides for the Vice Chair to submit his written assessment to the Executive and Compensation Committee, along with his recommendation concerning the President's proposed goals for the coming year and any recommendation concerning the President's compensation or other terms of employment.

Chair Stansberry then called the Committee's attention to his written assessment of the President's performance, prepared in his capacity as Vice Chair of the Board, and the proposed 2012-13 goals on which he and President DiPietro have reached consensus (Exhibit 2). The Chairs of the Audit Committee and the Trusteeship Committee, who were designated by the Executive and Compensation Committee to participate in the process, have reviewed the Vice Chair's assessment and have indicated their concurrence with it.

In view of his conclusion that Dr. DiPietro's overall performance for the past year deserves very high marks, the Vice Chair recommends that Dr. DiPietro's base salary be increased by 2.5% from \$420,000 to \$430,500, effective July 1, 2012, and that the Vice Chair be authorized to execute an amendment to Dr. DiPietro's current employment agreement to incorporate the change in base salary. The Vice Chair further recommends that he be authorized to negotiate with Dr.

DiPietro concerning a retention and performance incentive plan and to present any necessary amendments to Dr. DiPietro's employment agreement concerning such a plan at a subsequent meeting of the Executive and Compensation Committee for its consideration and subsequent recommendation to the full Board.

Trustee Murphy moved that (1) the Vice Chair's assessment of Dr. DiPietro's performance for 2011-12 be approved; (2) the proposed presidential goals for 2012-13 be approved; (3) Dr. DiPietro's base salary be increased to \$430,500, effective July 1, 2012, and the Vice Chair be authorized to execute an amendment to Dr. DiPietro's current employment agreement to incorporate the change in base salary; and (4) the Vice Chair be authorized to negotiate with Dr. DiPietro concerning a retention and performance incentive plan and to present any necessary amendments to the employment agreement concerning such a plan to the Executive and Compensation Committee for its consideration and subsequent recommendation to the full Board. Trustee Driver seconded the motion, and it carried unanimously.

Trustee Wharton inquired as to where the President's salary ranks with regards to benchmark markets. Chair Stansberry responded that based on 2010 data, the president's salary is mid-range. Trustee Wharton requested that Chair Stansberry move forward expeditiously to work with Dr. DiPietro to develop a retention and performance incentive plan to present to the Committee for consideration.

## **VII. ELECTION AND COMPENSATION OF UNIVERSITY OFFICERS**

Article IV of the Bylaws names the elected officers of the University and provides that these officers are elected by the Board initially and are subject to re-election annually. Except in the case of the President, who has a formal Employment Agreement for four years (through December 31, 2014), the service of all elected officers of the University is at the will of the Board of Trustees and without a definite term.

Dr. DiPietro shared the President's Salary Pool for Market and Merit Adjustments and spreadsheets presenting his recommendations for compensation for the elected officers of the University and other senior staff. Trustee Wharton suggested that part of the formula for determining merit increases should be the employee's ability to raise funds on behalf of the University.

Trustee Murphy moved that the Resolution on Election and Compensation of University Officers (Exhibit 3) be approved with the compensation shown in the spreadsheet marked Exhibit A. Trustee Wharton seconded the motion, and it carried unanimously.

With respect to overall University compensation, Trustee Wharton requested that the record reflect his concern about not accomplishing all that is needed to close the compensation gaps, but he acknowledged that the process was fair and balanced.

#### **VIII. RESOLUTION APPOINTING A MANAGERIAL GROUP FOR U. S. GOVERNMENT CONTRACTS**

Secretary Catherine Mizell stated that the Department of Energy, Department of Defense, and other federal agencies with which the University has contracts impacting national security require the Board to appoint a Managerial Group and delegate to that group responsibility for negotiation, execution, and administration of U.S. Government contracts. Only members of the Managerial Group will receive security clearance and have access to classified information.

The Board initially appointed a Managerial Group by resolution adopted on December 11, 2001. A new resolution is required annually to reflect changes in personnel.

Trustee Wharton motioned that the Resolution (Exhibit 4) appointing a managerial group for U.S. Government contracts be approved as presented in the meeting materials. Trustee Driver seconded the motion, and it carried unanimously.

#### **IX. 2013 DATES FOR REGULAR MEETINGS AND SUMMER WORKSHOP**

Secretary Mizell advised that at the May 15, 2012 meeting of the Executive and Compensation Committee, the committee recommended the following dates for the three regular meetings of the Board of Trustees in 2013, and for a summer workshop: Winter Meeting, February 28-March 1, 2013 in Chattanooga; Annual Meeting, June 19-20, 2013 in Knoxville; Summer Workshop on August 26-27, 2013 (location to be determined); and Fall Meeting, October 24-25 in Knoxville. She noted that this item will appear on the consent agenda of the full Board meeting on June 21, 2012.

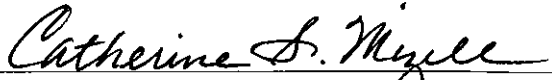
**X. OTHER BUSINESS**

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

**XI. 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