

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

October 8, 2015  
Knoxville, Tennessee

The Executive and Compensation Committee of The University of Tennessee Board of Trustees met at 10:30 a.m. EDT on Thursday, October 8, 2015, in Hollingsworth Auditorium on the campus of the Institute of Agriculture in Knoxville, Tennessee.

**I. CALL TO ORDER**

Chair Jubran called the meeting to order and asked the Secretary to call the roll.

**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 E. Evans  
D. Crawford Gallimore  
Vicky B. Gregg  
Raja J. Jubran  
James L. Murphy, III  
Sharon J. Miller Pryse

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

**III. MINUTES OF THE LAST MEETING**

Chair Jubran called for any additions or corrections to the minutes of the September 9, 2015 meeting as presented in the meeting materials. Hearing none, Trustee Anderson moved approval of the minutes, Trustee Murphy seconded, and the motion carried unanimously.

#### IV. EVALUATION OF PERFORMANCE AND DETERMINATION OF RETENTION PAYMENTS UNDER THE PERFORMANCE AND RETENTION PLAN, FY 2013 – 15

Chair Jubran asked Chancellor Angle, Chancellor Arrington, Chancellor Cheek, Chancellor Schwab, and Executive Vice President Millhorn to leave the room for the Committee's discussion of the Evaluation of Performance and Determination of Retention Payments under the Performance and Retention Plan, FY 2013-15 (Exhibit 1).

Chair Jubran called on Dr. DiPietro to present his assessment of the Chancellors' and Executive Vice President's performance under the 2013-15 Performance and Retention Plan. Dr. DiPietro first discussed the process of developing the Plan and said the Board's key objectives in adopting the Plan were to motivate and reward achievement of performance goals tied to the System Strategic Plan, promote accountability and excellence at the executive level, and retain high performing executives. He explained that the proposed retention payments were calculated in accordance with a methodology designed to give greatest credit to achievement of the objective metrics. He reported that the Office of Audit and Compliance had reviewed the performance data and the calculation of the retention payments and called attention to the resulting report to the Chair of the Audit and Compliance Committee. He explained that one data point used in the methodology, unrestricted expenditures reported to NSF for 2015, is an estimate because the final data will not be available until January 2016. When that final data is available, it may be necessary to make an appropriate adjustment to the retention payments. Dr. DiPietro directed the Committee to the recommended retention payments for Chancellor Angle, Chancellor Arrington, Chancellor Cheek, Chancellor Schwab, and Executive Vice President Millhorn.

Chair Jubran noted that 70% of the Plan goals are objective in nature and that the administration has worked very hard to accumulate, confirm, and audit the performance data, which indicated that for the most part these objective goals have been achieved. He added that the Board should be very happy with the team for delivering on these goals.

Trustee Gregg expressed concern that Chancellor Angle's achievement of research goals was impacted by funding issues for the Sim Center. She said that going forward, the Board should be cognizant of goals affected by situations beyond an executive's control.

Chair Jubran called for any further discussion. There being none, Trustee Pryse made the following motion concerning a retention payment to Chancellor Angle:

That the Board of Trustees determine that the performance of Chancellor Angle during the one-year period from July 1, 2014 through June 30, 2015 has been more than satisfactory and approve a one-year retention payment to him in the amount of \$36,259 as long as he remains in active service as Chancellor on the date payment is to be made, except as otherwise provided in the Performance and Retention Plan, and subject to the conditions stated in the meeting materials concerning recalculation of the objective scores and retention payments based on final FY 2015 Restricted and Unrestricted Research Expenditures Reported to NSF.

Trustee Anderson seconded the motion, and the motion carried.

Trustee Gallimore made the following motion concerning a retention payment to Chancellor Arrington:

That the Board of Trustees approve a three-year retention payment to Chancellor Arrington in the amount of \$30,877 per year for a total of \$92,661 for all three years as long as he remains in active service as Chancellor on the date payment is to be made, except as otherwise provided in the Performance and Retention Plan, and subject to the conditions stated in the meeting materials concerning recalculation of the objective scores and retention payments based on final FY 2015 Restricted and Unrestricted Research Expenditures Reported to NSF.

Trustee Murphy seconded the motion, and the motion carried.

Trustee Pryse made the following motion concerning a retention payment to Chancellor Cheek:

That the Board of Trustees approve a three-year retention payment to Chancellor Cheek in the amount of \$52,699 per year for a total of \$158,098 for all three years as long as he remains in active service as Chancellor on the date payment is to be made, except as otherwise provided in the Performance and Retention Plan, and subject to the conditions stated in the meeting materials concerning recalculation of the objective scores and retention payments based on final FY 2015 Restricted and Unrestricted Research Expenditures Reported to NSF.

Trustee Anderson seconded the motion, and the motion carried.

Trustee Evans made the following motion concerning a retention payment to Chancellor Schwab:

That the Board of Trustees approve a three-year retention payment to Chancellor Schwab in the amount of \$75,076 per year for a total of \$225,227 for all three years as long as he remains in active service as Chancellor on the date payment is to be made, except as otherwise provided in the Performance and Retention Plan, and subject to the conditions stated in the meeting materials concerning recalculation of the objective scores and retention payments based on final FY 2015 Restricted and Unrestricted Research Expenditures Reported to NSF.

Trustee Gallimore seconded the motion, and the motion carried.

Trustee Pryse made the following motion concerning a retention payment to Executive Vice President Millhorn:

That the Board of Trustees approve a three-year retention payment to Executive Vice President Millhorn in the amount of \$37,159 per year for a total of \$111,477 for all three years as long as he remains in active service as Executive Vice President on the date payment is to be made, except as otherwise provided in the Performance and Retention Plan, and subject to the conditions stated in the meeting materials concerning recalculation of the objective scores and retention payments based on final FY 2015 Restricted and Unrestricted Research Expenditures Reported to NSF.

Trustee Anderson seconded the motion, and the motion carried.

Chair Jubran then asked Dr. DiPietro to leave the meeting while the Committee discussed the proposed retention payment to him. Chair Jubran reminded the Committee of the comprehensive performance review of Dr. DiPietro conducted last year by an external consultant with the Association of Governing Boards, noting that the consultant's interviews with more than 70 individuals yielded high praise for Dr. DiPietro's leadership, integrity, and credibility. Chair Jubran said that Dr. DiPietro has served the University exceptionally well, and he would like to have recommended the maximum allowable retention bonus, but his recommendation is limited to the amount calculated according to the

methodology designed to give the greatest weight to achievement of the objective goals.

Trustee Wharton said the Board should recognize that because of Dr. DiPietro's leadership abilities and because he was rated so highly in the comprehensive performance review, which became known nationally, he is a valuable asset the Board must seek to retain.

Trustee Murphy echoed Trustee Wharton's comment, noting that the external consultant said he had never seen a university leader receive such positive reviews from representatives of all the various constituencies. The Board challenged Dr. DiPietro to achieve some difficult goals, and to lead the campuses to do the same, and although he did not achieve all of those goals, that was mostly due to external forces and not from lack of effort or leadership on his part. Chair Jubran added that because of the enormous tasks the University faces over the next few years, Dr. DiPietro is the right President at the right time.

There being no further discussion, Trustee Anderson made the following motion concerning a retention payment to President DiPietro:

That the Board of Trustees approve a three-year retention payment to President DiPietro in the amount of \$62,100 per year for a total of \$186,301 for all three years as long as he remains in active service as President on the date payment is to be made, except as otherwise provided in the Performance and Retention Plan, and subject to the conditions stated in the meeting materials concerning recalculation of the objective scores and retention payments based on final FY 2015 Restricted and Unrestricted Research Expenditures Reported to NSF.

Trustee Pryse seconded the motion, and the motion carried.

President DiPietro, Chancellor Angle, Chancellor Arrington, Chancellor Cheek, Chancellor Schwab, and Executive Vice President DiPietro rejoined the meeting.

**V. PROPOSAL FOR A PERFORMANCE-BASED VARIABLE COMPENSATION PLAN FOR UNIVERSITY OFFICERS**

Chair Jubran presented the proposal for a Performance-Based Variable Compensation Plan for University Officers (Exhibit 2). He explained that this plan, which is proposed for the elected officers of the University, would replace the Performance and Retention Plan approved by the Board on March 1, 2013.

The proposed plan calls for annual performance goals aligned with not only the System Strategic Plan, but also the initiatives set out in the President's Budget Advisory Group (BAG) Boundaries Document. Proposed performance goals for 2015-16 are included as Exhibit 1 to the plan document. Chair Jubran said he believes the proposed goals are an appropriate "stretch" for the participants.

Dr. DiPietro discussed the recommended performance goals and how they align closely with the BAG initiatives. He noted that the base year data will be audited and the findings presented to the Committee, and any needed changes will be presented to the Committee for approval and then to the full Board for ratification. He pointed to key metrics that have changed based on experience with the prior plan.

Trustee Wharton expressed concern that a low bar is set for some metrics, specifically those requiring only some increase over the prior year. He said those goals could be fully achieved with only an insignificant increase. Dr. DiPietro responded that the administration will come back to the Committee with a proposed methodology for evaluating performance on all of the metrics, some of which may be more subjective and should be weighted differently than true numeric metrics. Chair Jubran added that BAG boundaries set certain parameters, and this will be the first year of testing the parameters.

Trustee Evans asked Dr. DiPietro to explain the ninth BAG metric, "Rank in the top 5 of the CCTA metrics." Dr. DiPietro said the UT campuses have consistently ranked in the top five, but the CCTA logarithm is very complex, and the BAG boundary reflects the intention to avoid programmatic adjustments that would impede achieving top-five status. Chancellor Cheek explained that the CCTA logarithm has to do with an institution's "rate of increase" being in the top 5. UT Knoxville was not in the top five for 2015 solely due to its rate of increase not being as great as that of other institutions. He said the administration has argued to THEC that it is harder to increase graduation rates, for example, once you have achieved higher graduation rates. In other words, it is easier to go from 30% to 40% than from 70% to 75%.

Trustee Gallimore asked why the metric for in-state undergraduate enrollment was not a five-year rolling average. He noted that UTC has had two consecutive years of declining enrollment, and UTM has had five years. Dr. DiPietro responded that use of the fall enrollment metric is tied to the BAG boundary that enrollments should not decrease below the prior year enrollment. Chair Jubran added that an additional reason for that metric was a concern that increasing the number of out-of-state students would reduce the number of in-state students.

Trustee Pryse commented that she would like the administration to consider in the future whether a retention component should be added to the plan, so that payments are paid out according to a schedule rather than all at one time. Trustee Murphy said the review of performance on the goals needs to occur annually because the BAG initiative is so critical, but he agreed that going forward, the Committee should consider whether graduated payments could be used. Trustee Murphy and Trustee Pryse also commended the administration, Vice Chair Jubran, and former Vice Chair Ferguson for all of the hard work, depth of planning, and detail put into this plan to incentivize leadership to reinvent the business model.

Upon the Chairs call for a motion, Trustee Pryse made the following motion:

That the Performance and Retention Plan adopted by the Board on March 1, 2013 be terminated, provided that provisions concerning payment of a Board-approved retention payment for FY 2013-15 shall remain in effect until the payment has been made, including any increase or decrease in the retention payment based on the audited recalculation of the objective scores and retention payments after final data is available for FY 2015 Restricted and Unrestricted Research Expenditures Reported to NSF; and

That the proposed Performance-Based Variable Compensation Plan and proposed quantitative and additional goals for FY 2015-2016 be approved as presented in the meeting materials, subject to the requirement that the 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; and

That the Executive and Compensation Committee is authorized to act on behalf of the Board to approve revisions to the base year data or goals resulting from the audit or as otherwise deemed necessary in the judgment of the Committee, subject to the requirement that any revisions to the base year data or goals shall be presented to the Board for ratification at the next regular meeting of the Board.

Trustee Murphy seconded the motion, and the motion carried.

**VI. OTHER BUSINESS**

There was no other business to come before the Committee for action.

**VII. ADJOURNMENT**

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

Respectfully Submitted,

  
Catherine S. Mizell, Secretary