

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

June 21, 2018
Knoxville, Tennessee

The Executive and Compensation Committee of The University of Tennessee Board of Trustees met at 3:00 p.m. EST on Thursday, June 21, 2018, on the campus of The University of Tennessee Institute of Agriculture in Knoxville.

I. CALL TO ORDER

Raja J. Jubran, Vice Chair of the Board and Committee Chair, called the meeting to order.

II. ROLL CALL

The Secretary called the roll. The following members of the Executive and Compensation Committee were present:

Charles Anderson
Joseph A. DiPietro
Spruell Driver, Jr. (arrived after the roll call)
D. Crawford Gallimore
Raja J. Jubran
Sharon J. Miller Pryse

Trustees Brown, Evans and Gregg were unable to attend, and Trustee Driver had not yet arrived. The Secretary announced that the required quorum of five was not present. With no objection from any member of the Committee, Chair Jubran decided to receive the report on the salary study by Sibson Consulting, which did not require action by the Committee, and defer consideration of the only action item, approval of the minutes of the last meeting, until a quorum was present. Shortly after the roll call, Trustee Spruell Driver arrived, satisfying the quorum requirement. Administrative staff, faculty, and a reporter were also present.

III. REPORT ON SALARY STUDY BY SIBSON CONSULTING

Before asking Sibson Consulting to present the results of the salary study, David Miller provided the following background. In the spring of 2017, the Board requested that a new system-wide compensation study be completed to evaluate the competitiveness of compensation for all faculty and staff. The last system-wide study was completed in 2011 and indicated a salary gap about which the Board was very concerned. Since 2011, all UT institutions have worked toward achieving market competitive compensation. State-funded salary increases in fiscal years 2016 through 2019, combined with institutional resources, allowed institutions to invest toward competitive compensation.

Mr. Miller explained that concurrent with the salary study, the Board requested a review of institutional peer groups and directed that both the evaluation criteria for identifying peers and the proposed peers be approved by the Board of Trustees. The Board approved the evaluation criteria at the June 2017 meeting, and the new peer groups for each institution were approved by the Executive and Compensation Committee, acting on behalf of the Board, on August 4, 2017. The peer groups included both comparable peers and aspirational institutions.

After the peer groups were approved, Sibson Consulting was retained to complete a two-phased compensation study. The first phase, presented at this meeting, includes all executive positions and all faculty, except the Health Science Center faculty, which require a variety of sources due to the specialized nature of the data. The second phase will be conducted in the second half of 2018 and will include all University staff positions system-wide and the Health Science Center faculty.

Mr. Miller introduced Yelena Stiles and Megan Werner from Sibson Consulting to report on the study. Chair Jubran noted for the record that the Board was very concerned about a salary gap of approximately \$180 million in 2011. Mr. Miller said the Sibson study reveals the University is now at 87% of the market median for faculty, all ranks, averaged across all institutions (a 13% gap with respect to the market median).

Ms. Stiles and Ms. Warner presented Sibson Consulting's System-wide Market Compensation Assessment for UT's Executive Staff and Faculty (Exhibit 1), with the following highlights:

- The market assessment was conducted using the approved peer and aspirant groups.

- In the aggregate, faculty are at 102% of the peer group and 100% of the peer and aspirant group median.
- Adding the aspirants into the comparison group has limited impact on market competitiveness in the aggregate, which decreases from 102% to 100%; competitiveness for each entity changes by zero to five percentage points.
- There is less variability in competitiveness by rank (as compared to entity); Professors and Instructors are the most competitive to market at 104% of the median for the peer group. As with the results by entity, competitiveness for each rank only changes by two to three percentage points when adding aspirants.
- While aggregate competitiveness is very close to the market median, individual distribution tends to be bifurcated, with a group of individuals below the 25th percentile and a group of individuals above the 75th percentile.
- For Board-appointed positions, individual competitiveness varies by position, but many executives are between the market 25th and 75th percentiles compared to the peer group and peer and aspirant group.
- In the aggregate, chief executive / executive staff are at 99% of both the peer group and peer and aspirant group market median.

Trustee Pryse commented that the percentages are referring to the median. Ms. Stiles confirmed that the comparisons being made are to the exact middle of the scale. Ms. Pryse added that the Board must decide whether the goal is to be at the middle of the scale.

Regarding the finding from Sibson Consulting that competitiveness increases with each rank, Dr. DiPietro commented he was surprised at the competitiveness data for Instructors and Professors versus Assistant Professors and Associate Professors, given that salary compression is common in higher education. He asked Sibson to confirm that Governor's Chairs and those receiving an administrative stipend were not included in the study and did not skew the data. Sibson confirmed that the data includes regular faculty positions and base salary only.

Chair Jubran said he wanted to comment on the use of the median data as raised by Trustee Pryse. He said the 2011 survey, which identified the \$180 million salary gap, was also based on the 50th percentile, which is another reason Sibson used median data. He also emphasized that the peers used by Sibson were approved by the Board only after thorough discussions between system and campus staff. The campuses participated fully in the process of identifying peers.

Concerning bonuses included in total remuneration, Chair Jubran noted that the data include only amounts actually received but could be higher based on performance.

In response to comments by Trustee McBride concerning the President's total compensation being above the median, while the UTK Chancellor's compensation is just below the media, Mr. Miller noted that the ranges can be very narrow, and someone who has held the position for several years might be expected to be above the median, while someone in the beginning year of appointment might be expected to be below the median. Ms. Stiles added that most institutions want to be between the 40th and the 60th percentile, and the deviation has become very narrow because many institutions are using the same group of peers.

Chair Jubran inquired about peer market aggregate comparisons for the UTHSC Chancellor position. Ms. Stiles explained that there was a matched position in the survey but not enough institutions participated in the survey to allow peer market aggregate information to be assessed. Chair Jubran asked if the peer and aspirant market aggregate group findings include bonuses, and Ms. Stiles responded that the figures are for base salary only. She added, however, that CUPA has just resurrected its Executive Survey, which will have bonus information going forward.

In response to a question by Dr. DiPietro, Ms. Stiles said Sibson does not have access to data from the annual salary study by the Association of American Medical Colleges; the data would have to be obtained from individual institutions. Dr. DiPietro said the difficulty in obtaining data is also true of veterinary schools.

Trustee McBride said the report serves as a litmus as to whether the University is on the right page regarding pay schedules. He added that the data show the importance of looking at intangible perquisites of working at UT because the difference between the 25th percentile and the 75th percentile is not that great. The importance of whom you work with, how you work, and where you work dictates whether faculty choose to stay or go elsewhere, as well as how faculty should be recruited. In his view, the dollar amount is not what sells faculty, and he recommended greater focus on the intangible perquisites of working at UT.

Mr. Miller made the following points:

- When the peer and aspirational groups were approved in August 2017, Trustees asked the administration to revisit the peer group data after one year. That will be done by examining the criteria used to select peers.

- The Board has directed that the same approved peers be used for all reports presented to the Board.
- Providing salary data is voluntary on the part of higher education institutions; it may be necessary to broaden the number of peers to get a better data set.

Chair Jubran agreed with Mr. Miller that broadening the peer group should be considered.

Chair Jubran asked when the staff analysis, particularly for lowest paid employees, would be completed. Mr. Miller responded the team is completing a position by position analysis of all staff positions to make sure they are appropriately classified, and it should be completed and submitted to Sibson by the end of the year.

Chair Jubran closed the discussion by saying the System and all campuses have done a great job in eliminating most of the salary gap at least for faculty and executives, but careful attention to staff salaries is needed.

IV. MINUTES OF THE LAST MEETING

Chair Jubran called for any additions or corrections to the minutes of the April 17, 2018 meeting as presented in the meeting materials. Hearing none, Trustee Driver moved approval of the minutes according to the following prepared motion in the meeting materials:

I move that the reading of the minutes of the April 17, 2018 meeting of the Executive and Compensation Committee be omitted and that the minutes be approved as presented in the meeting materials, provided that the Secretary be authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

Trustee Pryse seconded, and the motion passed unanimously.


V. OTHER BUSINESS

There was no other business to come before the Committee. Before adjournment, Chair Jubran welcomed Bill Rhodes, a newly appointed and confirmed Trustee who will assume office as of July 1, 2018.

VI. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary