

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

March 29, 2017
Knoxville, Tennessee

The Executive and Compensation Committee of The University of Tennessee Board of Trustees met at 1:15 p.m. EDT on Wednesday, March 29, 2017, in the Tennessee Room of the University Center on the campus of The University of Tennessee at Chattanooga.

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, and the following members of the Executive and Compensation Committee were present:

Charles C. Anderson, Jr.
Joseph A. DiPietro
Spruell Driver, Jr.
William E. Evans
D. Crawford Gallimore
Vicky B. Gregg
Raja J. Jubran
Sharon J. Miller Pryse

The Secretary announced the presence of a quorum. Trustee Brown was unable to attend the meeting. Other Trustees, administrative staff, members of the public, and media representatives were also present.

III. MINUTES OF THE LAST MEETING

Chair Jubran called for any additions or corrections to the minutes of the March 3, 2017 meeting as presented in the meeting materials. Hearing none, Trustee Gallimore moved adoption of the following Resolution:

RESOLVED: The reading of the minutes of the March 3, 2017 meeting of the Executive and Compensation Committee is omitted, and the minutes are approved as presented in the meeting materials, provided that the Secretary is authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

Trustee Anderson seconded, and the motion carried.

IV. TRANSFER OF PROPERTY LOCATED IN THE 900 BLOCK OF RIVERSIDE DRIVE IN CHATTANOOGA, TENNESSEE

Chair Jubran reminded the Committee that the transfer of property located in the 900 Block of Riverside Drive in Chattanooga (Exhibit 1) was withdrawn from the March 3 committee agenda for further clarification. Richard Brown, UTC Executive Vice Chancellor for Finance and Operations, explained that in 1999, the University transferred .55 acres of property adjacent to land owned by the City of Chattanooga to the City for construction of a sewer overflow facility. In exchange, the City and the University entered a lease and transfer agreement under which the City agreed to lease 1,100 square feet of space in the facility to the University for 50 years for use by UTC as an Aquatic Biology Learning Laboratory, with no lease payment over the 50-year term. He said that in July 2016, the City informed the University it could not locate an executed copy of the 1999 deed and asked the University to execute a new deed. In connection with the new deed, the City had the property surveyed, and the survey revealed that the setback on the facility was short of the requirement of 15 feet. Therefore, the City has also requested that the University transfer an additional .05+/- acres to provide a clearance of 15 feet from the western limit of the facility's foundation. He said there are no negative consequences for the University, and the administration requests approval of the transfer as described above. There being no further requests for clarification, Chair Jubran called for a motion. Trustee Pryse moved that the Executive and Compensation Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: The administration is authorized to execute a quitclaim deed transferring .6+/- acres of University property located in the 900 block of Riverside Drive in Chattanooga, Tennessee, to the City of Chattanooga.

Trustee Gregg seconded the motion, and the motion carried.

**V. RECOMMENDATIONS CONCERNING FY 2017-18 AND FY 2018-19
INCENTIVE COMPENSATION PLANS**

Chair Jubran presented the recommendation concerning FY 2017-18 and FY 2018-19 incentive compensation plans (Exhibit 2). He reiterated the importance of the plans for maintaining and recruiting first-rate employees and said the Executive and Compensation Committee will be more directly engaged in the process going forward. He said the former plans became too complicated and overwhelming, and future plans should reduce the number of metrics and focus on those that are most likely to move the University forward. He emphasized that goals must be a "stretch" and require personal involvement by the participants. He then explained the need to suspend use of the salary gap metric until a comprehensive up-to-date salary survey has been conducted and a standard methodology for calculating the gap has been established for the entire System. He discussed the need for a system-wide standard for establishing institutional peer groups that will not change during the term of an incentive compensation plan. He said an independent expert will be retained to assist the Committee over the next year to develop a new incentive compensation plan. He added that because a new plan cannot be in place for FY 2017-18, a determination will be made as to the feasibility of having some kind of interim plan for FY 2017-18. He then moved that the Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED:

The Vice Chair is authorized to coordinate with the system administration to identify an expert to assist the Executive and Compensation Committee over the next year in developing an incentive compensation plan, metrics, and goals that would be presented for approval by the Board in June 2018;

The system administration is directed to: (1) obtain an up-to-date salary survey to determine compensation gaps, not only for senior officers of the University but also for all employee groups; (2) develop a standard methodology to be used consistently across the System in calculating salary gaps and present it to the Executive and Compensation Committee for approval no later than November 3, 2017; and (3) develop a system-wide standard for establishing institutional peer groups to be used for comparisons in an incentive compensation plan and present it to the Executive and Compensation Committee for approval no later than November 3, 2017; and

That the Vice Chair and the President make a recommendation to the next meeting of the Executive and Compensation Committee as to whether it is feasible to have an interim incentive compensation plan in place for FY 2017-18.

Trustee Anderson seconded the motion, and the motion carried.

VI. REVISION OF QUANTITATIVE PERFORMANCE GOALS UNDER THE PERFORMANCE INCENTIVE PAYMENT PLAN FOR FY 2016-17

Chair Jubran presented the revision of quantitative performance goals under the performance incentive payment plan for FY 2016-17 (Exhibit 3). The revised goals represent changes to goals approved by the Board in October 2016. Some of the revised goals result from the audit of base-year data and spreadsheets presented to the Board in October 2016, and others were identified as needed in the course of preparing for this meeting.

With respect to deletion of the salary gap metric, Dr. DiPietro provided specific examples of the changes and inconsistencies in methodology across the System that led to the auditors' recommendation to delete this metric for the time being. He added that the commitment to make efforts to close the gap remains, and progress will be assessed in the annual performance review process of executive officers. Trustee Rogers said faculty have been paying close attention to this and other related issues such as salary comparison to peers and salary compression and also to salaries and bonuses to administrators that are far more generous than those for faculty. He said the faculty will look forward to hearing more on these matters in the future. Dr. DiPietro responded that he will continue to meet with the University Faculty Council to report on progress. Chair Jubran said he is aware of the value of the top-level faculty at UT and their value but added that those performing at a substandard level should depart. Trustee Rogers said that while serving on the Board he has learned of the deep dedication Trustees have to the University, but, he added, Trustees may not realize how often and rigorously faculty are evaluated and that the percentage of faculty that are substandard is a low percentage, and they do get weeded out. Chair Jubran responded that with the commitment of Dr. DiPietro and the Chancellors, we hope to have access to data that ultimately belongs to the System and that will allow us to determine how things are improving in this area. Trustee Gregg asked for a better understanding of the criteria on which faculty are evaluated and the consistency of scoring faculty within the department and from department to department providing confidence in the evaluation process. She said that without that information, the notion that most faculty are performing above the standard is hard to grasp. Trustee Rogers said better training of department chairs on conducting the annual review process

would help. He also mentioned the new post-tenure review process. Dr. DiPietro add that the new post-tenure review process is streamlined and effective, and therefore the data should change over the coming years. Chair Jubran said the Board is also interested in data on the probationary period as well as after tenure is granted. Trustee Tickle commented that if a private business operated this way, it could not keep up with its competitors and would be out of business. He added that it's in the University's best interest to operate more efficiently. Chair Jubran said that to start the process, we must have all the data. Dr. DiPietro added that we must get better at how we access the data because we are not at the point where we can pull it up from our desks at the System level; it still must be retrieved and compiled at the campus level. Trustee Evans commented that the Board does not want to get involved in faculty evaluations, but the Board does need to understand the process and the metrics. Trustee Davidson echoed Trustee Rogers statements that there are rigorous evaluation processes, that differ from college to college and department to department, but most importantly the department heads need training on the process.

Returning to the subject of future incentive compensation plans, Trustee Gallimore stressed the importance of making the plans auditable. There being no further discussion, Chair Jubran moved that the Executive and Compensation Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: Revisions to the base-year data and the quantitative performance goals under the Performance Incentive Compensation Plan for FY 2016-17 are approved as presented in the meeting materials.

Trustee Gallimore seconded the motion, and the motion carried.

VII. PRESIDENT'S RECOMMENDATION FOR APPOINTMENT AND INITIAL COMPENSATION OF THE TREASURER PURSUANT TO A REORGANIZATION

Dr. DiPietro recommended the appointment and initial compensation of Ron Maples as Treasurer of the University (Exhibit 4). Calling the Committee's attention to the materials outlining Ron's 40-year service to University, Dr. DiPietro expressed his strong confidence in Ron's abilities, integrity, and commitment to the best interests of the University. Based on market data provided by Human Resources, he recommended the following initial compensation for Mr. Maples as Treasurer: (1) a base salary of \$18,333.33 per month (\$220,000.00 annualized); and (2) a non-accountable expense allowance of \$416.67 per month (\$5,000.00 annualized).

Approval of this appointment as Treasurer also required adoption of a new resolution authorizing bank depositories to accept his signature as Treasurer (rather than Interim Treasurer) on checks, drafts, and other orders in the University's name.

Chair Jubran moved that the Executive and Compensation Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: The President's recommendation for the appointment and initial compensation of James R. (Ron) Maples as Treasurer, effective March 29, 2017, pursuant to a promotion as described in the meeting materials, is approved.

He further moved the Committee recommend adoption of the following Resolution on Authorization for Check Signatures by the Board of Trustees:

**RESOLUTION
OF THE
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE**

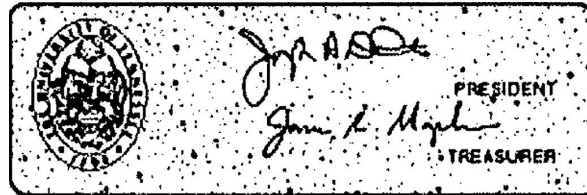
AUTHORIZATION FOR CHECK SIGNATURES

WHEREAS, the Board of Trustees of The University of Tennessee, by appropriate resolutions previously duly adopted from time to time, has designated certain banks as depositories of the University and has authorized each bank depository to honor certain checks, drafts, or other orders in the University's name when payable in accordance with the respective resolutions, and when bearing the proper signatures of the President and the Treasurer; and

WHEREAS, upon the retirement of Treasurer Charles M. Peccolo on December 30, 2015, the duties and responsibilities of Treasurer were assumed by James R. Maples, effective January 1, 2016, on an interim basis by appointment of President Joseph A. DiPietro, as authorized by the Bylaws of the University; and

WHEREAS, on March 29, 2017, the Board of Trustees of The University of Tennessee approved the appointment of James R. Maples as Treasurer, removing "Interim" from his title.

NOW, THEREFORE, BE IT RESOLVED, that each of The University of Tennessee's depository banks is hereby requested, authorized, and directed to honor checks, drafts, or other orders in the University's name and payable in accordance with the Board's resolution which previously designated the bank a depository of the University, when bearing the following check writing machine signatures, per specimen below:



BE IT FURTHER RESOLVED, that this authorization shall relate to all such checks and instruments issued after March 29, 2017. The Secretary shall deliver to each depository notice of this authorization bearing the digitized signatures of Joseph A. DiPietro, President, and James R. Maples, Treasurer.

Trustee Pryse seconded the motion and the motion carried.

VIII. REVISION OF THE PRESIDENT'S EMPLOYMENT AGREEMENT RELATED TO THE SALARY IN HIS POST-PRESIDENTIAL TENURED FACULTY POSITION

Chair Jubran summarized the events leading to the proposal to place a time limit on the salary for Dr. DiPietro's post-presidential tenured faculty position (Exhibit 5). He explained that during the March 3 meeting of the Committee, Dr. DiPietro requested, at his own initiative, that the provision in his employment agreement concerning his post-presidential tenured faculty position be revised to place a four-year limit on the rate of 75% of his base salary as President and provide that after four years, his base salary would be adjusted to the average base salary of full professors in the College of Veterinary Medicine. Chair Jubran praised Dr. DiPietro's leadership in this matter and then moved that the Executive and Compensation Committee recommend adoption of the following Resolution by the Board of Trustees:

RESOLVED: By mutual agreement, the terms of President Joseph A. DiPietro's employment are revised to place a four-year limit on the salary in his post-presidential tenured faculty position at 75% of his base salary as President, after which the salary will be adjusted to the average base salary of full professors in the College of Veterinary Medicine;

and the Vice Chair is authorized execute a fourth amendment to the employment agreement to incorporate this revision or, in the Vice Chair's discretion, to execute a new employment agreement (instead of a fourth amendment) modifying the original agreement to incorporate this revision and any other revisions previously approved by the Board.

Trustee Pryse seconded the motion. Trustee Wharton expressed his appreciation to Dr. DiPietro and noted that he was potentially giving up thousands of dollars. He suggested that the Committee further revise the employment agreement, given Dr. DiPietro's leadership and good judgement, to allow him to use the UT plane for personal use, with the prior approval of the Vice Chair of the Board, for situations deemed necessary, with reimbursement to the University for the cost of a commercial ticket. Chair Jubran cited Dr. DiPietro's attendance at a legislative event that conflicted with an important family event being held out-of-state. Chair Jubran said Dr. DiPietro's administration has never had an incident of misuse of the plane and some flexibility would be appreciated. Trustee Cates stated the occasions would be few and far between and approval by the Vice Chair would be appropriate. Chair Jubran called for a vote on the motion, and the motion carried.

IX. PROPERTY ACQUIRED FROM THE EUGENIA WILLIAMS ESTATE

Chair Jubran reviewed efforts over the years to make use of the property acquired under the will of Eugenia Williams upon her death in 1998. He said the administration has reached the point of needing to consider steps necessary to sell the property. He said he will be working with the administration and counsel to consider those steps. Any proposed sale of the property will be brought to the Board for approval on the recommendation of this Committee.

X. OTHER BUSINESS

There was no other business to come before the Committee.

XI. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary