

THE UNIVERSITY OF TENNESSEE  
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

March 3, 2017  
Knoxville, Tennessee

The Executive and Compensation Committee of The University of Tennessee Board of Trustees met at 11:00 a.m. EDT on Friday, March 3, 2017, in 832 Andy Holt Tower on the campus of The University of Tennessee in Knoxville.

**I. CALL TO ORDER**

Trustee 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 at the meeting location or by telephone:

Shannon A. Brown (by telephone)  
Joseph A. DiPietro (non-voting)  
Spruell Driver, Jr.  
William E. Evans (by telephone)  
Raja J. Jubran  
Sharon J. Miller Pryse

The Secretary announced the presence of a quorum, with the participation of Trustees by telephone and in-person at the meeting location. Trustees Anderson, Gallimore, Gregg were unable to attend. Trustee Wharton, administrative staff, and a media representative were also present.

The Secretary noted the requirements for meetings conducted with members participating by telephone, including the requirement that all votes be conducted by a roll call. Trustees Brown and Evans acknowledged that no one else was present at their respective locations.

### III. CONSENT AGENDA

Referring to the Consent Agenda, Chair Jubran asked the Secretary to explain the reason real estate transactions are included. She said that under Public Chapter 753, real estate items should be presented to this Committee for consideration and approval. In the past, this Committee has considered real estate items only when necessary between Board meetings. In response to a question, she said these items will be included on the Consent Agenda of the next regular Board meeting, although that is not a requirement.

Chair Jubran called for any requests to remove items from the Consent Agenda. With respect to the proposed transfer of property located in the 900 Block of Riverside Drive to the City of Chattanooga, Trustee Wharton asked whether some other part of the tract could be transferred instead of the more valuable riverfront property. Robbi Stivers, Executive Director of Capital Projects, explained that .55 acres of this property was actually transferred to the City of Chattanooga several decades ago in exchange for UTC's right to use office and laboratory space (for aquatic biology research) in the City's sewer overflow facility being built on the property. When it was recently discovered, however, that the deed was never recorded, the City asked the University to execute a new deed and to transfer an additional .5 acres. After further discussion about the location of the existing facility and whether other property could be transferred instead of riverfront property, the Chair decided, without objection, that this item should be withdrawn and deferred for consideration at the next Committee meeting. He requested that further details be provided at the next meeting. Hearing no requests to remove any of the remaining items, the Chair called for a motion to approve the Consent Agenda, consisting of the following items:

1. Minutes of the Last Meeting;
2. ~~Transfer of Property Located in the 900 Block of Riverside Drive (UTC)~~WITHDRAWN
3. Acquisition of 525 North Gay Street and Master Plan Amendment (UTK) (Exhibit 1)
4. KUB Easement at Lake Avenue and Terrace Avenue (UTK) (Exhibit 2)
5. KUB Easement at Andy Holt Avenue (UTK) (Exhibit 3)
6. KUB Easement at Andy Holt Avenue and Twentieth Street (UTK) (Exhibit 4)
7. KUB Easement at Fraternity Park Drive (UTK) (Exhibit 5)
8. KUB Easement at Former Johnny Majors Drive (UTK) (Exhibit 6)
9. KUB Easement at Pat Head Summit Street (UTK) (Exhibit 7)
10. KUB Easement at Pat Head Summit Street and Andy Holt Avenue (UTK) (Exhibit 8)
11. KUB Easement at Phillip Fulmer Way (UTK) (Exhibit 9)

12. KUB Easement at Volunteer Boulevard (UTK) (Exhibit 10)

Trustee Pryse made the following motion:

**I move approval by unanimous consent of the items on the Consent Agenda of the March 3, 2017 meeting of the Executive and Compensation Committee.**

Trustee Driver seconded, and the motion carried by roll-call vote (Exhibit 11).

**IV. PRESIDENT'S REPORT: UPDATE ON SUCCESSION PLANNING, PLANS FOR A SENIOR LEADERSHIP DEVELOPMENT PROGRAM AND OTHER UPDATES**

Dr. DiPietro updated the Committee on succession planning and plans for a senior leadership development program. He explained that the consultants, the Oliver Group, used his cabinet as their pilot group for succession planning. He discussed the results of their review, the steps taken to act on their feedback, and the process to initiate the succession planning program across the campuses beginning with UTC and UTHSC leadership. He reported that Dr. Bob Smith, formerly UTM Interim Chancellor, has been employed by the President on a part-time basis for leadership and talent development as well as for executive searches.

He next updated the Committee on the recent meeting of the budget advisory group (BAG). He stated that the Board would receive a detailed report on the BAG initiative at its meeting later in the month. At the request of Trustee Wharton, Dr. DiPietro distributed an updated membership list for the President's Budget Advisory Group (Exhibit 12). He also provided feedback from the working group studying the performance-based incentive compensation plan. He stated that the goal is to implement a much simpler plan with more consistency and recognizable stretch goals. Trustee Pryse noted that more simplicity will result in less micromanagement. The Chair stated that the last plan went through so many iterations, and with the inclusion of the BAG metrics, became much too complicated. He said one of the objectives had been to bridge salary gaps for senior administrators and retain and attract superior employees to fill key positions.

Dr. DiPietro reported that a search committee has been put in place for a chief academic officer with Dr. High's announced retirement in July. He reported that Dr. Rakes has announced his retirement from the faculty at UT Martin effective August 1, 2017. He updated the Committee on the current legislative session, noting he has attended several hearings. He stated that in the Senate, he will be

working with the sponsor and the Chair of the Senate Education Committee regarding an amendment to the UT budget that moved \$435,000, a re-occurring allocation, to the office of Intellectual Diversity. He reported that when he recently testified in a Senate committee meeting, he was asked about Chancellor Cheek's salary for his return to faculty. He summarized his testimony as stating that UT honored its commitment made in writing to Dr. Cheek at the time of his appointment as Chancellor, but will also honor the request of this Committee that setting post-administrative faculty salaries for Chancellors and other senior administrators at 75% of their administrative salaries for an unlimited period of time should not be the standard practice. He reported that the appointments of Chancellor Davenport and Chancellor Cross limit the 75% salary rate to the first four years of the faculty appointment.

Dr. DiPietro said his own contract includes continued employment in his tenured faculty appointment in the College of Veterinary Medicine at the 75% salary rate without limit. He stated that he has thought a lot about this with the recent hiring of new Chancellors with different terms. While it is important for the Committee to have flexibility on this issue when negotiating to hire a top candidate, he requested that his contract be revised to limit the 75% salary rate to a period of four years. He added that he believes four years is fair, and having worked as a full-time faculty member, he knows what it takes and, for him, four years would be enough time. Trustee Wharton commended Dr. DiPietro for his request. Chair Jubran clarified Dr. DiPietro's use of the word "fair," stating that what is fair is to abide by the terms of the contract that was agreed to, but commended Dr. DiPietro for doing the right thing from his perspective. On behalf of the Committee, Chair Jubran stated that he really appreciates Dr. DiPietro's actions because it sets the tone. Dr. DiPietro reiterated his position that the Committee needs to retain flexibility. Chair Jubran stated that this Committee cannot change what the Board agreed to in the past and agreed that going forward, the Board needs to retain the flexibility to attract the best candidate in future negotiations.

**V. ASSESMENT AND RECOMMENDATION FOR PAYMENTS UNDER THE PERFORMANCE-BASED VARIABLE COMPENSATION PLAN FOR FY 2015-16**

Chair Jubran presented the assessment and recommendation for payments under the performance-based variable compensation plan for FY 2015-2016 (Exhibit 13). Chair Jubran called for a motion. Trustee Pryse made the following motion:

**I move that the Executive and Compensation Committee recommend adoption of the following Resolution by the Board of Trustees:**

**RESOLVED:**

**The revised FY16 goals for participants in outreach and engagement activities for System President, VP for Research, and UTIA are approved as presented in the meeting materials.**

**The revised FY16 goal for clients served by UTHSC is approved as presented in the meeting materials.**

**The metric “Reduce Faculty and Staff Salary Gaps with Peers” is deleted as a performance goal until the process and methodology for calculation has been revised to ensure consistency across the System; exclusion of this metric in scoring performance for FY 2015-16 is approved;**

**Modification of the scoring methodology for Deferred Maintenance Expenditures to award 0% credit if the goal is not met, 100% if met, and no extra credit for exceeding the goal is approved; and**

**The following payments under the Performance-Based Variable Compensation Plan for FY 2015-16 are approved, subject to all provisions and conditions of the Plan:**

<b>Joseph A. DiPietro</b>	<b>\$101,816</b>
<b>Steven R. Angle</b>	<b>\$36,428</b>
<b>Larry R. Arrington</b>	<b>\$40,973</b>
<b>Jimmy G. Cheek</b>	<b>\$41,563</b>
<b>David E. Millhorn</b>	<b>\$53,508</b>
<b>Catherine S. Mizell</b>	<b>\$32,222</b>
<b>Steve J. Schwab</b>	<b>\$68,097</b>

Trustee Driver seconded, and Chair Jubran called for any discussion. Trustee Wharton said he wanted to discuss the metric of reducing the faculty and staff salary gap that was not used in assessing performance and calculating payments under the FY 2015-16 plan. He said he believes it is important to include this metric

for the FY 2016-17 plan because it sends a message to faculty and staff that they will benefit from the plan. Chair Jubran asked that discussion on the issue be a part of the next item of business concerning revised performance goals for the FY 2016-17 plan. He then called for any further discussion on the assessment and recommendation for payments under the FY 2015-16 plan. He noted that the Committee had received the recommendation and supporting materials in advance and had a full opportunity to review them. He called for a roll-call vote, and the motion carried (Exhibit 14).

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

With apologies, Chair Jubran said an illness over the past several days had kept him from reviewing the materials sufficiently to be comfortable with acting on the revised performance goals for the FY 2016-17 plan at this meeting. Without objection, he withdrew this item from the agenda and said it would be placed on the agenda for the meeting on March 28.

Chair Jubran thanked Trustee Wharton for his detailed analysis and involvement in the working group to improve the incentive compensation plans. Discussion then turned to suspension of the metric “Reduce Faculty and Staff Salary Gaps with Peers,” on the recommendation of the Office of Audit and Compliance, until the process and methodology for calculation has been revised to ensure consistency across the System. Trustee Wharton again expressed his view that the metric should be reinstated in the FY 2016-17 plan if possible. Sandy Jansen, Executive Director Office of Audit and Compliance, said it was not possible for FY 2016-17 because base values would still be inconsistent across the system. Linda Harig, Vice President for Human Resources, explained some of the inconsistencies in how this metric has been addressed by the campuses. Trustee Pryse said at some point, we the system must set a standard so the Board can compare apples to apples. Trustee Wharton asked if there is a best practice that could be used to include the metric in the FY 2016-2017 plan even if all the issues cannot be resolved. Staff agreed to consider the matter further before the next meeting.

**VII. REVISIONS TO THE ANNUAL PRESIDENTIAL PERFORMANCE REVIEW PROCESS**

Chair Jubran asked the Secretary to discuss the proposed revisions to the annual presidential performance review process (Exhibit 15). She explained that the cumulative performance review process under the Board’s Policy on Presidential Performance Reviews was revised in 2014 in preparation for President DiPietro’s cumulative review. The annual performance review process was not addressed at

that time. She called the Committee's attention to the redlined version of the policy making relatively minor revisions to the annual performance review process. Some revisions are only technical or clarifying in nature (e.g., codifying that the Chair of Trusteeship and the Chair of Audit and Compliance are the designated members of the Executive and Compensation Committee to participate in the annual review process). Other revisions are designed to provide flexibility in how the views of constituency groups are obtained. For example, rather than requiring that every member of the senior administrative staff be interviewed every year, the revised policy would allow use of an electronic survey but still provide the opportunity for any senior administrator to request an interview to address the President's performance. Soliciting the views of the legislative leadership and Trustees has been added to the process. Chair Jubran commented that interaction with Trustees and legislative leaders is very important for the President and soliciting feedback from them should be part of this process. In response to a question from Dr. DiPietro, Chair Jubran said that "leadership of the Tennessee Senate and House of Representatives" in the proposed revisions should be modified to refer specifically to the Speaker of the Senate and Speaker of the House. He also said these revisions will improve the efficiency of the process, noting how difficult it has been to schedule interviews with all of the senior staff.

Trustee Driver made the following motion:

**I move that the Executive and Compensation Committee recommend Board approval of the revisions to the Policy on Presidential Performance Reviews as modified to clarify that leadership of the Tennessee Senate and House of Representatives means the Speaker of the Senate and Speaker of the House.**

Trustee Pryse seconded the motion, and it was unanimously carried by roll-call vote (Exhibit 16).

#### **VIII. PRESIDENT'S RECOMMENDATION FOR APPOINTMENT AND INITIAL COMPENSATION OF THE TREASURER AND CONTROLLER PURSUANT TO A PROMOTION IN PLACE/RECLASSIFICATION – WITHDRAWN**

President DiPietro recommended the appointment of Ron Maples as Treasurer and Controller, with the position statement and compensation outlined in the meeting materials (Exhibit 17). Trustee Wharton stated his concern about whether one person could fulfill the audit function of the traditional controller role while also serving as Treasurer. He added, however, that his concern was in no way a reflection of Mr. Maples' ability to serve in the role. A discussion ensued among the Committee and staff about the appropriateness of the proposed

reclassification. The consensus of the Committee was that this item should be withdrawn from the agenda to allow Dr. DiPietro to consider it further and make his recommendation at the next meeting.

**IX. REVIEW OF A TENTATIVE SCHEDULE AND AGENDA FOR THE SPRING MEETING**

Chair Jubran called for any discussion or questions regarding the tentative schedule and agenda for the Spring meeting (Exhibit 18). Ms. Mizell suggested adding a meeting of this Committee to the schedule on the afternoon of the first day.

**X. OTHER BUSINESS**

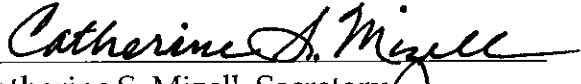
Before adjourning the meeting, Chair Jubran offered his compliments to David Miller, Chief Financial Officer. He stated that Mr. Miller started on January 1 and has been an excellent addition to the senior staff. He also commended Matthew Scoggins, General Counsel, and Catherine Mizell for their work in their new roles.

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