



10-19-2007

University of Tennessee Board of Trustees Exhibit Records, 2007 October 19, Exhibits 1 - 4 and 1 - 3

University of Tennessee

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UT Board of Trustees Governance Committee to Meet Oct. 19 in Nashville

October 12, 2007

KNOXVILLE -- The governance committee of the University of Tennessee Board of Trustees will meet in Nashville Friday, October 19.

The meeting is scheduled for 10 a.m. CDT at the offices of Waller, Lansden, Dortch & Davis, 511 Union St., Suite 2700.

Agenda items include a review of the committee's charter and consideration of revising the makeup of the board to include members who reside outside Tennessee

Other items include a review of the effectiveness and efficiency of the committee's structure and meetings and a discussion of efforts to engage former trustees.

A complete agenda and supporting materials are available upon request.

For more information on the Board of Trustees, visit <http://bot.tennessee.edu/>.

Contact: Amy Blakely (865-974-5034 or 865-771-9127)

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MEMORANDUM

TO: Members of the Governance Committee

FROM: Catherine S. Mizell 

DATE: October 15, 2007

SUBJECT: **Meeting of the Governance Committee
October 19, 2007, 10:00 a.m. CDT
Law Offices of Waller Lansden Dortch & Davis
Nashville City Center, Suite 2700
511 Union Street, Nashville, Tennessee**

Upon call of the Chair, the Governance Committee will meet at 10:00 a.m. CDT on Friday, October 19, 2007, in the law offices of Waller Lansden Dortch and Davis, Nashville City Center, Suite 2700, Nashville, Tennessee.

The agenda and supporting materials for the meeting are attached. Copies will also be available at the meeting.

Please let me know if you have questions or need assistance.

Attachments

c: Spruell Driver

BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE

GOVERNANCE COMMITTEE

10:00 a.m. CDT
Friday
October 19, 2007

Waller, Lansden, Dortch & Davis
Nashville City Center, Suite 2700
511 Union Street, Nashville

AGENDA

- I. Call to Order
- II. Roll Call
- III. Ratification of Minutes of June 20, 2007 Joint Meeting of Executive and Compensation Committee and Governance Committee (*behind agenda*)
- IV. Review of Governance Committee Charter **Tab 1**
- V. Consideration of Revising Board Composition to Include Non-Resident Members **Tab 2**
- VI. Review of Effectiveness and Efficiency of Committee Structure and Meetings **Tab 3**
- VII. Ratification of Vice Chair's Interim Committee and Committee Chair Appointments **Tab 4**
- VIII. Discussion of Efforts to Engage Former Trustees
- IX. Other Business
- X. Adjournment

**THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES**

**GOVERNANCE COMMITTEE
CHARTER**

PURPOSE

The Governance Committee shall have the following purposes: (1) to stay informed about governance issues; (2) to propose implementation of governance best practices; and (3) to organize the working processes of the Board.

POWERS AND RESPONSIBILITIES

The Governance Committee shall have the following powers and responsibilities:

1. To develop and recommend to the Board a statement of governance setting out the responsibilities of the Board and fundamental principles of governance;
2. To review periodically the Bylaws and recommend needed amendments;
3. To recommend to the Board an effective committee structure and ensure that each standing committee develops a charter for approval by the Board;
4. To provide advice and consent to the Vice Chair of the Board on standing committee and chair appointments;
5. To develop and implement an annual self-evaluation process for the Board and for individual Trustees;
6. To develop and implement a process for evaluating the effectiveness of Board and committee meetings;
7. To develop an effective orientation and continuing education process for the Board;
8. To monitor, oversee, and review compliance with the Code of Ethics for Trustees;

9. To develop a set of qualifications and core competencies for membership on the Board for approval by the Board and recommendation to each sitting Governor; and
10. To recommend to the Board processes, practices, or policies designed to ensure that the Board carries out its governance responsibilities effectively and efficiently.

COMPOSITION OF THE COMMITTEE

The voting membership of the committee shall be no less than three members of the Board of Trustees appointed by the Board upon the recommendation of the Vice Chair of the Board, with the advice and consent of the previously appointed Governance Committee. The Vice Chair of the Board shall be an *ex officio*, voting member of the committee. The President of the university shall be an *ex officio*, non-voting member of the committee. Committee appointments shall be made at the annual meeting for a two-year term, but *ex officio* appointments shall not exceed the term of office.

The chair of the committee shall be designated by the Board for a two-year term, upon the recommendation of the Vice Chair, with the advice and consent of the previously appointed Governance Committee. No Trustee may serve more than two consecutive two-year terms as chair of the committee.

The President shall designate one or more members of his or her senior administrative staff to provide staff support to the committee.

MEETINGS

Required Number and Call

The committee shall meet at least three times annually, in conjunction with regular meetings of the Board of Trustees or at any other time upon the call of the chair. A meeting may also be called by the Chair of the Board, the Vice Chair of the Board, the President, the committee chair, or by the Secretary of the Board upon the written request of two members of the committee.

Notice

Notice of committee meetings, including the purpose of the meeting, shall be given to all committee members.

Notice may be given by regular mail, electronic mail, or facsimile transmission. At least five (5) days' notice shall be given when feasible, but less notice may be given when there is a need for urgent action by the committee. If written notice is not feasible, by reason of urgency or other exigent circumstance, notice may be given by telephone.

All meetings of the committee shall be open to the public unless otherwise provided by the Tennessee Open Meetings Act or a judicially-recognized exception to the Act.

Agenda

An agenda shall accompany the notice of every meeting of the committee when feasible, but when not feasible, the notice shall state the purpose or purposes for which the meeting is called.

Development of the committee agenda shall be the responsibility of the chair, in consultation with the President and designated committee staff. The agenda shall list in outline form each matter to be considered at the meeting. The committee may use a consent agenda in the manner provided by the Bylaws.

Matters not set forth on the agenda or in the notice may be considered only upon an affirmative vote of a majority of the entire committee.

Quorum

A quorum shall be a majority (more than one-half) of the voting members of the committee. The Vice Chair of the Board shall be counted for quorum purposes, but the President shall not be counted for quorum purposes. In the absence of a quorum, those attending may adjourn the meeting until a quorum is present.

Minutes

Committee staff shall prepare minutes of all committee meetings, review the minutes with the committee chair, and provide the minutes to all committee members before the next committee meeting.

COMPOSITION OF THE BOARD OF TRUSTEL

Current Composition (26 members)

Ex Officio Members (5):

Governor
Commissioner of Agriculture
Commissioner of Education
Executive Director of the Tennessee Higher Education Commission (non-voting)
President of the University

Appointed Members (21):

Congressional Districts (9): one member from each district

Counties (8):

2 Knox County

2 Shelby County

1 Davidson County

1 Hamilton County

1 Weakley County

1 Anderson, Bedford, Coffee, Franklin, Lincoln, Moore, or Warren County

Students (2):

1 Voting

1 Non-voting

Faculty (2):

1 Voting

1 Non-voting

Other Statutory Requirements:

At least one third (1/3) of the appointed members shall be members of the principal minority political party in the state.

At least one third (1/3) of the appointed members shall be alumni of the University of Tennessee.

In making appointments to the board of trustees, the governor shall strive to ensure that at least one (1) person appointed to serve on the board is sixty (60) years of age or older, and that at least one (1) person appointed to serve on the board is a member of a racial minority.

Appointments made after January 1, 1995, shall alternate such that every other appointment of a new member to the board shall be a female until the membership of the board reflects the percentage of females in the population generally, after which the provisions of this sentence shall cease to be effective.

Possible Revision

When a vacancy occurs in a **county** seat by reason of expiration of the term or for any other reason, the Governor may appoint an alumna or alumnus of the University who resides outside the State of Tennessee to fill the vacancy, provided that no more than two (2) seats may be filled at any given time by alumni who reside outside the State of Tennessee.

**QUALIFICATIONS AND CORE COMPETENCIES FOR MEMBERSHIP
ON THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES
(Adopted March 2, 2005; Revised October 28, 2005)**

I. Statutory and Bylaw Requirements

The General Assembly of the State of Tennessee has established certain statutory criteria concerning composition of the Board of Trustees of The University of Tennessee. These criteria, codified at Tennessee Code Annotated § 49-9-202, provide for diversity in residence, gender, race, age, political affiliation, and collegiate affiliation.

In addition to the statutory criteria for Board membership, the Bylaws of the University, Article III, Section 8, create an Audit Committee of the Board and establish certain minimal requirements for membership on that committee. All members of the Audit Committee must be financially literate, meaning they must be able to read and understand basic financial statements, including a balance sheet, income statement, and cash flow statement. At least one member of the Audit Committee must have extensive accounting or financial management expertise. To comply with the intent of the Bylaws and allow for flexibility in Chair appointments, at least two appointed members of the Board should have extensive accounting or financial management expertise.

II. Additional Qualifications and Core Competencies Appointed Members of the Board of Trustees Should Demonstrate

In August 2003, Governor Phil Bredesen, Chairman of the Board of Trustees, appointed a Governance Task Force to examine issues of corporate governance. In October 2003, the Board approved the Governance Task Force Report, including a recommendation that the Board approve a set of qualifications and core competencies for membership and transmit them to each sitting Governor for consideration in making appointments to the Board.

All six-year appointed Trustees should demonstrate the following qualifications and core competencies:

1. An understanding of trusteeship as a public trust and commitment to promoting the welfare of the University over any parochial interest
2. An understanding of the nonpartisan nature of trusteeship
3. An understanding of the role of higher education in society and a strong interest in being an advocate for public higher education
4. An understanding of the distinction between governance and management

5. Experience with complex organizations and a basic understanding of how to interpret the financial condition of a complex organization
6. A record of significant accomplishment in business, a profession, philanthropy, or volunteer work
7. Intelligence, broad vision, and independent judgment
8. Willingness to commit the time and energy required to carry out the responsibilities of trusteeship in a conscientious and effective manner.

**THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES
July 2007**

EX OFFICIO

PHIL BREDESEN, Governor of the State of Tennessee, Chair
KEN GIVENS, Commissioner of Agriculture
LANA SEIVERS, Commissioner of Education
JOHN PETERSEN, President of the University
RICHARD RHODA, Executive Director, Tennessee Higher Education Commission (non-voting)

FROM CONGRESSIONAL DISTRICTS	FIRST APPOINTED	TERM EXPIRES	
FIRST	WILLIAM Y. CARROLL	2005	May 31, 2011
SECOND	DOUGLAS HORNE	2007	May 31, 2013
THIRD	JAMES E. HALL	2006	May 31, 2012
FOURTH	DON C. STANSBERRY	2002	May 31, 2008
FIFTH	JAMES L. MURPHY, III	2003	May 31, 2009
SIXTH	ANDREA J. LOUGHRY, VICE CHAIR	1999	May 31, 2011
SEVENTH	ANNE HOLT BLACKBURN	2006	May 31, 2012
EIGHTH	JERRY L. JACKSON	1996	May 31, 2008
NINTH	GEORGE CATES	2007	May 31, 2013

FROM ANDERSON, BEDFORD, COFFEE, FRANKLIN, LINCOLN, MOORE, OR WARREN COUNTY

CHARLES E. WHARTON	2006	May 31, 2012
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FROM DAVIDSON COUNTY

SPRUELL DRIVER, JR.	2005	May 31, 2011
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FROM HAMILTON COUNTY

JAMES L. WOLFORD	2002	May 31, 2008
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FROM KNOX COUNTY

CHARLES ANDERSON, JR.	2007	May 31, 2013
ROBERT TALBOTT	2007	May 31, 2013

FROM SHELBY COUNTY

KARL A. SCHLEDWITZ	2005	May 31, 2008
RHYNETTE N. HURD	2000	May 31, 2008

FROM WEAKLEY COUNTY

BARBARA C. CASTLEMAN	1996	May 31, 2008
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STUDENT MEMBERS

ANNA YORK (voting)	2006	May 31, 2008
BRITTANY MCGRUDER (non-voting)	2007	May 31, 2009

FACULTY MEMBERS

DESERIEE KENNEDY (voting)	2006	May 31, 2008
JOHN SCHOMMER (non-voting)	2007	May 31, 2009

**THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES**

**COMMITTEE APPOINTMENTS
July 2007**

ACADEMIC AFFAIRS AND STUDENT SUCCESS COMMITTEE

Principal Staff Liaison: Bob Levy, Vice President for Academic Affairs

Rhynette Hurd, Chair
Anne Holt Blackburn
George Cates
Barbara Castleman
Karl Schledwitz

Ex Officio: Student Trustee (voting)
Faculty Trustee (voting)
Student Trustee (non-voting)
Faculty Trustee (non-voting)
Commissioner of Education
Commissioner of Agriculture
Executive Director of THEC (non-voting)
Vice Chair of the Board
President of the University (non-voting)

Ex Officio Nonvoting Faculty and Student Representatives:

Faculty Senate President UTHSC
SGAEC President UTHSC
SGAEC Vice President UTHSC
Faculty Senate President UT Martin
SGA President UT Martin
Faculty Senate President UT Knoxville
SGA President UT Knoxville
Graduate Student Senate President UT Knoxville
Faculty Senate President UTC
SGA President UTC
Graduate Student Association President UTC
SGA President UT Space Institute

ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE

Principal Staff Liaisons: Hank Dye, Vice President for Public and Government Relations;
Henry Nemcik, Vice President for Development and Alumni Affairs

Spruell Driver, Chair
Charles Anderson
Barbara Castleman
Jim Hall
Charles Wharton

Ex Officio: Vice Chair of Board
President of University (non-voting)

AUDIT COMMITTEE

Principal Staff Liaison: Mark Paganelli, Executive Director, Audit and Consulting
Services

Jim Murphy, Chair
Jim Hall
Doug Horne
Waymon Hickman, External Member

Ex Officio: Vice Chair of the Board

FINANCE AND ADMINISTRATION COMMITTEE

Principal Staff Liaison: Gary Rogers, Chief Financial Officer

Bill Carroll, Chair
Charles Anderson
Jerry Jackson
Bob Talbott
Charles Wharton

Ex Officio: Vice Chair of the Board
President of the University (non-voting)

GOVERNANCE COMMITTEE

Principal Staff Liaison: Catherine Mizell, Vice President, General Counsel and Secretary

Don Stansberry, Chair
Anne Holt Blackburn
Bob Talbott

Ex Officio: Vice Chair of the Board
President of the University (non-voting)

OUTREACH COMMITTEE

Principal Staff Liaison: David Millhorn, Executive Vice President

Bucky Wolford, Chair
George Cates
Doug Horne
Jerry Jackson
Karl Schledwitz

Ex Officio: Student Trustee (voting)
Faculty Trustee (voting)
Student Trustee (non-voting)
Faculty Trustee (non-voting)
Commissioner of Agriculture
Commissioner of Education
Executive Director of THEC (non-voting)
Vice Chair of the Board
President of the University (non-voting)

Faculty and Professional Staff Representatives:

Dean Dick Gourley, UTHSC
Ms. Mary Kate Ridgeway, Extension
Mr. Paul E. Hart, Extension
Romeo Morrissey, IPS
Chuck Shoopman, IPS

EXECUTIVE AND COMPENSATION COMMITTEE

Principal Staff Liaison: Catherine Mizell, Vice President, General Counsel and Secretary

Rhynette Hurd, Chair of Academic Affairs and Student Success Committee

Jim Murphy, Chair of Audit Committee

Don Stansberry, Chair of Governance Committee

Bill Carroll, Chair of Finance and Administration Committee

Bucky Wolford, Chair of Outreach Committee

Spruell Driver, Chair of Advancement and Public Affairs Committee

Ex Officio: Vice Chair of the Board (serves as Chair of the committee)
President of the University (non-voting)

MEMORANDUM

To: Members of the Board of Trustees

FROM: Andrea J. Loughry, Vice Chair

DATE: July 30, 2007

SUBJECT: New Committee and Chair Appointments

At the Annual Meeting in June, the Board authorized the Vice Chair to make any needed committee and chair appointments resulting from changes in composition of the Board, subject to ratification by the Board at the Fall Meeting in November.

We recently received notice of the Governor's appointment of four outstanding new Trustees. We welcome these new members of the Board family and look forward to getting to know them at the Board Advance on September 9-10.

To allow the Board committee structure to function effectively between now and the Fall Meeting in November, I am making the following committee and chair appointments, effective immediately:

Charles Anderson	Advancement & Public Affairs Finance & Administration
George Cates	Academic Affairs & Student Success Outreach
Doug Horne	Audit Outreach
Bob Talbott	Finance & Administration Governance
Anne Holt Blackburn	Academic Affairs & Student Success Governance

Bill Carroll	Chair, Finance & Administration Executive & Compensation Committee
Barbara Castleman	Academic Affairs & Student Success Advancement & Public Affairs
Spruell Driver	Chair, Advancement & Public Affairs Executive & Compensation Committee
Jim Hall	Advancement & Public Affairs Audit

A list showing the new composition of all standing committees is attached. I am confident these appointments will promote the continued effective work of the committee structure established in 2004.

In addition to the standing committee appointments, two vacancies on the Knoxville Athletics Board need to be filled. I am appointing Charles Anderson to serve as the East Tennessee representative and Jerry Jackson to serve as the West Tennessee representative. By virtue of being the senior Trustee, Jerry will serve as Chair of the Executive Committee of the Athletics Board.

These appointments will be effective until new appointments are made following the Governor's announcement of 2008 Trustee appointments.

I look forward to working with all of you over the next year in the stewardship of this great asset for the people of Tennessee. See you in September.

Attachment

c: Members of the President's Staff



MEMORANDUM

TO: Members of the Executive and Compensation Committee

FROM: Catherine S. Mizell *CSM*

DATE: October 15, 2007

SUBJECT: **Meeting of the Executive and Compensation Committee
October 19, 2007, 11:30 a.m. CDT
Law Offices of Waller Lansden Dortch & Davis
Nashville City Center, Suite 2700
511 Union Street, Nashville, Tennessee**

Upon call of the Chair, the Executive and Compensation Committee will meet at 11:30 a.m. CDT on Friday, October 19, 2007 in the law offices of Waller Lansden Dortch and Davis, Nashville City Center, Suite 2700, Nashville, Tennessee.

The agenda and supporting materials for the meeting are attached. Copies will also be available at the meeting. Our host, Spruell Driver, has graciously arranged for lunch following the meeting.

Please let me know if you have questions or need assistance.

Attachments

c: Other Members of the Board of Trustees
Members of the President's Staff

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

EXECUTIVE AND COMPENSATION COMMITTEE

11:30 a.m. CDT
Friday
October 19, 2007

Waller Lansden Dortch & Davis
Nashville City Center, Suite 2700
511 Union Street, Nashville

AGENDA

- I. Call to Order
- II. Roll Call
- III. Approval of Minutes of Last Meeting (*behind agenda*)
- IV. Opening Remarks by Committee Chair
- V. President's Recommendation of Discretionary Salary Increases
for Elected University Officers and Other Senior Staff **Tab 1**
- VI. Acquisition of Knoxville Place Apartments and Related Revision of UT Knoxville
Master Plan **Tab 2**
- VII. Update on Fall Meeting Agenda **Tab 3**
- VIII. Other Business
- IX. Adjournment

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

EXECUTIVE AND COMPENSATION COMMITTEE

ACTION ITEM

DATE: October 19, 2007

ITEM: **President's Recommendation of Discretionary
Salary Increases for Elected University Officers
and Other Senior Staff**

RECOMMENDATION: Approval

RESPONSIBLE OFFICIAL: John D. Petersen, President

The President's recommendations are presented on the attached charts. If approved, the recommendations will go forward to the full Board on November 9. Approved increases will be retroactive to July 1, 2007.

The University of Tennessee
Elected Officers

	Estimated Range November 06	Estimated Range July 07	Beginning Range July 07	Salary @ June 30, 2007	Adjustments Processed	July 1, 2007 3% ATB	Salary after ATB @ July 1, 2007	Merit/Equity Recommended by President	Recommended Salary @ July 1, 2007
Chancellor, UT Chattanooga	220-225,000	227,700-232,900	227,700	220,000		6,600	226,600	3,850	230,450
Chancellor, UT Knoxville	275-290,000	284,600-300,200	284,600	281,351		8,440	289,791	5,908	295,699
Vice President for Agriculture	250-260,000	258,800-270,400	258,800	255,000		7,650	262,650	7,650	270,300
Executive Vice President	250-275,000	269,100-296,400*	269,100	280,504		8,415	288,919	8,415	297,334
Vice President, General Counsel & Secretary	175-200,000	181,100-208,000	181,100	167,854	7,146 (1)	5,250	180,250	3,063	183,313
VP for Development & Alumni Affairs	240-250,000	248,400-260,000	248,400	240,000		7,200	247,200	7,200	254,400
Vice President and Treasurer	175-200,000	181,000-208,000	181,100	175,000		5,250	180,250	3,675	183,925
Chancellor, UT Martin	220-225,000	227,700-232,900	227,700	144,256	70,744 (2)	6,450	221,450	- (2)	221,450
Senior Vice President & Chief Financial Officer	240-250,000	248,400-260,000	248,400	250,000		7,500	257,500	4,375	261,875

(1) Market catch-up from November '06 study - previously approved by Board

(2) Elected UTM Chancellor effective 7/1/2007 @ salary of \$215,000

* See Schedule page 3

ATB - Across-the-board

*Reflects additional function of economic development

Data Source: Composite review of survey information from The Chronicle of Higher Education (Chronicle), College and University Professional Association for Human Resources (CUPA) and Market/Search information from Parker Executive Search.

**The University of Tennessee
Other President's Staff**

	Estimated Range November 06	Estimated Range July 07	Beginning Range July 07	Salary @ June 30, 2007	Adjustments Processed	July 1, 2007 3% ATB	Salary After ATB @ July 1, 2007	Merit/Equity Recommended by President	Recommended Salary @ July 1, 2007
Vice President for Strategic Planning & Operations	175-200,000	181,100-207,000	181,100	175,000		5,250	180,250	3,850	184,100
Vice President for Public & Governmental Relations	175-200,000	181,100-207,000	181,100	175,000		5,250	180,250	4,375	184,625
Vice President for Academic Affairs & Student Success	180-200,000	186,300-207,000	186,300	180,000		5,400	185,400	3,780	189,180
Executive Director, Audit & Consulting Services	125-150,000	129,400-155,300	129,400	107,636	10,364 (1)	3,540	121,540	2,065	123,605
Vice President for Equity & Diversity	100-125,000	103,500-129,400	103,500	105,943		3,178	109,121	1,271	110,392
Ex. Director of Alumni Affairs & Asst. to President	100-125,000	103,500-129,400	103,500	155,000 (2)		4,650	159,650	-	159,650
Interim Chancellor, UT Health Science Center (3)	Average 400,000 + (Clinical)	Average 414,000 + (Clinical)	Average 414,000 + (Clinical)	298,157		8,945	307,102	5,963	313,065

(1) Market catch-up from November '06 Study - previously approved by Board - remaining \$8,930 scheduled for July 1, 2008

(2) Reflects change from previous position of Executive Assistant to President; now Executive Director of Alumni Affairs and Assistant to President - Executive Assistant to the President position search is in progress.

(3) Interim Chancellor position, non-elected official

ATB - Across-the-board

Data Source: Composite review of survey information from The Chronicle of Higher Education (Chronicle), College and University Professional Association for Human Resources (CUPA) and Market/Search information from Parker Executive Search.

TO: Board of Trustees

FROM: John D. Petersen, President



SUBJECT: RETENTION/MARKET SALARY RECOMMENDATION
For Vice President Henry Nemcik

DATE: October 12, 2007

Attached is a salary schedule from Eduventures, a benchmarking firm for development officers in higher education. Our institution, which is Executive No. 1 displays an average salary of \$277,256 and an average total compensation of \$332,727. This corresponds to a system development officer with responsibility for a foundation.

Vice President Nemcik is substantially below this level. I also know that at least three southeastern research universities have recently hired individuals at \$300,000 or above. We are in the middle of a major capital campaign and VP Nemcik is and will continue to have other universities attempt to lure him away from the University of Tennessee.

To prevent this from happening, I have discussed the situation with VP Nemcik and we agree that an increase in salary to \$290,000 would enable him to continue to discourage approaches from other institutions.

Therefore, I would like to ask the Board of Trustees to approve a modified salary for Vice President Nemcik as follows:

Salary at June 30, 2007	\$248,000
3%ATB	7,200
Merit/Equity	<u>7,200</u>
Recommended to Exec Com	\$254,000
Additional retention/market	<u>36,000</u>
Final Salary Recommendation	\$290,000



EDUVENTURES

Learning Collaborative for Higher Education
Development Program
Custom Research Report
February 2007

Catalog No. 006-DEVCCR-22007

Executive Compensation at Institutionally Related Foundations: *Big 10 and Big 12 Universities*

Data Type	Key Source
Primary Data	Big 10 and Big 12 Member Compensation Survey

Key question:

- What are the current compensation packages (i.e., salary, bonus, deferred compensation, etc.) for the top 10 most highly paid executive positions at institutionally related foundations at Big 10 and Big 12 universities in the Midwest?

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Inquiry Overview

A member foundation at a Big 12 university sought to benchmark the executive compensation packages at institutionally related foundations in the Midwest. The objective of this report is to benchmark compensation for the top 10 most highly paid foundation executives, in line with IRS requirements to use comparable data to determine reasonable compensation for executives.

The following institutionally related foundations at Big 10 and Big 12 universities participated in this benchmarking research:

- Indiana University Foundation
- Kansas State University Foundation
- Kansas University Endowment Association
- Texas A&M Foundation
- University of Colorado Foundation
- University of Illinois Foundation
- University of Iowa Foundation
- University of Nebraska Foundation
- University of Wisconsin Foundation

Custom Research Support – Short-Answer Analysis of Issues of Concern to Individual Members/Small Groups
The DEV program maintains dedicated staff to support members' needs for short-answer, quick-turnaround research inquiries. Requests may address issues raised in the DEV program's Collaborative Research studies, leverage the collective experience of the DEV membership, review secondary literature, or include small-scale primary research investigations. Requests are fulfilled on a first-come, first-served basis. DEV staff works to deliver accurate, reliable data in all cases; however, we cannot guarantee the accuracy of data from all sources referenced.

Executive Summary

This benchmarking research collected compensation data on the top 10 most highly paid foundation executives from eight member institutions. Key compensation findings include the following:

- Base Salary – Average salaries ranged from \$277,256 for the highest paid executive to \$111,085 for the 10th highest paid executive.
- Bonus – Sixty-seven percent of participants do not offer bonuses. Of those who report bonus figures, one institution offers up to 10% of the base salary, while other institutions offer up to 25% and 58% of the base salary (58% for the chief executive officer only).
- Deferred Compensation – Fifty-six percent of participants offer deferred compensation. Eighty percent of these participants offer deferred compensation to the top one, two, and/or three highest paid executives at their foundations. One institution offers deferred compensation to all 10 most highly paid executives.
- Extraordinary Fringe Benefits – Sixty-seven percent of participants offer extraordinary fringe benefits such as a car allowance, a country club membership, or a flexible premium variable life insurance policy.

Introduction

The IRS can impose tax penalties on foundations and other charitable organizations that have compensated high-level employees excessively. Foundations typically rely on salary surveys to guide reasonable levels of compensation. It is common for foundations to compare compensation levels with other foundations of similar size and geographic location.¹ The data available in this report will assist Big 10 and Big 12 foundations in the Midwest in defining reasonable levels of compensation for their most highly paid executives.

Methodology

This research was conducted through a benchmarking survey of 10 institutionally related foundations at Big 10 and Big 12 universities in the Midwest. Nine member institutions participated in the benchmarking exercise for a 90% response rate. Human resources directors at participating institutions provided the following data points for the top 10 most highly paid foundation executives (as of January 2007):

- Title of individual's current position
- Individual's current area(s) of responsibility
- Individual's years of service in current position
- Individual's current compensation package – includes the following items:
 - Salary
 - Bonus
 - Deferred compensation
 - Extraordinary fringe benefits

¹ Council on Foundations. "Recommended Best Practices in Determining Reasonable Executive Compensation." (2002 December).

Findings

This research provides a benchmarking of executive compensation packages at institutionally related foundations at Big 10 and Big 12 universities in the Midwest. The aggregate data is presented by executive rank (highest paid to lowest paid) and by the key roles most often cited by participants (e.g., president and chief executive officer, chief development officer, chief financial officer, etc.). Individual data is also presented using pseudonyms.

Aggregate Compensation Data

Table 1. Top 10 Highest Paid Foundation Executives' Average Compensation

The following table provides the average salary, bonus, and deferred compensation data in aggregate for the top 10 highest paid executives at participating member institutions. (Please note that a variety of roles were cited by participants at each executive rank.)

Executive Rank	Average Salary	Average Bonus	Average Deferred Comp.	Total Average Comp.
Executive No. 1	\$277,256	\$27,169 ¹	\$28,302 ²	\$332,727
Executive No. 2	\$209,306	\$11,444 ³	\$10,030 ⁴	\$230,780
Executive No. 3	\$180,269	\$11,278 ⁵	\$6,707 ⁶	\$198,253
Executive No. 4	\$164,728	\$9,019 ⁷	\$4,537 ⁸	\$178,284
Executive No. 5	\$150,757	\$6,067 ⁹	\$4,073 ¹⁰	\$160,896
Executive No. 6	\$136,047	\$4,264 ¹¹	\$3,989 ¹²	\$140,311
Executive No. 7	\$128,648	\$5,643 ¹³	\$3,561 ¹⁴	\$137,852
Executive No. 8	\$119,469	\$3,830 ¹⁵	\$3,669 ¹⁶	\$126,968
Executive No. 9	\$116,374	\$2,035 ¹⁷	\$3,620 ¹⁸	\$122,029
Executive No. 10	\$111,085	\$4,031 ¹⁹	\$3,416 ²⁰	\$118,531

Notes: 1/ Bonuses ranged from \$0 to \$150,000; 2/ Deferred compensation packages ranged from \$0 to \$90,000, including a non-qualified retirement plan and a flexible premium variable life insurance policy; 3/ Bonuses ranged from \$0 to \$45,000; 4/ Deferred compensation packages ranged from \$0 to \$46,906; 5/ Bonuses ranged from \$0 to \$45,000; 6/ Deferred compensation packages ranged from \$0 to \$45,359; 7/ Bonuses ranged from \$0 to \$36,050; 8/ Deferred compensation packages ranged from \$0 to \$40,831; 9/ Bonuses ranged from \$0 to \$35,100; 10/ Deferred compensation packages ranged from \$0 to \$36,659; 11/ Bonuses ranged from \$0 to \$14,000; 12/ Deferred compensation packages ranged from \$0 to \$35,898; 13/ Bonuses ranged from \$0 to \$31,286; 14/ Deferred compensation packages ranged from \$0 to \$32,051; 15/ Bonuses ranged from \$0 to \$12,000; 16/ Deferred compensation packages ranged from \$0 to \$29,353; 17/ Bonuses ranged from \$0 to \$9,281; 18/ Deferred compensation packages ranged from \$0 to \$28,956; 19/ Bonuses ranged from \$0 to \$23,118; 20/ Deferred compensation packages ranged from \$0 to \$27,324

UT Executive and Compensation Committee to Meet Oct. 19 in Nashville

October 12, 2007

KNOXVILLE -- The executive and compensation committee of the University of Tennessee Board of Trustees will meet in Nashville on Friday, October 19.

The meeting is scheduled for 11:30 a.m. CDT at the offices of Waller Lansden Dortch & Davis, 511 Union St., Suite 2700.

The committee will receive an update on plans for the fall meeting of the Board of Trustees scheduled for November 8-9 in Knoxville. The committee also will review recommended discretionary salary increases for elected university officers and other senior staff.

In addition the committee will review the acquisition of Knoxville Place Apartments and the related revision of the UT Knoxville Master Plan.

A complete agenda and supporting materials are available upon request.

For more information on the Board of Trustees, visit <http://bot.tennessee.edu/>.

Contact: Amy Blakely (865-974-5034 or 865-789-1692)



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THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

EXECUTIVE AND COMPENSATION COMMITTEE

ACTION ITEM

DATE: October 19, 2007

CAMPUS/INSTITUTE: UT Knoxville

ITEM: **Acquisition of Knoxville Place Apartments and
Related Revision of UT Knoxville Master Plan**

RECOMMENDATION: Approval, Subject to Full Board Ratification

PRESENTED BY: Gary W. Rogers
Senior Vice President and Chief Financial Officer

The administration proposes to acquire approximately 2.3 acres located at 1527 White Avenue in Knoxville improved with Knoxville Place Apartments. The property includes a building containing approximately 342,800 square feet, with an 844-space parking garage. The attached map reflects the location of the property. The University of Tennessee Foundation, Inc., through its Volunteer Student Housing, LLC, owns this property. The building was completed in 2004.

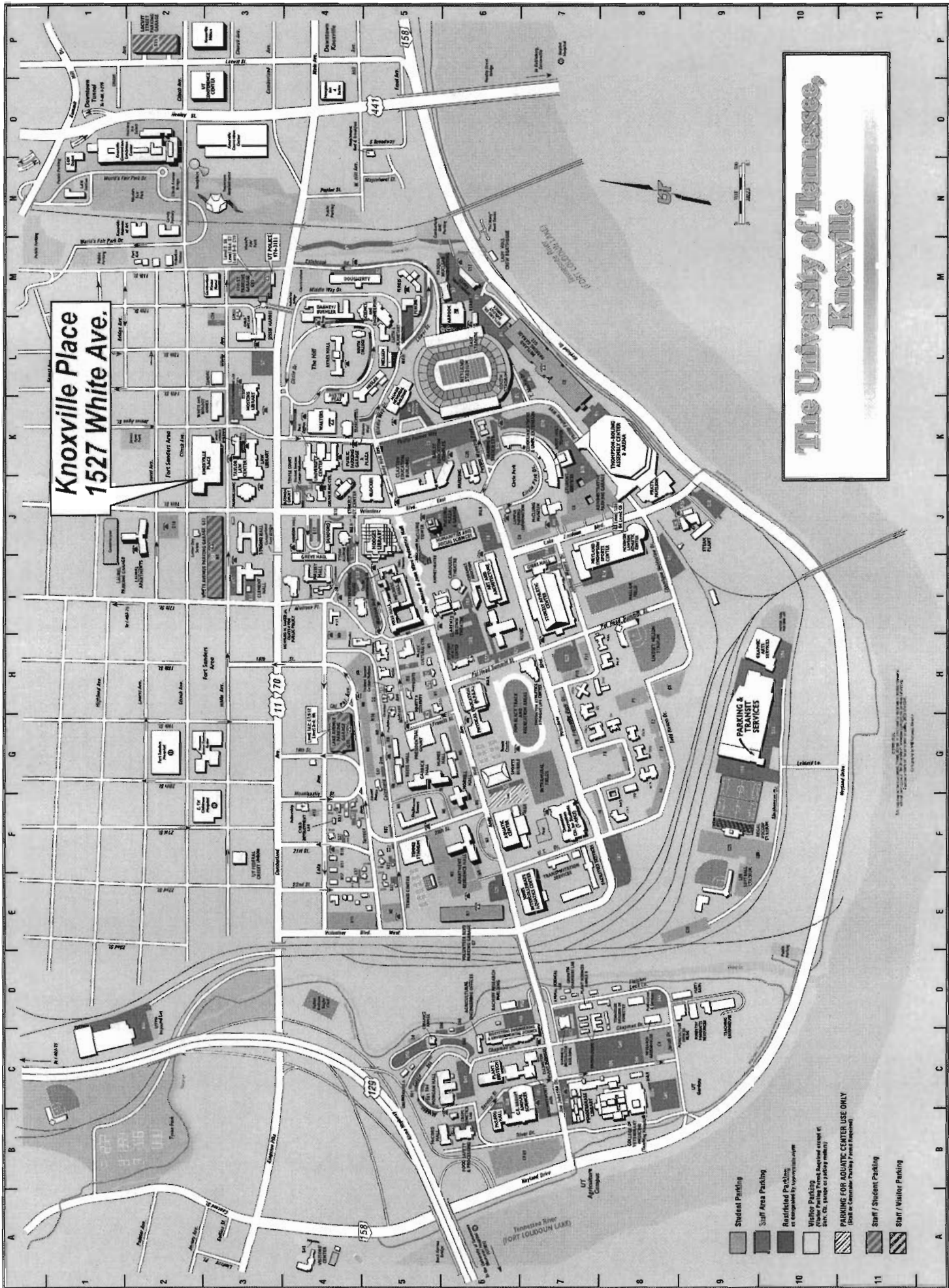
A building condition assessment report has been completed by an engineering firm. The report indicates that the primary structural systems of the property are in good condition. The report indicates \$4.1M in current dollars as possible costs of recommended work needed to maintain the property in an efficient, functional, and structurally sound condition over the next twenty (20) years. Costs were estimated by the engineering firm using the estimating system known as "RS Means Costworks," combined with their experience and professional judgment. The major recommendation of the report is the replacement of the Exterior Insulation and Finish System (EIFS) in the near term, and no later than seven (7) years from now (2014), based on an original expected life of ten (10) years, with the possible cost estimated at \$1.7M to \$2.0M. A source of University reserve funds has been identified to pay for the repairs, and a plan will be developed to determine the necessary work and the timetable.

The building is currently fully occupied and has been fully occupied every year with the exception of fiscal year 2007 when occupancy was at 90%. The twelve-story building has 742 beds in apartments/townhouses and 9,500 square feet of retail space.

The purchase price will be based on the Foundation's outstanding debt less reserves (a net of approximately \$55M), not to exceed the fair market value of the property as determined by a third party independent appraiser. That appraisal has been received at \$56M. The funding will be through the Tennessee State School Bond Authority. The debt service will be funded through housing and parking revenues.

The administration requests approval to acquire this property in accordance with the terms and conditions outlined above, which such approval subject to full Board ratification at its November 2007 meeting. The administration also requests approval to revise the UT Knoxville Master Plan to include acquisition of this property. If approved, the administration will seek all necessary State government approvals for the purchase of the property and the Knoxville Master Plan revision.

Attachment



**Knoxville Place
1527 White Ave.**

The University of Tennessee, Knoxville

- Student Parking
- Staff Area Parking
- Roadside Parking
as designated by appropriate signs
- Visitor Parking & Backpack storage at
Lib. Ctr. (open or pickup only)
- PARKING FOR AGUATIC CENTER USE ONLY**
(only with Customer Center's prior approval)
- Staff / Student Parking
- Staff / Visitor Parking

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BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE

ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE

1:00 p.m. EDT
Thursday
November 8, 2007

Room 223
University Center
Knoxville, Tennessee

AGENDA

- I. Call to Order
- II. Roll Call
- III. Approval of Minutes of Last Meeting (*behind agenda*)
- IV. Report by President of the National Alumni Association
- V. Report by Chair of the Development Council
- VI. Report by Vice President for Development and Alumni Affairs
 - A. Planned Giving Website—**Information**
 - B. Compliance with Gift Restrictions—**Information**
 - C. Affinity Cards—**Information**
- VII. Report by Vice President for Public and Government Relations
 - A. Annual Report to the General Assembly—**Consent**
- VIII. Other Business
- IX. Adjournment

BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE
OUTREACH COMMITTEE

2:30 p.m. EDT
Thursday
November 8, 2007

Room 225
University Center
Knoxville, Tennessee

AGENDA

- I. Call to Order
- II. Roll Call
- III. Approval of Minutes of the Last Meeting (*behind agenda*)
- IV. Revision of Committee Charter—**Recommendation to Governance Committee**
- V. Review of UT Research Foundation Services and Incentives—**Information**
- VI. Update on Biofuels Initiative--**Information**
- VII. Other Business
- VIII. Adjournment

BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE
FINANCE AND ADMINISTRATION COMMITTEE

8:30 a.m. EDT
Friday
November 9, 2007

Rooms 223
University Center
Knoxville, Tennessee

AGENDA

- I. Call to Order
- II. Roll Call
- III. Approval of Minutes of Last Meeting (*behind agenda*)
- IV. Treasurer's Report of Endowment Investment Performance—**Information**
- V. Treasurer's Financial Report--**Information**
- VI. Discussion of THEC Funding Formula—**Information**
- VII. Extension of UTC Differential Tuition for Border Counties for a Second Year—**Consent**
- VIII. FY 2008-09 Operating Budget Appropriations Request--**Consent**
- IX. FY 2008-09 Capital Outlay and Capital Maintenance Budgets and Review of Current Capital Projects—**Consent**
- X. FY 2008-09 Revenue/Institutionally Funded Projects—**Consent**
- XI. Policy on Foundations—**Consent**
- XII. Adjustments to Operating Budget for President's Residence—**Consent**
- XIII. Annual Flight Operations Report—**Consent**
- XIV. Other Business
- XV. Adjournment

BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE

ACADEMIC AFFAIRS AND STUDENT SUCCESS COMMITTEE

10:30 a.m. EDT
Friday
November 9, 2007

Shiloh Room
University Center
Knoxville, Tennessee

AGENDA

- I. Call to Order
- II. Roll Call
- III. Approval of Minutes of Last Meeting (*behind agenda*)
- IV. Governor's Academy for Math and Science—A Conversation with Students and Faculty
- V. Fall Enrollment Reports—**Information**
- VI. Report on National Postsecondary Rating Guides—**Information**
- VII. Summary of THEC and Internal Assessment Surveys—**Information**
- VIII. Summary of Current Efforts to Determine Reasons for Drop-Out/Stop-Out—**Information**
- IX. Award of Honorary Degree by UT Health Science Center—**Consent**
- X. Other Business
- XI. Adjournment

FALL MEETING
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE

2:15 p.m. EDT
Friday
November 9, 2007

Hollingsworth Auditorium
Ellington Plant Science Building
Knoxville, Tennessee

ORDER OF BUSINESS

- I. Call to Order and Invocation
- II. Roll Call
- III. Introductions
- IV. Approval of Minutes **Tab 1**
- V. Adoption of Honorary Resolutions **Tab 2**
- VI. President's Report
- VII. Report on Strategic Plan and Scorecard **Tab 3**
- VIII. Action Items from the Executive and Compensation Committee
 - A. President's Recommendation of Discretionary Salary Increases for Elected University Officers and other Senior Staff **Tab**
 - B. Ratification of Acquisition of Knoxville Place Apartments and Related Revision of UT Knoxville Master Plan **Tab**
- IX. Action Items from the Governance Committee
 - A. Proposed Legislation to Expand Composition of the Board to Include Non-Residents **Tab**
 - B. Ratification of Vice Chair's Interim Committee and Committee Chair Appointments..... **Tab**
- X. Report of the Audit Committee..... **Tab**

XII.	Report of the Knoxville Athletics Board.....	Tab
XIII.	Consent Items	
A.	Annual Report to the General Assembly.....	Tab
B.	Extension of UTC Differential Tuition for Border Counties for a Second Year	Tab
C.	FY 2008-09 Operating Budget Appropriations Request.....	Tab
D.	FY 2008-09 Capital Outlay and Capital Maintenance Budgets	Tab
E.	FY 2008-09 Revenue/Institutionally Funded Projects	Tab
F.	Policy on Foundations.....	Tab
G.	Adjustments to Operating Budget for President's Residence.....	Tab
H.	Annual Flight Operations Report.....	Tab
I.	Award of Honorary Degree by UT Health Science Center	Tab
XIV.	Other Business	
XV.	Announcements	
	Winter Meeting, March 11-12, 2008 in Chattanooga	
	Annual Meeting, June 19-20, 2008 in Knoxville	
	Fall Meeting, October 23-24, 2008 in Knoxville	
XVI.	Adjournment	