

COMMITTEE ON GOVERNANCE

Minutes

December 6, 2012

The Committee on Governance met on December 6, 2012, with Chair Susan Cameron calling the meeting to order at approximately 12:30 p.m. after Vice President and General Counsel Jamie Lewis Keith confirmed a quorum with all Committee members present.

The first order of business was to approve the Minutes from the Committee's September 21, 2012 meeting. On motion of Board Chair David Brown and a second by Vice Chair Criser the minutes were approved unanimously.

Committee Chair Cameron announced that the Committee would have an executive session on collective bargaining and would then reconvene in open session. The Committee then had an executive session on collective bargaining from approximately 12:45 p.m. to 1:05 p.m. and then reconvened the open meeting at approximately 1:06 p.m.

Vice President for Human Resource Services Paula Fussell briefed the Committee on technical amendments to the Collective Bargaining Agreement with the Police Benevolent Association. On a motion by Trustee Scott and a second by Trustee Heekin, and after a brief discussion of the terms, the Committee voted unanimously to recommend approval of the amendments.

Ms. Keith then gave the Committee a status report on obtaining Directors and Officers liability insurance. She advised the Committee that through the efforts of Senior University Counsel Mike Ford and Human Resource Services, the application has been filed. UF has asked for premium quotes in about 30 days and expects the premium to be in the range of \$50,000 to \$55,000 for \$5M of coverage. With sovereign immunity and mandatory indemnification of Trustees by the University under the Bylaws, Ms. Keith noted that good coverage exists for Trustees. If coverage of breach of fiduciary duty is available within the expected premium range, Directors and Officers insurance seems worthwhile and the President will exercise his existing authority to procure it. If the coverage is more expensive, Ms. Keith said she would return to the Committee for a discussion.

The Committee next received a report from Trustee Roulhac, as the Chair of the Presidential Search Subcommittee on Compensation and a report from Vice President Curtis Reynolds, as senior staff to the Search Subcommittee on Housing. Trustee Roulhac gave the Committee an overview and led a discussion of national compensation expert-Mercer's Report on Compensation, as well as national presidential contracts expert Raymond Cotton's 1st Draft Baseline Form of Term Sheet. Vice President Reynolds gave the Committee an overview and led a discussion of the Housing Options Report. (The full Board originally received the Mercer Compensation Report and the Housing Options Report on October 19th and the 1st Draft Baseline Term Sheet on November 19th, immediately following the Subcommittees' meetings. Additional copies were provided prior to the Board meeting.)

Compensation Subcommittee Chair Roulhac's main points on the Mercer Compensation Report were:

- The Subcommittee members are Trustee Carolyn Roberts, Ava Parker of the Board of Governors, and Professor Brian Ray, as well as Trustee Roulhac.
- National compensation expert Mercer was retained to provide the Search Committee and Board with data and an expert opinion on market compensation for the presidential position.
- The Subcommittee unanimously found the Mercer Compensation Report to provide a sound expert evaluation and opinion of market compensation for peer AAU institution presidents, which provides a sound market basis for establishing the compensation of the next president of UF.
- Mercer Partner, Stephen Pollack, opined that UF's peers for compensation purposes are: The Ohio State University, University of Michigan, University of Minnesota, and University of Texas/Austin because they, and University of Florida are regarded by the market as the 5 largest, most complex and programmatically and organizationally broad-scope, land-grant, flagship, AAU public research Universities in the nation, and University of Washington is close. (Pennsylvania State University wasn't included due to the uniqueness of its present situation.)
 - The scope, complexity and demands of the President's positions at these institutions are most comparable to those of UF's President's position.
 - Mr. Pollack noted that the private institutions assessed are broad-scope AAU research universities and are included because UF is competing for candidates with both public and private institutions and could recruit from a private institution.
 - Market expert, Jan Greenwood, advised that UF is in a highly competitive field of both public and private institutions to recruit a capable leader, with over 20 research universities searching for Presidents currently.
- Mercer measured the peer institutions and UF according to their (1) total employees; (2) total ranked faculty; (3) total FTE enrollment; (4) total degrees conferred; (5) total operating budget; and (6) research expenditures.
 - UF is around the 75th or above the 75th percentile in all criteria for public peers, except research and operating budget, where UF is just under the 50th percentile. UF compares at or above the 75th percentile against private peers.
- Mercer's Slide 8 is the penultimate slide and provides published data from the Chronicle of Higher Education on the market range of "Total Compensation"—including all payments and benefits—at the 25th to 75th percentiles-- for peer public institutions. This range is \$666,000 to \$821,000, with \$708,000 as the 50th percentile.
- The Subcommittee recognized that the total compensation amounts for University of Washington and Ohio State are outliers and their compensation is not within the 25th to 75th percentiles. (The compensation level for the Washington president reflects an interim appointment; when the regular position was later filled, Ms. Greenwood reports the compensation was at the \$800,000 level.)
- All Subcommittee members recognized that the president's position at a large, complex public research university is the most complicated and challenging of any in higher education, and agreed that UF must pay what is needed in the market to recruit the best

leader. We are sensitive to the budgetary environment, and the Mercer report provides a good market basis for considering presidential compensation.

- The Board Chair and Board should have flexibility to configure components of compensation within the applicable market rate.

There was a general consensus of the Governance Committee that the Mercer Report is a good baseline for the Board to establish presidential compensation within the market range, with the demand for the ultimate candidate in a competitive market--and his or her qualifications and experience/background, and negotiations, among other factors-- weighing into where total compensation is set in relation to the market range.

Compensation Subcommittee Chair Roulhac's main points on the Draft Form Baseline Term Sheet were:

- Ray Cotton, a Partner at Mintz Levin--a top national expert with over 30 years of leadership experience in university president contracts--prepared the 1st Draft Baseline Form of Term Sheet and also assisted the University when President Machen was hired in 2004.
- The Compensation Subcommittee unanimously expressed its consensus that the Draft Form is an appropriate form, consistent with national standards, for recommendation by the Board Chair to the Board of Trustees as the basis for an employment agreement.
- The Board of Trustees will ultimately select the next President of UF and decide compensation and key terms of employment as the basis for an employment agreement.
- Dollar amounts have not yet been inserted in the Draft Form and there may be other changes. These will depend on Mr. Cotton's continuing work, the experience, needs and other particulars of the ultimately selected candidate, as well as negotiations and the competitive market for recruiting a president.
- The overall approach intended under the Draft Form is for different components of compensation to be set forth in a transparent manner and for some components to be tied to objective numerical performance metrics or to be aimed at retention.

Trustee Criser noted it will be important to appropriately balance the automatic escalators of base compensation and the performance-based compensation. The Governance Committee was comfortable with the Draft Form as a baseline for use in the search, subject to the Board's approval of the amounts and balance of compensation.

Vice President for Business Affairs Curtis Reynolds, as senior staff to the Search Subcommittee on Housing, presented a brief report on various alternatives for providing housing for a new president and noted that a more extensive report was being made to the Finance and Facilities Committee.

The Committee then received a report from Ms. Keith on the Association of Governing Board's project to supplement the organization's Conflict of Interest Guidance. Ms. Keith noted that she

is on a small advisory committee of General Counsels who are advising the project and that the AGB hopes to be ready to address the revisions by the Spring.

Chair Cameron noted that the Committee would receive Ms. Keith's overview on existing controls and oversight of direct support organizations at the next meeting, as the Committee had run out of time.

Trustee Heekin reminded the Committee of its intention to discuss the Board's Bylaws. Committee Chair Cameron said that this discussion had not been forgotten, but the immediate priority was the Presidential search, which is taking a great deal of time. She noted the Committee can further discuss the Bylaws this Spring, focusing on principles rather than word-smithing. She noted that the AGB Conflicts of Interest project may inform that discussion.

After this discussion the meeting was adjourned at approximately 1:40 p.m.