

Minutes of the Executive Committee
of the Board of Trustees
University of Kentucky
Tuesday, December 9, 2014

The Executive Committee of the Board of Trustees of the University of Kentucky met on Tuesday, December 9, 2014 in Suite A, 18th Floor Patterson Office Tower.

A. Meeting Opened

Dr. O. Keith Gannon, chair of the Executive Committee, called the meeting to order at 8:01 a.m. and asked Secretary Sheila Brothers to call the roll.

B. Roll Call

The following members of the Executive Committee were present: O. Keith Gannon (chair), Barbara Young (vice chair), C.B. Akins, Sr., E. Britt Brockman and Mark P. Bryant. Secretary Brothers reported that a quorum was present.

Trustees Angela Edwards, Robert Grossman, Kelly Holland, David Hawpe, James Stuckert and Bob Vance and John Wilson were in attendance. General Counsel Bill Thro and a member of the media were also in attendance.

C. Approval of Minutes

Chair Gannon said that the minutes of the September 5, 2014 Executive Committee meeting had been distributed and asked for any comments. Trustee Young moved approval and Trustee Akins seconded the motion. It carried without dissent.

D. Presidential Compensation Committee Report

Chair Gannon provided background on the formation of the committee. Historically, the Board of Trustees has performed an assessment of the compensation of the chief executive every four to six years. The last formal presidential compensation review was conducted in 2009. He stated that these regular assessments are critically important and ensure that the Board is honoring its foremost responsibility to remain competitive in the ability to attract and retain a chief executive that has the talent, vision and skill to lead the University.

Chair Gannon stated that given that the Board will soon begin a comprehensive presidential evaluation in early 2015, this is an opportune time to initiate a thorough and formal review of the President's compensation.

Chair Gannon explained that under the terms of GR II.E.3, the Chair of the Board of Trustees may create special committees, appoint membership of special committees and determine the scope of such committee's duties and responsibilities. Exercising that authority, he created an ad-hoc Presidential Compensation Review Committee at the October 18, 2014 Board of Trustees meeting. Members of the committee are Trustees Britt Brockman (chair), Angela Edwards, William Farish, Robert Grossman and Terry Mobley. He charged the

Committee with benchmarking the UK presidential compensation against that of chief executives at institutions of similar size, scope and complexity. The Committee was asked to report their findings along with a list of “points to consider” at the December 9, 2014 Board of Trustees meeting.

Trustee Brockman stated that the Committee, working with University staff, initially sought to do two things. The first was to understand the various components that typically comprise presidential compensation, such as base pay, bonuses, deferred compensation, retirement and other benefits. As presidents are compensated through a number of sources, including university funds, foundations, retirement pay and benefits, understanding those in a coherent fashion was critical to the Committee’s ability to make relevant comparisons. The second objective was to understand better how UK’s current presidential compensation package compared with similar universities.

The Committee identified five distinct groups: UK benchmark institutions, Southeastern Conference universities, peer eight institutions (those containing a full range of academic, health and professional programs on one campus), 40 state flagship universities and institutions within the state of Kentucky. Data was collected primarily from the Chronicle on Higher Education’s analysis and news media sources. Phone calls were also made to institutions, but little additional data was provided.

Trustee Brockman stated the Committee found it difficult to make neat, easy comparisons. The Chronicle of Higher Education, for example, does an exhaustive survey each year, seeking to report total compensation for presidents of institutions across the country, big and small, public and private. As exhaustive as it is, it is a snapshot in time. Presidents hired after the survey, with new compensation packages, are not recorded. Another complicating factor is the variety of different sources for compensation, and how those sources are defined or characterized, making comparisons difficult.

Because of some of these challenges, Trustee Brockman spoke with Jan Greenwood, who served as the consultant during the 2011 presidential search. She affirmed the challenge of the task, the difficulty of making comparisons of this nature. She also confirmed that compensation for presidents and chief executive officers continues to increase. Universities like UK are enormously complex organizations. UK has a \$3 billion budget, more than 30,000 students, 15,000 full-time and part-time employees, a growing academic medical center and a nationally prominent athletics program. The CEO is ultimately responsible, along with the external factors of navigating state and federal governments, the media, alumni and business leaders and a myriad of other challenging issues.

The committee met in early November to assess the data and develop points to consider. The data can be found at [www.](#) (link to be provided). On behalf of the Presidential Compensation Review Committee, Trustee Brockman reported three points for the Executive Committees consideration:

- The reported numbers from all institutions are believed to be underreported, which likely inflates the University of Kentucky in relation.

- Unavailable data for comparison groups makes accurate conclusions difficult to assess.
- A professional consultant would be valuable to more accurately and directly derive true data from peer institutions, and to understand better the current market.

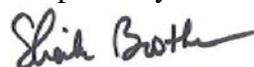
The Executive Committee discussed various topics involved with presidential compensation which included UK's flagship status in the state, the correlation between salary and quality of job performance, rewarding success, marketplace factors, use of national external consultants, the use of UK faculty/staff expertise in the area of compensation, and the consideration of the socio-economic demographics of the state of Kentucky.

Chair Gannon thanked the Presidential Compensation Review Committee members for their work and discharged the ad hoc committee. He stated that the information laid the foundation for the Executive Committee's presidential evaluation process in 2015.

E. Other Business

With no further business, Trustee Akins moved adjournment. It was seconded by Trustee Young and the meeting adjourned at 8:32 a.m.

Respectfully submitted,



Sheila Brothers, Secretary