Executive Committee Agenda

Electronic Meeting

June 21, 2017

12:30pm

Call to Order

Statement of Necessity

Roll Call/Declaration of Quorum

Action Items

A. President's Incentive Payment for 2016-17

Information Items

A. President's Base Compensation, Incentive and Performance Evaluation Plan

Adjourn

Austin Peay State University

BOARD OF TRUSTEES

Agenda Item: A.

Date: June 21, 2017

Subject: President's Incentive Payment for 2016-17

Action Recommended: Approval – Voice Vote

Background Information:

The Tennessee Board of Regents maintained an Executive Performance Incentive Plan for all TBR university presidents that provided a one-time bonus to presidents based upon their institution's performance on the metrics used in the State's outcome based funding formula and some discretionary factors. TBR calculated the market average for presidents of peer institutions and established a target salary that is 10 percent below the market average. Presidents could earn up to the difference in an annual incentive bonus. The difference between the target salary and the market average for President White for 2016-2017 is $28,606. Of this amount, the Plan provides that 85% of the bonus amount (or a maximum of $24,315) is based on the outcome formula metrics and the remaining 15% (or a maximum of $4291) is based on discretionary factors.

Based on APSU's 2.15% growth in outcome formula performance during FY 2015-16, President White qualifies for a metric based incentive payment of $10,942 under the TBR's 2016-2017 Plan.

Proposed Implementation Date: June 2017

Item Details:

See attached plan from the Tennessee Board of Regents.

THE COLLEGE SYSTEM *of* TENNESSEE
1 Bridgestone Park, Third Floor
Nashville, Tennessee 37214
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March 9, 2017

Dr. Alisa White, President
Austin Peay State University
601 College Street
Clarksville, TN 37044

Dear Dr. White:

As you are aware, the TBR maintains a Compensation Plan for University Presidents that is used to set presidential salaries. The plan first attempts to estimate the market average salary for a president. This market average considers several factors, including enrollment and budget size as well as Carnegie Classification, for institutions within the Southern Region Education Board area (generally the southeast United States). Once a market average salary is calculated, the Board then sets the president's target compensation level at some share of the market average. Under the last two plans adopted by the Board this has been set at 90% of the market average. For the president at APSU, the market average salary for FY 2015-16 was established at $286,064 with the target salary set at $257,458.

The Board also maintains an Executive Performance Incentive Plan ("Plan") that provides a one-time bonus to presidents based upon their institution's performance on the metrics used in the State's outcome based funding formula (attached). This Plan permits presidents to earn a bonus equal to the difference between the target salary and the market average. For example, at your institution, the difference between the market average salary and the target salary for FY 2015-16 is $28,606. Of this amount, the Plan provides that 85% of the bonus amount (or a maximum of $24,315) is based on the outcome formula metrics and the remaining 15% (or a maximum of $4,291) is based on discretionary factors considered by the Chancellor.

Based on your institution's 2.15% growth in outcome formula performance during FY 2015-16, you would qualify for a metric based incentive payment of $10,942 under the Plan. Given transition issues related to the FOCUS Act, a desire to respect the prerogatives of the state university boards and in consultation with you, we have agreed that it is best for the Plan not be effective at this time for university presidents.

We are providing this information to you as background in the hopes that it might be useful to you and your Board. Please feel free to contact me should you have questions on this matter.

Sincerely,

Flora W. Tydings

Flora W. Tydings, Chancellor

FWT:DS:pm

Attachment

The Tennessee Board of Regents (TBR)
Executive Performance Incentive Plan

The base compensation plan for the Chancellor, presidents, and directors is centered on market analysis and establishes a target salary for each position. The target salaries are established at 90% of market average for comparable positions. The Executive Performance Incentive Plan is a means by which the individuals in the eligible positions are provided additional compensation based on exemplary performance by achieving identified incentive performance objectives.

I. Objectives of the Plan

- Motivate and reward achievement of strategic performance goals
- Reinforce TBR system values, mission, and strategic goals
- Promote accountability and excellence at the chief executive level
- Encourage retention of high performing chief executive officers

II. Participants in the Plan

Positions eligible for participation in the Executive Performance Incentive Plan will include:

- Presidents of TBR Universities
- Presidents of TBR Community Colleges
- Directors of TN Colleges of Applied Technology
- The Chancellor

A person newly hired or promoted into one of the eligible positions will begin participation in the Plan effective July 1 of the year following the date of hire or promotion. The incentive goals established herein will be used to determine any future incentive awarded to the new president or director. The new hire will not automatically be eligible for the departing president or director's incentive pay.

III. Provisions of the Plan

A. Incentive Period

The incentive period for each participant will be one year, from July 1 of the first full year through June 30. The Chancellor may extend or shorten the incentive period, individually, or collectively, at his/her discretion for all participants with the exception of his/her own incentive period. The Vice Chairman of the Board may extend or shorten the incentive period for the Chancellor.

B. Incentive Amount

An incentive amount will be established for each participant in accordance with the appropriate approved compensation plan, and approved by the Board. The incentive amount will equal ten percent (10%) of the market salary of each Participant's position as of July 1 of the incentive period.

The incentive amount will be divided into two parts:

- A Metric Based Allowance, equal to 85% of total incentive amount; and
- A Discretionary Allowance, equal to 15% of the total incentive amount.

C. To be eligible for payment of the incentive amount, the Participant must be in active status in one of the eligible positions named above on the day the metric based payments are approved by the Board.

D. If the Participant's employment with TBR terminates, either voluntarily or involuntarily, prior to the end of the incentive period, he/she will not receive any portion of the incentive amount except as follows:

   a. If the Participant voluntarily terminates employment for medical reasons duly documented by a medical provider, the Participant will receive a pro rata portion of the retention amount if the Board Compensation and Personnel Committee determines that the performance of the Participant with respect to the strategic performance goals was more than satisfactory during the completed portion of the incentive period.
   b. If termination of employment is by reason of death of the Participant, a pro rata portion of the retention amount will be paid to the executor or administrator of his/her estate if the Board Committee determines that the performance of the Participant with respect to the strategic performance goals was more than satisfactory during the completed portion of the incentive period.
   c. The pro rata portion to be paid will be calculated on a monthly basis.
   d. To the extent possible, the pro rata portion will be paid to the employee or administrator of the estate within thirty (30) days of receipt of satisfactory documentation and availability of data upon which to calculate the incentive payment.

E. The incentive payment is a one-time payment, and is not added to the employee's base salary.

F. Funding for incentive payments under the Plan will be the responsibility of the respective school or system budgetary unit.

G. The Chancellor has the authority to negate a metric-based incentive payment, if circumstances warrant it, with approval of the Chair of the Personnel and Compensation Committee.

IV. Performance Incentive Amount Calculation

A. Presidents and Chancellor. The metric based allowance for the Presidents and Chancellor will be based on the Tennessee Higher Education Commission (THEC) outcome formula. State funding for universities and community colleges is based on this formula which includes the following outcomes:

University Outcomes

Accumulated Student Hours
Bachelors and Associates Degrees
Masters/Ed Specialist Degrees
Doctoral/Law Degrees
Transfers Out with 12 hours
Research and Service Expenditures
Degrees per 100 FTE
Six-Year Graduation Rate

Community College Outcomes

Accumulated Student Hours
Dual Enrollment
Associates Degrees
Certificates
Job Placements
Transfers Out with 12 hours
Remedial & Development Success
Workforce Training (contact hours)
Awards per 100 FTE

These outcomes were designed by THEC to facilitate achievement of the State's overall strategic goals as articulated in the Complete College Tennessee Act (CCTA) and THEC's master plan, the "***Public Agenda for Tennessee Higher Education***". Each of these outcomes is assigned a "weight" for each institution in order to recognize the distinctive mission of that institution. To ensure the incentive plan is aligned with both the CCTA and THEC's master plan, the principle focus will be the change in weighted formula outcomes at each institution.

a. Annually, the percentage change in total weighted outcomes will be calculated for each institution and for the system as a whole. This calculation will be based on the weighted outcomes that form the basis for THEC funding recommendation for the next succeeding fiscal year (generally adopted by the Commission in November) compared to the prior year. The change in total weighted outcomes for the system will be calculated in a similar manner and used to calculate the Metric Based Allowance amount for the Chancellor.
b. The Metric Based Allowance amount will be calculated using the percentage change in weighted outcomes calculated above as applied to the following matrix:

Weighted Outcomes Growth of					
0.00%	or	Less =	Payment of	0%	Of Metric Based Allowance
0.01%	to	1% =	Payment of	15%	Of Metric Based Allowance
1.01%	to	2% =	Payment of	30%	Of Metric Based Allowance
2.01%	to	3% =	Payment of	45%	Of Metric Based Allowance
3.01%	to	4% =	Payment of	60%	Of Metric Based Allowance
4.01%	to	5% =	Payment of	75%	Of Metric Based Allowance
5.01%	or	Greater =	Payment of	100%	Of Metric Based Allowance

B. Directors. There are five (5) Metric Based Outcomes for Directors of Tennessee Colleges of Applied Technology (TCAT). The outcomes are weighted equally and within each Metric Area, a Director will earn points based on the level of institutional performance as outlined below. A Director may earn 2 points in each of the five Metric areas, with a total of 10 points possible.

The monetary value of a point is based on the approved Directors' compensation plan. The market average salary for the Director for each of the four levels of TCAT's is the beginning point for the point value calculation. The maximum incentive payment equals 10% of the average market salary. This amount is divided into two portions: a Discretionary Allowance (15% of the maximum amount); and a Metric Based Allowance (85% of the maximum amount). Since a maximum of ten metric based points are available, the Metric Based Allowance is divided by 10 to arrive at the value of each point. The table below summarizes this calculation, based on the current average market salary for Directors.

Center Size	Maximum Incentive (10% of Market)	Discretionary Allowance (15% of Max)	Metric Based Allowance (85% of Max)	Point Value (1/10 of Metric Based Allowance)
Level 4	$13,083	$1,963	$11,121	$1,112
Level 3	$11,898	$1,785	$10,114	$1,011
Level 2	$10,813	$1,622	$9,191	$919
Level 1	$9,830	$1,475	$8,356	$836

The Metric Based Allowance for Directors shall be based on the following outcomes:

1. Completion Rate– As the accrediting body for TCATs, the Council on Occupational Education's (COE) definition, collections, and computations will be used for this element. As defined by the COE, the completion rate is defined as the number of individuals who have demonstrated the competencies required for a program and have been awarded the appropriate credential divided by the number of eligible enrollments. Eligible enrollments are total enrollments less those in supplemental night programs, special industry training and incarcerated individuals, etc. The COE requires a 60% completion rate for accreditation.
   a. A Director that demonstrates an 80% average completion rate of all programs will earn one (1) point. An 80% completion rate of all programs will earn a Director a second point.

      NOTE: the program completion and placement rates will be calculated for each institution and for the system as a whole. This calculation will be identical to the definition provided by the Council on Occupational Education (COE).

2. Placement Rate- As the accrediting body for TCATs, the Council on Occupational Education's (COE) definition, collections, and computations will be used for this element. As defined by the COE, the placement rate is defined as the number of individuals who are: 1) employed in the field of education pursued or in a related field; or 2) have received the appropriate credential and entered the military or continued his/her education, divided by the number of individuals who have completed a certificate or diploma. The COE requires a 70% placement rate for accreditation.
   a. A Director that demonstrates a 90% average placement rate of all programs will earn one (1) point. A 90% placement rate for all programs will earn the Director a second point.

3. Private Giving – Private giving is defined as all cash donations and contributions made annually to an institution by non-governmental agencies and organizations.
   a. Annual private giving will be compared to a goal assigned to each TCAT. The private giving goals in the following table have been set to recognize the relative size and complexity of each TCAT and are consistent with the classification of institutions within the Directors' compensation plan.
   b. Directors achieving the Level 1 Incentive Threshold will earn one (1) point. If the Level 2 Threshold is achieved, then an additional point is earned (for a total of 2 possible points for this metric).

Center Size	Level 1 Incentive Threshold	Level 2 Incentive Threshold
Level 1	$ 20,000	$ 40,000
Level 2	$ 30,000	$ 60,000
Level 3	$ 40,000	$ 80,000
Level 4	$ 50,000	$ 100,000

4. Expanded Offerings – Expanded Offerings includes Special Industry Training; Sponsored Contract Training; Supplemental Evening Programs; Full-time programs offered at night (or weekends) on part-time basis; and on-line programs. Directors that grow this metric by 10,000 clock hours or 11.11 FTE or greater will be considered for Incentive Pay for the metric Expanded Offerings. Currently, THEC calculates a clock hour FTE as 900 clock hours. In addition, only a director that grows this metric by 4% or greater will be considered for Incentive Pay for the metric of Expanded Offerings.
   a. Points awarded for Expanded Offerings will be based on the level of increase in clock-hour production for expanded offerings. A three year average of clock hours generated by all Expanded Offerings will be calculated for: (1) the year within the incentive period and the two preceding years; and (2) the three year period immediately preceding the incentive period. A percentage increase will then be calculated comparing the two averages.
   b. A Director that grows this metric by 4.0% to 4.99% will be eligible to earn one (1) point. An increase of 5% or greater will earn the Director two (2) points.

5. Expanded Enrollment – Expanded enrollment includes activity that increases full-time or part-time enrollment including marketing, dual enrollment, community awareness or other activities which increase interest in certificate or diploma classes based on a three-year average.
   a. The expanded enrollment will be calculated by full-time or part-time enrollment including marketing, dual enrollment, community awareness or other activities which increase interest in certificate or diploma classes based on a three-year average.
   b. A Director that grows this metric by a 4.0% to 4.99% will be eligible to earn one (1) point. An increase of 5% or greater will earn the Director two (2) points.

C. Discretionary Amount

a. Presidents and Directors. The Chancellor may recommend a discretionary incentive payment for a President regardless of whether the President qualifies for a Metric Based Allowance payment. In considering the award of a discretionary performance amount, the Chancellor may consider extraordinary service to the institution's community, collaborative efforts within the TBR System or between the TBR and UT Systems, and such other factors as are deemed relevant.

b. Chancellor. The Chairman of the Committee on Compensation and Personnel, after consultation with the Vice-Chairman, may recommend a discretionary incentive payment for the Chancellor regardless of whether the Chancellor qualifies for a Metric Based Allowance payment. In considering the award of a discretionary performance amount, the Committee Chairman may consider such factors as are deemed relevant.

D. Process

a. Recommendations for incentive pay will be brought before the Compensation and Personnel Committee for review and approval. If approved by the Committee, the recommendations will be forwarded to the full Board for approval.

V. Amendment, Suspension, and Termination of the Plan

The Board reserves the right to amend, suspend, or terminate the Plan at any time without prior notice.

VI. General Provisions

A. If a Participant receives an unsatisfactory rating in any annual performance review, his/her participation in the Plan will terminate automatically for the year in which the unsatisfactory rating is given, and the Participant will not be eligible for any portion of an incentive payment under the Plan. Following an annual (or bi-annual for the Chancellor) evaluation with no unsatisfactory ratings the approving authority will establish a new incentive period whereby the employee may participate in the Incentive Plan.

B. Neither the Plan nor any payment under the Plan shall be construed to confer any right to continued employment with the Tennessee Board of Regents.

C. All payments under the Plan are subject to all reporting, deductions, and withholdings required by applicable law or policy.

D. To the extent any part of the Plan fails to comply with any applicable state or federal law or regulation, that part of the Plan shall not be effective.

E. The Plan will be reviewed by the Compensation and Personnel Committee at least every three years. Any proposed revisions will be brought before the full Board for consideration.

Information Item: A.

Date: June 21, 2017

Subject: President's Base Compensation, Incentive and Performance Evaluation Plan

Action Recommended: Information Only

Background Information:

The Tennessee Board of Regents maintained an Executive Performance Incentive Plan that included the methodology for calculating all TBR University President's base compensation. This calculation uses data from a set of peer institutions that are different from the set of peers used by the University's compensation plan. The peers used by TBR were determined when Austin Peay was in a lower Carnegie classification and had not been reset to correspond with the University's rising to a Master's Large Carnegie institution. When Tennessee Technological University changed classifications last year, TBR changed Tech's compensation targets accordingly, but Austin Peay deferred such a request so that the new Board of Trustees can act. The Executive Committee will need to review what peer set is appropriate to use for calculating the President's base compensation going forward.

The Tennessee Board of Regents' Executive Performance Incentive Plan also included methodology for calculating the President's performance incentive, which is a one-time payment based on performance targets included in the THEC funding formula. The Executive Committee will review and discuss incentive options to use for fiscal year 2017-2018.

The Executive Committee will also review and discuss options for an annual performance evaluation plan for the president.

Proposed Implementation Date: Fiscal Year 2017-2018

Item Details:

See attached plans from the Tennessee Board of Regents; Austin Peay State University Compensation Plan, University of Memphis President's Salary Increase and Retention Plan, The University of Tennessee Performance Goals under the FY 2016-2017 Performance Incentive Payment Plan for University Officers, and The University of Texas System Executive Performance Incentive Compensation Plan.

tbr THE COLLEGE SYSTEM of TENNESSEE
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Nashville, Tennessee 37214
615-366-4400 OFFICE 615-366-3922 FAX

tbr.edu

RECEIVED
MAR 20 2017
President's Office

March 9, 2017

Dr. Alisa White, President
Austin Peay State University
601 College Street
Clarksville, TN 37044

Dear Dr. White:

As you are aware, the TBR maintains a Compensation Plan for University Presidents that is used to set presidential salaries. The plan first attempts to estimate the market average salary for a president. This market average considers several factors, including enrollment and budget size as well as Carnegie Classification, for institutions within the Southern Region Education Board area (generally the southeast United States). Once a market average salary is calculated, the Board then sets the president's target compensation level at some share of the market average. Under the last two plans adopted by the Board this has been set at 90% of the market average. For the president at APSU, the market average salary for FY 2015-16 was established at $286,064 with the target salary set at $257,458.

The Board also maintains an Executive Performance Incentive Plan ("Plan") that provides a one-time bonus to presidents based upon their institution's performance on the metrics used in the State's outcome based funding formula (attached). This Plan permits presidents to earn a bonus equal to the difference between the target salary and the market average. For example, at your institution, the difference between the market average salary and the target salary for FY 2015-16 is $28,606. Of this amount, the Plan provides that 85% of the bonus amount (or a maximum of $24,315) is based on the outcome formula metrics and the remaining 15% (or a maximum of $4,291) is based on discretionary factors considered by the Chancellor.

Based on your institution's 2.15% growth in outcome formula performance during FY 2015-16, you would qualify for a metric based incentive payment of $10,942 under the Plan. Given transition issues related to the FOCUS Act, a desire to respect the prerogatives of the state university boards and in consultation with you, we have agreed that it is best for the Plan not be effective at this time for university presidents.

We are providing this information to you as background in the hopes that it might be useful to you and your Board. Please feel free to contact me should you have questions on this matter.

Sincerely,

Flora W. Tydings

Flora W. Tydings, Chancellor

FWT:DS:pm

Attachment

The Tennessee Board of Regents (TBR) Executive Performance Incentive Plan

The base compensation plan for the Chancellor, presidents, and directors is centered on market analysis and establishes a target salary for each position. The target salaries are established at 90% of market average for comparable positions. The Executive Performance Incentive Plan is a means by which the individuals in the eligible positions are provided additional compensation based on exemplary performance by achieving identified incentive performance objectives.

I. Objectives of the Plan

- Motivate and reward achievement of strategic performance goals
- Reinforce TBR system values, mission, and strategic goals
- Promote accountability and excellence at the chief executive level
- Encourage retention of high performing chief executive officers

II. Participants in the Plan

Positions eligible for participation in the Executive Performance Incentive Plan will include:

- Presidents of TBR Universities
- Presidents of TBR Community Colleges
- Directors of TN Colleges of Applied Technology
- The Chancellor

A person newly hired or promoted into one of the eligible positions will begin participation in the Plan effective July 1 of the year following the date of hire or promotion. The incentive goals established herein will be used to determine any future incentive awarded to the new president or director. The new hire will not automatically be eligible for the departing president or director's incentive pay.

III. Provisions of the Plan

A. Incentive Period

The incentive period for each participant will be one year, from July 1 of the first full year through June 30. The Chancellor may extend or shorten the incentive period, individually, or collectively, at his/her discretion for all participants with the exception of his/her own incentive period. The Vice Chairman of the Board may extend or shorten the incentive period for the Chancellor.

B. Incentive Amount

An incentive amount will be established for each participant in accordance with the appropriate approved compensation plan, and approved by the Board. The incentive amount will equal ten percent (10%) of the market salary of each Participant's position as of July 1 of the incentive period.

The incentive amount will be divided into two parts:

- A Metric Based Allowance, equal to 85% of total incentive amount; and
- A Discretionary Allowance, equal to 15% of the total incentive amount.

C. To be eligible for payment of the incentive amount, the Participant must be in active status in one of the eligible positions named above on the day the metric based payments are approved by the Board.

D. If the Participant's employment with TBR terminates, either voluntarily or involuntarily, prior to the end of the incentive period, he/she will not receive any portion of the incentive amount except as follows:

  a. If the Participant voluntarily terminates employment for medical reasons duly documented by a medical provider, the Participant will receive a pro rata portion of the retention amount if the Board Compensation and Personnel Committee determines that the performance of the Participant with respect to the strategic performance goals was more than satisfactory during the completed portion of the incentive period.
  b. If termination of employment is by reason of death of the Participant, a pro rata portion of the retention amount will be paid to the executor or administrator of his/her estate if the Board Committee determines that the performance of the Participant with respect to the strategic performance goals was more than satisfactory during the completed portion of the incentive period.
  c. The pro rata portion to be paid will be calculated on a monthly basis.
  d. To the extent possible, the pro rata portion will be paid to the employee or administrator of the estate within thirty (30) days of receipt of satisfactory documentation and availability of data upon which to calculate the incentive payment.

E. The incentive payment is a one-time payment, and is not added to the employee's base salary.

F. Funding for incentive payments under the Plan will be the responsibility of the respective school or system budgetary unit.

G. The Chancellor has the authority to negate a metric-based incentive payment, if circumstances warrant it, with approval of the Chair of the Personnel and Compensation Committee.

IV. Performance Incentive Amount Calculation

A. Presidents and Chancellor. The metric based allowance for the Presidents and Chancellor will be based on the Tennessee Higher Education Commission (THEC) outcome formula. State funding for universities and community colleges is based on this formula which includes the following outcomes:

University Outcomes

Accumulated Student Hours
Bachelors and Associates Degrees
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a. Annually, the percentage change in total weighted outcomes will be calculated for each institution and for the system as a whole. This calculation will be based on the weighted outcomes that form the basis for THEC funding recommendation for the next succeeding fiscal year (generally adopted by the Commission in November) compared to the prior year. The change in total weighted outcomes for the system will be calculated in a similar manner and used to calculate the Metric Based Allowance amount for the Chancellor.
b. The Metric Based Allowance amount will be calculated using the percentage change in weighted outcomes calculated above as applied to the following matrix:

Weighted Outcomes Growth of					
0.00%	or	Less =	Payment of	0%	Of Metric Based Allowance
0.01%	to	1% =	Payment of	15%	Of Metric Based Allowance
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2.01%	to	3% =	Payment of	45%	Of Metric Based Allowance
3.01%	to	4% =	Payment of	60%	Of Metric Based Allowance
4.01%	to	5% =	Payment of	75%	Of Metric Based Allowance
5.01%	or	Greater =	Payment of	100%	Of Metric Based Allowance

B. Directors. There are five (5) Metric Based Outcomes for Directors of Tennessee Colleges of Applied Technology (TCAT). The outcomes are weighted equally and within each Metric Area, a Director will earn points based on the level of institutional performance as outlined below. A Director may earn 2 points in each of the five Metric areas, with a total of 10 points possible.

The monetary value of a point is based on the approved Directors' compensation plan. The market average salary for the Director for each of the four levels of TCAT's is the beginning point for the point value calculation. The maximum incentive payment equals 10% of the average market salary. This amount is divided into two portions: a Discretionary Allowance (15% of the maximum amount); and a Metric Based Allowance (85% of the maximum amount). Since a maximum of ten metric based points are available, the Metric Based Allowance is divided by 10 to arrive at the value of each point. The table below summarizes this calculation, based on the current average market salary for Directors.

Center Size	Maximum Incentive (10% of Market)	Discretionary Allowance (15% of Max)	Metric Based Allowance (85% of Max)	Point Value (1/10 of Metric Based Allowance)
Level 4	$13,083	$1,963	$11,121	$1,112
Level 3	$11,898	$1,785	$10,114	$1,011
Level 2	$10,813	$1,622	$9,191	$919
Level 1	$9,830	$1,475	$8,356	$836

The Metric Based Allowance for Directors shall be based on the following outcomes:

1. Completion Rate– As the accrediting body for TCATs, the Council on Occupational Education's (COE) definition, collections, and computations will be used for this element. As defined by the COE, the completion rate is defined as the number of individuals who have demonstrated the competencies required for a program and have been awarded the appropriate credential divided by the number of eligible enrollments. Eligible enrollments are total enrollments less those in supplemental night programs, special industry training and incarcerated individuals, etc. The COE requires a 60% completion rate for accreditation.
   a. A Director that demonstrates an 80% average completion rate of all programs will earn one (1) point. An 80% completion rate of all programs will earn a Director a second point.

      NOTE: the program completion and placement rates will be calculated for each institution and for the system as a whole. This calculation will be identical to the definition provided by the Council on Occupational Education (COE).

2. Placement Rate- As the accrediting body for TCATs, the Council on Occupational Education's (COE) definition, collections, and computations will be used for this element. As defined by the COE, the placement rate is defined as the number of individuals who are: 1) employed in the field of education pursued or in a related field; or 2) have received the appropriate credential and entered the military or continued his/her education, divided by the number of individuals who have completed a certificate or diploma. The COE requires a 70% placement rate for accreditation.
   a. A Director that demonstrates a 90% average placement rate of all programs will earn one (1) point. A 90% placement rate for all programs will earn the Director a second point.

3. Private Giving – Private giving is defined as all cash donations and contributions made annually to an institution by non-governmental agencies and organizations.
   a. Annual private giving will be compared to a goal assigned to each TCAT. The private giving goals in the following table have been set to recognize the relative size and complexity of each TCAT and are consistent with the classification of institutions within the Directors' compensation plan.
   b. Directors achieving the Level 1 Incentive Threshold will earn one (1) point. If the Level 2 Threshold is achieved, then an additional point is earned (for a total of 2 possible points for this metric).

Center Size	Level 1 Incentive Threshold	Level 2 Incentive Threshold
Level 1	$ 20,000	$ 40,000
Level 2	$ 30,000	$ 60,000
Level 3	$ 40,000	$ 80,000
Level 4	$ 50,000	$ 100,000

4. Expanded Offerings – Expanded Offerings includes Special Industry Training; Sponsored Contract Training; Supplemental Evening Programs; Full-time programs offered at night (or weekends) on part-time basis; and on-line programs. Directors that grow this metric by 10,000 clock hours or 11.11 FTE or greater will be considered for Incentive Pay for the metric Expanded Offerings. Currently, THEC calculates a clock hour FTE as 900 clock hours. In addition, only a director that grows this metric by 4% or greater will be considered for Incentive Pay for the metric of Expanded Offerings.
   a. Points awarded for Expanded Offerings will be based on the level of increase in clock-hour production for expanded offerings. A three year average of clock hours generated by all Expanded Offerings will be calculated for: (1) the year within the incentive period and the two preceding years; and (2) the three year period immediately preceding the incentive period. A percentage increase will then be calculated comparing the two averages.
   b. A Director that grows this metric by 4.0% to 4.99% will be eligible to earn one (1) point. An increase of 5% or greater will earn the Director two (2) points.

5. Expanded Enrollment – Expanded enrollment includes activity that increases full-time or part-time enrollment including marketing, dual enrollment, community awareness or other activities which increase interest in certificate or diploma classes based on a three-year average.
   a. The expanded enrollment will be calculated by full-time or part-time enrollment including marketing, dual enrollment, community awareness or other activities which increase interest in certificate or diploma classes based on a three-year average.
   b. A Director that grows this metric by a 4.0% to 4.99% will be eligible to earn one (1) point. An increase of 5% or greater will earn the Director two (2) points.

C. Discretionary Amount

a. Presidents and Directors. The Chancellor may recommend a discretionary incentive payment for a President regardless of whether the President qualifies for a Metric Based Allowance payment. In considering the award of a discretionary performance amount, the Chancellor may consider extraordinary service to the institution's community, collaborative efforts within the TBR System or between the TBR and UT Systems, and such other factors as are deemed relevant.

b. Chancellor. The Chairman of the Committee on Compensation and Personnel, after consultation with the Vice-Chairman, may recommend a discretionary incentive payment for the Chancellor regardless of whether the Chancellor qualifies for a Metric Based Allowance payment. In considering the award of a discretionary performance amount, the Committee Chairman may consider such factors as are deemed relevant.

D. Process

a. Recommendations for incentive pay will be brought before the Compensation and Personnel Committee for review and approval. If approved by the Committee, the recommendations will be forwarded to the full Board for approval.

V. Amendment, Suspension, and Termination of the Plan

The Board reserves the right to amend, suspend, or terminate the Plan at any time without prior notice.

VI. General Provisions

A. If a Participant receives an unsatisfactory rating in any annual performance review, his/her participation in the Plan will terminate automatically for the year in which the unsatisfactory rating is given, and the Participant will not be eligible for any portion of an incentive payment under the Plan. Following an annual (or bi-annual for the Chancellor) evaluation with no unsatisfactory ratings the approving authority will establish a new incentive period whereby the employee may participate in the Incentive Plan.

B. Neither the Plan nor any payment under the Plan shall be construed to confer any right to continued employment with the Tennessee Board of Regents.

C. All payments under the Plan are subject to all reporting, deductions, and withholdings required by applicable law or policy.

D. To the extent any part of the Plan fails to comply with any applicable state or federal law or regulation, that part of the Plan shall not be effective.

E. The Plan will be reviewed by the Compensation and Personnel Committee at least every three years. Any proposed revisions will be brought before the full Board for consideration.

AUSTIN PEAY STATE UNIVERSITY Compensation Plan

Introduction and background:

The APSU Compensation Ad hoc Committee (Appendix A), hereafter referred to as the Ad hoc Committee, was first convened in Spring 2014 and charged with helping the University plan for and prepare a new compensation plan for all faculty, support, professional and administrative employees of the University. The Ad hoc Committee met regularly to discuss concerns related to compensation and to solicit comments and ideas from the broad campus community through interactions with the Faculty Senate and Staff Senate and through various forums, and since then, the administration has occasionally convened an ad hoc committee to consider pertinent compensation issues. Last year, the Ad hoc Committee and APSU Senior Leadership Group (Appendix A), and President White reviewed the current compensation plan which was adopted in 2011 upon approval by the Tennessee Board of Regents, as well as information provided by an outside consultant. The document presented here incorporates information gathered from all of the above mentioned sources and provides a framework regarding Austin Peay State University employees' position in the salary market and the principles that will help guide decision making on annual compensation growth.

Discussion related to the former compensation plan revealed many concerns. Among those were:

- The design of the plan was complicated and difficult for employees to understand
- The design of the plan was rigid and did not allow the University to respond to market changes in a timely manner
- Salary data within the professional and support pay grades was outdated
- Professional pay grades were not representative of the current employment market

It was determined that the basic principles that should guide decision making are as follows:

- Anchor salaries to market-based data;
- Combine market adjustments and performance increases to push overall APSU salaries to market median; and
- Provide additional performance based adjustments when employees qualify.

Historically, funding for compensation growth has come from increasing the cost of tuition, enrollment growth, increases in state appropriations or from other revenue growth (e.g., development, grants, investments, etc.). Nationally, state appropriations are becoming a smaller percentage of university operating budgets. In addition, APSU recognizes its obligation to control tuition cost so that a college degree and its benefits are accessible. Therefore, APSU cannot depend only on these sources to solve compensation challenges.

To meet these challenges, APSU must rely on the broader strategy of enrollment growth enumerated in the APSU Strategic Plan 2015-2025. Achievement of the targets outlined in this Compensation Plan is inextricably linked and dependent upon accomplishing enrollment and revenue goals within the timelines established in the APSU Strategic Plan. Declining enrollment, reductions in state appropriations, or forced restraint on normal tuition cost growth are all barriers to APSU achieving the goals set out in this Compensation Plan.

Definitions

- CIP: Classification of Instructional Programs is a taxonomic coding scheme of instructional programs. Faculty classification by CIP codes are used to correlate APSU faculty with the peer group salary data of faculty in the same CIP code.
- Peer Comparators: A collection of institutions considered relatively equivalent to Austin Peay in terms of University mission, Carnegie classification and enrollment.
- CUPA (College and University Professional Association) Data: Salary data on peer institutions obtained from CUPA salary surveys.
- Market Adjustment: Salary adjustments applied to mitigate salary differences between the Austin Peay employee and their market comparison group. APSU has historically used the term “equity” to define these types of adjustments.
- Performance Adjustment: Salary adjustments whereby base pay increases are determined by individual performance.
- Market Point: A metric describing an Austin Peay employee’s salary according to his or her market comparison group and time in position. This metric is used as a benchmark to assist in making decisions about the allocation of the salary pool.
- Salary Pool: The available “recurring” funds that may be used for salary adjustments. It is important to differentiate between “one-time” versus “recurring” funds. For example, performance funding and large donor gifts are not dependable sources of funding that can be used to support increases in base salaries.

Market data

Because APSU hires faculty and staff from a broad geographic area, salary data will be obtained from CUPA-HR or other sources using the peer comparators found in Appendix B. If salary data is not available for a position using the peer comparators, data may be obtained from a larger sample of institutions. Local market pricing, including Nashville, had been accounted for in the prior support staff pay ranges. The peer comparators used to obtain CUPA data are predominantly from markets smaller than Nashville. This results in lower salary medians that do not reflect the local salary market for support staff positions. Therefore, a “hold harmless” approach will be taken with regard to support staff salary medians, i.e., support staff salary medians will not be lowered based upon the change in CUPA comparators. The medians in effect for each position prior to the change to CUPA comparators, adjusted annually for increases to the cost of living, will be used until such a time that the salary medians are reflective of the local labor market. Faculty data will be obtained for the appropriate rank using CIP codes established by Academic Affairs. On July 1 of each year, new data will be applied to all filled positions. Salaries will be compared to the new market data. Any salary falling below the campus minimum or the entry point for the position will be considered for adjustment as funds become available.

Salary Comparison Group/Peer Comparators

The peer comparators identified in the previous compensation plan were selected using criteria such as: enrollment, tuition and Carnegie Classification. Peer comparators that were not in alignment with at least two criteria have been dropped. The proposed peer comparators are listed in Appendix B, and the additions and deletions are listed in Appendix C.

Hiring salaries

Managers will be responsible for negotiating a fair and market-based salary for new employees, in consultation with the unit head, i.e., vice president, executive director. Human Resources will provide a hiring range for new employees, which is defined as the range between the entry point (25% below the market median) and the market median for the position. Managers will consider market data, years of experience, unique and highly qualified skill sets, budgetary constraints and inversion and compression issues. When negotiating a salary offer, if a manager determines that conditions warrant a salary offer above the market median he or she may request an exception from the unit head.

Salary adjustments

APSU will prioritize annual salary adjustments, consisting of market adjustments and performance adjustments, as the critical milestones of growth identified in the Strategic Plan 2015-2025 are reached. The primary objective is to achieve the salary median for each position. Funds may be applied as either, or a combination of, market adjustments or performance adjustments. The goal of market adjustments will be to reposition an employee or group of employees to a more positive placement in the salary market. The goal of performance adjustments will be to reward positive job performance demonstrated through evidence presented by managers. The President's Council, with input from Faculty and Staff Senate leadership, will provide recommendations to the President when allocating available funds. In making recommendations, the President's Council will consider the following institutional values:

- Ensuring that all salaries are at or exceed the living wage
- Addressing inversion and compression issues
- Providing performance adjustments to employees when appropriate

These values will be prioritized based on the needs of the university.

The pool of salary funds available for performance adjustments will be proportionally allocated to managers. Employees who are on probation or who have documented evidence of unsatisfactory performance will not be eligible for salary increases.

Revised, May 2017

Appendix A
Members of the 2015-2016 Compensation Ad hoc Committee

Jack Deibert, Co-Chair
Jackie Struckmeyer, Co-Chair (non-voting)

Tim Winters (ex-officio member)
Rylan Kean (ex-officio member)
Chad Brooks, (ex-officio member)
Sheila Bryant, (ex-officio member)
Mercy Cannon, (ex-officio member)
Marissa Chandler, (ex-officio member)
David Denton, (administrative representative)
Fonda Fields, (ex-officio member)
Loretta Griffy, (ex-officio member)
Mike Hamlet, (ex-officio member)
Cheryl Holt, (administrative representative)
Shanon Manly, (staff representative)
Greg Moore, (faculty representative)
Paul Nicodemus, (faculty representative)
Lillian Obi, (professional representative)
Stephanie Reevers, (ex-officio member)
Marisa Roberts, (ex-officio member)
Anthony Sanders, (faculty representative)
Debbie Shearon (staff representative)
Ellen Smyth, (faculty representative)
Ashlee Spearman, (professional representative)

<u>Senior Leadership</u>

Sherryl Byrd, Vice President for Student Affairs
Carol Clark, Executive Assistant to the President
Rex Gandy, Provost and Vice President for Academic Affairs
Stephanie Reevers, University Counsel
Mitch Robinson, Vice President for Finance and Administration
Derek van der Merwe, Vice President for Advancement, Communication and Strategic Initiatives

Appendix B
Peer comparators

Alabama Agricultural and Mechanical University Appalachian State University
Arkansas State University
Armstrong State University
Auburn University at Montgomery
Bowie State University
College of Charleston
Columbus State University
Delta State University
East Carolina University
Eastern Kentucky University
East Tennessee State University
Fayetteville State University
Frostburg State University
Georgia College & State University
Georgia Southern University
Grambling State University
Jackson State University
Jacksonville State University
James Madison University
Marshall University
McNeese State University
Middle Tennessee State University
Morehead State University
Morgan State University
Murray State University
North Carolina Agricultural and Technical State University
North Carolina Central University
Northeastern State University
Northern Kentucky University
Northwestern State University
Prairie View A & M University
Radford University
Salisbury University
Sam Houston State University
Southeastern Louisiana University
Stephen F. Austin State University
Tarleton State University
Tennessee State University
Tennessee Technological University

Texas A&M International University Texas A&M University - Corpus Christi Texas A&M University - Kingsville Texas State University
The University of Memphis
The University of Texas At El Paso Towson University
Troy University
University of Central Arkansas University of Central Oklahoma University of Houston - Clear Lake University of Houston - Victoria University of North Alabama
University of North Carolina at Charlotte University of North Carolina at Pembroke University of North Carolina Wilmington University of North Georgia
University of South Alabama
University of Tennessee at Chattanooga University of Tennessee at Martin University of Texas at Tyler
University of West Alabama
University of West Florida
Valdosta State University
Western Carolina University
Western Kentucky University
West Texas A & M University
Winthrop University

Appendix C
Peer Comparator Additions and Deletions

Institutions added to peer comparators

Middle Tennessee State University
Tennessee State University
The University of Memphis

Institutions removed from prior peer comparators

Augusta State University (Augusta, GA)
Troy University - Montgomery (Montgomery, AL)
Delaware State University (Dover, DE)
Georgia Southwestern State University (Americus, GA)
Louisiana State University in Shreveport (Shreveport, LA)
Midwestern State University (Wichita Falls, TX)
Southeastern Oklahoma State University (Durant, OK)
Southwestern Oklahoma State University (Weatherford, OK)
The Citadel, the Military College of South Carolina (Charleston, SC)
University of Montevallo (Montevallo, AL)
Virginia State University (Petersburg, VA)

The University of Memphis Board of Trustees
Agenda Item

Date: June 6, 2017

Committee: **Governance & Finance Committee**

Item: President's Salary Increase and Retention Plan

Recommendation: Approval

Presented by: Brad Martin, Vice-Chair

Background:
An evaluation of the president's salary has revealed that his compensation is significantly lower compared to other presidents of peer institutions. University staff benchmarked other president's compensation packages and prepared the attached spreadsheet to highlight the disparity. To address this issue, a plan was developed last year to provide for an increase in salary, performance incentives and longevity/retention bonus. Specifically the plan included an annual $50,000 supplement to the president's salary, an annual target bonus opportunity of $100,000, and an annual contribution of $100,000 to a fund at the Foundation to be earned by the president five years after the commencement of the plan. The plan also provided there would be no payment under the retention element should the president leave the University prior to that five-year period. The Foundation Board and University approved the general framework of the plan, and a number of individuals and enterprises were invited to consider supporting the plan. The implementation of the plan was halted with the governance change from the Tennessee Board of Regents to an independent governing board. It is important to note that the cost of the plan would be borne by incremental private donations to the University of Memphis Foundation where there would be no financial impact on the University's base budget.

The Executive Committee will reevaluate and finalize the plan and submit to the Board for consideration and approval at its next meeting. Prior to its implementation and to bring the president's salary in line with peers, it is proposed that the salary supplement of $50,000 begin immediately payable over twelve months. In addition the Board Chair, working with University staff, will begin the President's evaluation in August in accordance with the Presidential Review and Evaluation policy contained in the meeting materials.

Proposed Board Resolution:
The Governance and Finance Committee recommends the approval of a salary supplement, paid from private funds, to President Rudd in the amount of $50,000 payable over 12 months to begin immediately.

Presidential Review and Evaluation (PRE)

The purpose of the Presidential Review and Evaluation is to provide the President with regular support and feedback on performance by identifying areas of strength and opportunities for further professional development. The PRE serves to increase communication between the Board and the President and to clarify the Board's expectations of the President. The PRE also provides the Board an opportunity for reflection on the health of the institution and the leadership demonstrated by the President. Finally, a formal PRE meets the Board's responsibility for the selection and supervision of the President, as set forth in the University of Memphis' Board of Trustees' Bylaws, and ensures the public that he/she is meeting accountability expectations.

Annual Evaluation.
The Board of Trustees will evaluate the University President on an annual basis. The evaluation period will be July 1 through June 30.

In June of each year, the President shall provide the Board Chair with a written self-assessment of his or her performance that shall include the following:

1. Progress on meeting any established goals with accompanying data and metrics.
2. Assessment of the strategic directions as described in the university's strategic plan.
3. Assessment of the overall academic quality of the University, including institutional achievements and accomplishments.
4. Assessment of the financial status of the University.
5. Identification of significant institutional challenges faced over the course of the review year that affected progress toward goals and the President's assessment of continuing or future challenges facing the University.
6. Goals proposed by the President for the following year.

At his or her discretion, the Board Chair may interview the senior administrative staff concerning the President's performance, as well as any faculty, staff, student or alumni leaders. The President and the Board Chair will meet to discuss the President's self-assessment, goals for the following evaluation year, along with any other information determined by the Board Chair. The Board Chair will prepare an evaluation of the President as well as a recommendation regarding compensation or other terms of employment that will be shared with the Governance and Finance Committee. In a previously scheduled or a called meeting, the Governance and Finance Committee shall approve or modify the Chair's assessment of the President's performance, the goals for the next evaluation cycle, and take appropriate action on any recommendations regarding compensation or other terms of employment. The Committee's action will then be submitted to the full Board of Trustees for approval or modification. The President shall be present at the meeting of the Governance and Finance Committee and the Board of Trustees to answer questions about his or her performance and the goals presented.

Comprehensive Evaluation
Option 1: The Governance and Finance Committee may, at its discretion, perform a more comprehensive performance evaluation of the President, including a 360 degree review. The comprehensive evaluation generally should occur during the second year of the Presidency and every three years thereafter, although the Board reserves the right to alter this schedule at its discretion. When a comprehensive evaluation is performed it is to be incorporated into the annual review process described above, with such adjustments to the schedule as may be necessary.

Option 2: Commencing in 2018 and every third year thereafter, or at such other interval as the Board deems appropriate, the Board shall engage an outside consultant to design and conduct a peer review assessment of the performance of the University, its President and its Board. Such peer review assessment shall be designed to compare the University with other comparable universities that represent the highest performing universities of comparable size and mission. The peer review process shall, among other things, solicit feedback from trustees, faculty, staff, students and the community. The peer review shall be conducted in a manner so that the confidentiality of individuals providing feedback is maintained as much as possible in accordance with the law. The peer review shall supplement, and not replace, the annual performance evaluation of the President.

Option 3: The comprehensive evaluation will be conducted periodically, with the specific timing to be determined by the Board Chair in consultation with the full Board. The comprehensive evaluation process will be overseen by a small group of Board members appointed by the Board Chair and external advisor(s) or consultant(s), if desired by the Board.

The Comprehensive Evaluation builds on the process of Annual Evaluation and in a year in which the Board conducts a comprehensive evaluation, it will replace the Annual Evaluation.

The comprehensive evaluation may involve contracting with an independent consultant who reviews prior annual evaluations key documents, and data about the University and its strategic directions and achievements. It may also include a 360 degree review and/or interviews of key stakeholders. The specific details for a comprehensive evaluation should be determined by the Board committee and the consultant assigned to conduct the comprehensive evaluation.

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

ACTION ITEM

6

DATE: October 14, 2016

COMMITTEE: Executive and Compensation

ITEM: **Performance Goals under the FY 2016-17 Performance Incentive Payment Plan for University Officers**

PRESENTED BY: Raja J. Jubran, Vice Chair of the Board/Committee Chair

On June 23, 2016, the Board of Trustees approved the FY 2016-17 Performance Incentive Payment Plan for University Officers. On the recommendation of the Executive and Compensation Committee, the Board deferred action on FY 2016-17 performance goals to allow Trustees additional time to study the proposed goals. Proposed FY 2016-17 performance goals follow this memorandum and are submitted for the Committee's consideration and recommendation to the full Board. (A copy of the FY 2016-17 Plan appears after the goals.)

Changes to the goals presented in June are highlighted in blue. In addition, "patient encounters at UTHSC" has been eliminated as a goal due to the inability to track this metric going forward. Finally, a few clarifying modifications have been made. For example, for goals based on a 5-year average, the actual annual data and the estimated goal for FY 2016-17 in numeric terms (rather than as a percentage increase over the 5-year average) are shown as an indented table below the 5-year average data. These are not additional goals.

Committee Recommendation
At its meeting on October 14, 2016, the Executive and Compensation Committee recommended adoption of the following Resolution by the Board of Trustees:

RESOLVED:

1. **The proposed FY 2016-17 Performance Goals are approved, subject to the requirement that the base-year data used to establish the goals shall be audited by the University's Office of Audit and Compliance, and any revisions to the base-year data or goals resulting from the audit shall be submitted to the Executive and Compensation Committee for approval; and**

2. **The Executive and Compensation Committee is authorized to act on behalf of the Board to approve revisions to the base-year data or goals resulting from the audit or as otherwise deemed necessary in the judgment of the Committee, provided that any revisions shall be presented to the Board for ratification at the next regular meeting following the Committee's approval.**

6

FY2016-17 Quantitative Goals Under the Performance Incentive Payment Plan for University Officers

Red are BAG metrics

Strategic Plan metrics

Base Yr | **Weight** | **All data subject to final audit**

Recommended Goal for FY17 in green	% Incr over FY16 Actual

Change from June Board Meeting

1. Enhancing Educational Excellence

(3) Annual goal setting will be done for growth in enrollment

Fall Headcount, Undergraduate	Fall 16	Weight	Fall 12	Fall 13	Fall 14	Fall 15	Fall 16	Goal (Fall 17)	Goal (Fall 17)	% Incr
System	**38,875**	**High**	38,401	38,504	38,656	38,647	38,875	39,107	**1% incr above Fall 16**	0.6%
UTK	**22,139**	**High**	20,829	21,033	21,451	21,863	22,139	22,360	**1% incr above Fall 16**	1.0%
UTC	**10,170**	**High**	10,159	10,297	10,315	10,084	10,170	10,272	**1% incr above Fall 16**	1.0%
UTM	**6,279**	**High**	7,326	7,025	6,677	6,435	6,279	6,185	**Enr < 1.5% decrease**	-1.5%
UTHSC	**287**	**Normal**	87	149	213	265	287	290	**1% incr above Fall 16**	1.0%

Fall Headcount, Graduate/ Professional	Fall 16	Weight	Fall 12	Fall 13	Fall 14	Fall 15	Fall 16	Goal (Fall 17)	Goal (Fall 17)	% Incr
System	**10,512**	**High**	10,843	10,623	10,442	10,489	10,512	10,678	**1% incr above Fall 16**	1.6%
UTK	**5,913**	**High**	6,189	6,138	5,959	5,982	5,913	6,002	**1.5% incr above Fall 16**	1.5%
UTC	**1,363**	**Intermed.**	1,501	1,377	1,355	1,304	1,363	1,404	**3% incr above Fall 16**	3.0%
UTM	**426**	**Normal**	425	398	365	392	426	435	**2% incr above Fall 16**	2.0%
UTHSC	**2,810**	**High**	2,728	2,710	2,763	2,811	2,810	2,838	**1% incr above Fall 16**	1.0%

6-Year Graduation Rates for Freshmen	Fall 16	Weight	Fall 12	Fall 13	Fall 14	Fall 15	Fall 16	Goal (Fall 17)	Goal (Fall 17)	% Incr
System	**59.2%**	**High**	56.3%	56.1%	57.3%	58.2%	59.2%	60.70%	**1.5% incr above Fall 16**	1.5%
UTK	**68.8%**	**High**	66.1%	67.5%	69.3%	70.3%	68.8%	70.3%	**1.5% incr above Fall 16**	1.5%
UTC	**44.2%**	**High**	38.2%	37.1%	39.8%	43.6%	44.2%	45.2%	**1% incr above Fall 16**	1.0%
UTM	**50.2%**	**High**	48.9%	46.6%	47.0%	45.7%	50.2%	55.9%	**1% incr above Fall 16**	5.7%
UTHSC	**95.3%**	**Normal**	96.6%	94.8%	95.5%	96.1%	95.3%	95.7%	**>5-year average**	0.4%

Freshman Retention After One Year	Fall 16	Weight	Fall 12	Fall 13	Fall 14	Fall 15	Fall 16	Goal (Fall 17)	Goal (Fall 17)	% Incr
System	**81.7%**	**High**	77.4%	78.1%	79.3%	79.6%	81.7%	82.7%	**1% incr above Fall 16**	1.0%
UTK	**86.3%**	**High**	84.6%	85.6%	86.6%	84.6%	86.3%	87.3%	**1% incr above Fall 17**	1.0%
UTC	**73.5%**	**High**	67.4%	69.1%	70.0%	71.4%	73.5%	74.5%	**1% incr above Fall 18**	1.0%
UTM	**75.2%**	**High**	70.7%	69.9%	70.8%	74.5%	75.2%	76.2%	**1% incr above Fall 19**	1.0%

Total Degrees Awarded	FY16	Weight	FY12	FY13	FY14	FY15	FY16	Goal (Fall 17)	Goal (Fall 17)	% Incr
System	**11,975**	**High**	11,058	11,182	11,152	11,698	11,975	**12,585**	**1% incr above FY 16**	5.1%
UTK (includes Vet Med & CASNR)	**6,741**	**High**	6,885	6,793	6,689	6,758	6,741	**6,808**	**1% incr above FY 17**	1.0%
UTC	**2,494**	**High**	2,140	2,232	2,350	2,375	2,494	**2,519**	**1% incr above FY 18**	1.0%
UTM	**1,370**	**High**	1,265	1,372	1,346	1,329	1,370	**1,384**	**1% incr above FY 19**	1.0%
UTHSC (incl Residency Completers)	**1,370**	**High**	1,072	1,189	1,225	1,236	1,370	**1,384**	**1% incr above FY 20**	1.0%
UTIA (Vet Med & CASNR)	**485**	**Normal**	447	409	420	449	485	**490**	**1% incr above FY 21**	1.0%

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FY2016-17 Quantitative Goals Under the Performance Incentive Payment Plan for University Officers

Red are BAG metrics

Strategic Plan metrics

	Base Yr	Weight	All data subject to final audit	Recommended Goal for FY17 in green	% Incr over FY16 Actual
				Change from June Board Meeting	

2. Expanding Research Capacities

(10) Research /sponsored projects expenditures increase 6% annually (5 yr. avg) (reported to THEC less ARRA funding)	FY12-16	Weight	FY12	FY13	FY14	FY15	FY16	FY17 Goal	FY17 Goal	% Incr over FY16
	($ in Millions)									
System (President)	**$424.39**	**High**	$413.40	$425.20	$414.83	$433.52	$435.00	$465.10	**6.9% above 5yr avg.**	6.9%
System (VP Research)	**$424.39**	**High**	$413.40	$425.20	$414.83	$433.52	$435.00	$465.10	**6.9% above 5yr avg.**	6.9%
UTK (no Vet Med)	**$156.10**	**High**	$156.35	$160.53	$156.56	$153.83	$153.23	$165.47	**6% incr above 5yr avg.**	8.0%
UTC	**$9.27**	**Normal**	$10.43	$9.70	$8.83	$9.34	$8.06	$9.83	**6% incr above 5yr avg.**	21.9%
UTM	**$2.83**	**Normal**	$3.30	$2.21	$2.52	$2.63	$3.52	$3.52	**Greater than FY16**	0.0%
UTHSC	**$212.96**	**High**	$196.53	$202.05	$203.09	$222.67	$240.49	$240.49	**Greater than FY16**	0.0%
UTIA	**$43.12**	**High**	$42.47	$43.83	$40.66	$42.84	$45.80	$45.80	**Greater than FY16**	0.0%

5-Yr Averages

(10) Research /sponsored	5-Year Averages				
	($ in Millions)				
President	$381.35	$398.23	$405.71	$418.11	$424.39
VP Res.	$381.35	$398.23	$405.71	$418.11	$424.39
UTK	$144.67	$153.48	$154.52	$157.31	$156.10
UTC	$10.70	$10.23	$9.99	$9.59	$9.27
UTM	$4.24	$3.71	$3.28	$2.90	$2.83
UTHSC	$176.56	$183.95	$191.27	$201.84	$212.96
UTIA	$38.22	$40.57	$41.48	$42.24	$43.12

Research Expenditures (5 yr avg) (reported to NSF less ARRA funding)	FY12-16	Weight	FY12	FY13	FY14	FY15	Est. FY16	Est. FY17 Goal	FY17 Goal	% Incr over FY16
	($ in Millions)		Annual Data ($ in Millions)							
System (President)	**$320.61**	**High**	$322.00	$331.13	$315.77	$311.66	$322.49	$330.88	**2.6% above 5yr avg.**	2.6%
System (VP Research)	**$320.61**	**High**	$322.00	$331.13	$315.77	$311.66	$322.49	$330.88	**2.6% above 5yr avg.**	2.6%
UTK (no Vet med + system)	**$174.88**	**High**	$170.50	$184.07	$174.16	$171.59	$174.09	$180.13	**3% incr above 5yr avg.**	3.5%
UTC	**$7.45**	**Normal**	$10.72	$7.67	$6.18	$6.74	$5.96	$7.68	**3% incr above 5yr avg.**	28.7%
UTM	**$0.53**	**Normal**	$0.58	$0.42	$0.55	$0.51	$0.58	$0.58	**Greater than FY16**	0.0%
UTHSC	**$69.71**	**High**	$72.46	$71.35	$67.81	$65.77	$71.17	$71.80	**3% incr above 5yr avg.**	0.9%
UTIA	**$68.04**	**High**	$67.74	$67.61	$67.09	$67.06	$70.68	$70.68	**Greater than FY16**	0.0%

5-Yr Averages

Annual NSF Research Expenditures	5-Year Averages				
	($ in Millions)				
President	$288.87	$305.06	$311.24	$316.17	$320.61
VP Res.	$288.87	$305.06	$311.24	$316.17	$320.61
UTK	$146.44	$161.28	$166.03	$171.37	$174.88
UTC	$8.59	$8.79	$8.77	$8.04	$7.45
UTM	$1.01	$0.88	$0.77	$0.66	$0.53
UTHSC	$73.40	$72.41	$71.68	$69.87	$69.71
UTIA	$59.42	$61.69	$63.99	$66.22	$68.04

Final NSF data available Feb 2017

FY2016-17 Quantitative Goals Under the Performance Incentive Payment Plan for University Officers

Red are BAG metrics

Strategic Plan metrics

Base Yr | Weight | All data subject to final audit | Recommended Goal for FY17 in green | % Incr over FY16 Actual

Change from June Board Meeting

6

Inventions (Disclosures) (5Yr Avg)	FY12-16	Weight	FY12	FY13	FY14	FY15	FY16	FY17 Goal	FY17 Goal	% Incr over FY16
			Annual Data							
System (President)	139	Intermed.	144	145	152	116	140	147	5% incr above FY16	5.0%
System (VP Research)	139	High	144	145	152	116	140	147	5% incr above FY16	5.0%
UTK	69	High	48	71	82	71	74	74	Greater than FY16	0.0%
UTC	4	Normal	8	2	1	3	5	5	Greater than FY17	0.0%
UTM	1	NA	1	2	2	0	1	1	3% incr above 5yr avg.	23.6%
UTHSC	30	High	27	30	29	25	38	31	3% incr above 5yr avg.	-19.2%
UTIA	35	High	60	40	38	15	22	36	3% incr above FY16 yr	63.9%

5-Yr Averages

	5-Year Averages				
President	107	116	123	129	139
VP Res.	97	109	123	129	139
UTK	33	42	54	62	69
UTC	4	4	3	3	4
UTM	1	1	1	1	1
UTHSC	29	29	29	27	30
UTIA	33	35	37	35	35

FY2016-17 Quantitative Goals Under the Performance Incentive Payment Plan for University Officers

Red are BAG metrics

Strategic Plan metrics

Base Yr	Weight	All data subject to final audit	Recommended Goal for FY17 in green	% Incr over FY16 Actual

Change from June Board Meeting

6

3. Fostering Outreach and Engagement

(12) # of customers served should grow >FY15 (4 yr. avg)

Number of Participants in Outreach and Engagement Activities Greater than 5-year avg		Weight	FY12	FY13	FY14	FY15	FY16	FY17 Goal	FY17 Goal	% Incr over FY16
			Annual Data							
System (President)	4,460,554	Intermed.	3,948,276	4,155,236	4,428,023	4,635,983	5,135,251	5,135,251	greater than FY16	0.0%
System (VP Research)	4,460,554	Intermed.	3,948,276	4,155,236	4,428,023	4,635,983	5,135,251	5,135,251	greater than FY16	0.0%
UTIA	4,247,028	High	3,823,084	4,019,148	4,194,655	4,339,791	4,858,464	4,858,464	greater than FY16	0.0%
IPS	213,525	High	125,192	136,088	233,368	296,192	276,787	276,787	greater than FY16	0.0%

5-Yr Averages

Annual Number of Participants/Cl	5-Year Averages				
President	NA	NA	4,177,178	4,291,880	4,460,554
VP Research	NA	NA	4,177,178	4,291,880	4,460,554
UTIA	NA	NA	4,012,296	4,094,170	4,247,028
IPS	NA	NA	157,697	185,396	213,525

(12) # of clients/patients served should grow >FY15 (5yr. avg)	FY12-16	Weight	FY12	FY13	FY14	FY15	FY16	FY17 Goal	FY17 Goal	% Incr over FY16
			Annual Data							
HSC Work RVUs	2,063,869	High	1,981,199	1,993,741	2,101,294	2,009,950	2,150,490	2,150,490	greater than FY16	0.0%
Patent Encounters at Vet Med	33,843	High	31,596	35,072	33,672	32,412	34,215	34,824	2.9% above 5yr avg.	1.8%

5-Yr Averages

al # of clients se	5-Year Averages				
W-RVUS				2,021,546	2,063,869
Vet Med				32,412	33,843

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FY2016-17 Quantitative Goals Under the Performance Incentive Payment Plan for University Officers

Red are BAG metrics

Strategic Plan metrics

Base Yr	Weight	All data subject to final audit	Recommended Goal for FY17 in green	% Incr over FY16 Actual
			Change from June Board Meeting	

4. Improving Effectiveness & Efficiency

Change in tuition rates (UG, Grad, Professional) excluding programs that move to 15/4 plan and or differential tuition

(4) UG Tuition no more than HEPI rate change	FY17 (Fall 16-Sp 17)	Weight	Fall 12	Fall 13	Fall 14	Fall 15	Fall 16	FY17 Goal	FY17 Goal	% Incr over FY16
									HEPI = 2.2% est.	
UT System (simple avg of UG tuition)	$8,184	High	$7,119	$7,930	$7,812	$8,078	$8,184	$8,364	Tuition at HEPI rate	2.2%
UTK	$10,914	High	$8,325	$10,279	$10,366	$10,678	$10,914	$11,154	Tuition at HEPI rate	2.2%
UTC	$6,768	High	$6,105	$6,373	$6,430	$6,624	$6,768	$6,917	Tuition at HEPI rate	2.2%
UTM	$7,070	High	$6,379	$6,659	$6,716	$6,918	$7,070	$7,226	Tuition at HEPI rate	2.2%
UTHSC (Dental Hygiene)	$11,772	High	10,779	11,319	11,319	11,772	11,772	$12,031	Tuition at HEPI rate	2.2%
UTHSC (Nursing)	$8,320	High	NA	$8,408	$8,000	$8,320	$8,320	$8,503	Tuition at HEPI rate	2.2%

(13) Gifts, pledges, bequests grow >15% (5 yr. avg)	FY12-16	Weight	FY12	FY13	FY14	FY15	FY16	FY17 Goal	FY17 Goal	% Incr over FY16
	($ in Millions)		Annual Data ($ in Millions)							
UT System	$204.386	High	$148.998	$149.134	$179.788	$303.747	$240.261	$242.373	.9% above FY16	0.9%
UT System (VP Dev./Alumni Aff.)	$204.386	High	$148.998	$149.134	$179.788	$303.747	$240.261	$242.373	.9% above FY16	0.9%
UTK	$146.016	High	$104.782	$92.690	$130.871	$234.528	$167.211	$167.919	15% above 5 yr avg.	0.4%
UTC	$10.924	High	$8.657	$10.046	$6.375	$14.484	$15.059	$15.059	greater than FY16	0.0%
UTM	$3.514	High	$3.045	$3.285	$3.111	$3.880	$4.248	$4.248	greater than FY16	0.0%
UTHSC	$28.890	High	$12.879	$30.877	$22.499	$39.248	$38.948	$38.948	greater than FY16	0.0%
UTIA	$14.087	High	$18.800	$10.954	$16.035	$10.416	$14.228	$16.200	15% above 5 yr avg.	13.9%

5-Yr Averages

Annual gifts,	5-Year Averages				
	($ in Millions)				
President	$155.342	$149.290	$159.738	$185.144	$204.386
VP Dev.	$155.342	$149.290	$159.738	$185.144	$204.386
UTK	$98.934	$96.112	$107.969	$132.012	$146.016
UTC	$10.468	$10.510	$9.320	$10.090	$10.924
UTM	$6.620	$5.002	$4.563	$3.568	$3.514
UTHSC	$24.474	$23.583	$24.264	$25.186	$28.890
UTIA	$13.094	$12.462	$12.105	$12.900	$14.087

FY2016-17 Quantitative Goals Under the Performance Incentive Payment Plan for University Officers

Red are BAG metrics

Strategic Plan metrics

Base Yr | Weight | All data subject to final audit | Recommended Goal for FY17 in green | % Incr over FY16 Actual

Change from June Board Meeting

(16 / 18) Reduce faculty and staff salary gap with peers	Base FY15	Weight	FY12	FY13	FY14	FY15	FY16	FY17 Goal	Reduce Gap 15% / year from Base FY15
			($ in millions)						
UT System (new methodology)	$83.600	High	NA	$149.064	$153.016	$83.600	$79.422	$58.52	
UTK (new survey)	$41.020	High	NA	$58.316	$59.000	$41.020	$41.032	$28.71	
UTC (new methodology)	$7.552	High	NA	$7.300	$7.600	$7.552	$5.663	$5.29	
UTM	$6.237	High	NA	$7.808	$8.274	$6.237	$6.553	$4.37	
UTHSC (new methodology)	$5.003	High	NA	$52.338	$53.908	$5.003	$3.841	$3.50	
UTIA	$19.100	High	NA	$18.544	$19.100	$19.100	$19.024	$13.37	

(17) Deferred Maintenance Expenditures (Develop 2-yr allocation/reallocation plan based upon $25m deferred maintenance)	Weight	FY12	FY13	FY14	FY15	FY16	FY17 Goal	
* (System = $25.0 million) over 2 yrs	High	NA	NA	NA	NA	$28.05	$0.00	2-Year Goal Achieved
* (UTK/UTSI = $15.75m)	High	NA	NA	NA	NA	$14.14	$1.61	
* (UTC = $2.5m)	High	NA	NA	NA	NA	$3.42	$0.00	2-Year Goal Achieved
* (UTM = $2.0m)	High	NA	NA	NA	NA	$4.24	$0.00	2-Year Goal Achieved
* (UTHSC = $3.75m)	High	NA	NA	NA	NA	$4.00	$0.00	2-Year Goal Achieved
* (UTIA = $1.0m)	High	NA	NA	NA	NA	$2.26	$0.00	2-Year Goal Achieved

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FY2016-17 Additional Goals Under the Performance Incentive Payment Plan for University Officers

Success in Implementing Non-Quantitative BAG Initiatives	President	EVP Research	General Counsel	VP Dev / Alumni	Chancellors: UTC	Chancellors: UTHSC	Chancellors: UTK (Not Eligible)	Chancellors: UTM (Not Eligible)	Chancellors: UTIA (Not Eligible)
1. Enhancing Educational Excellence									
(1) In-State UG Enrollments should be > Fall 16	x				x	x	x	x	
(2) % UG Out-State Enrollment should be < 25% of total	x				x	x	x	x	
(5) Graduate and professional tuition increases should be no more than the previous year's HEPI rate change plus 2-3%.	x				x	x	x	x	x
(14) Conduct program realignment to assess low performing programs	x		x		x	x	x	x	x
(15) Perform feasibility analysis &develop a plan for program consolidation(s)	x		x		x	x	x	x	x
(22) Complete review of the post-tenure review process and implement a new policy	x		x						
2. Expanding Research Capacities									
No additional goals									
3. Fostering Outreach and Engagement									
No additional goals									
4. Improving Effectiveness & Efficiency									
(16) Develop 2-yr allocation/reallocation plan based upon 6% of FY15 unrestricted E&G	x				x	x	x	x	x
(6) Executive grad program tuition based on demand & peer costs					x		x		
(7) Review out-of-state tuition based on regional need	x				x	x		x	x
(18) Using workforce development programs, identify amounts that can be redeployed to address strategic initiatives, compensation gaps, and deferred maintenance.	x				x	x	x	x	x
(19) Conduct a tuition structure review to include differential tuition, out-of-state tuition, and 15/4 plan.	x				x	x	x	x	
(20) Review of Non-Formula fee structure	x	x				x			x
(21) Complete study on unfunded mandates for student tuition waivers/discounts (UT system) and tuition waivers/discounts for UT employees and propose any needed legislative or policy solutions.	x		x						

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Additional Goals for President DiPietro

Implementation of new UT System organization structure, including the hiring of a permanent Chief Financial Officer and an Executive Vice President
Bring Faculty and Staff salaries closer to the median of the peer group (as identified in the Sibson Market Analysis)
Implementation of a more vigorous out-of-session visit schedule with elected officials
Completing the first phase of the Succession Planning initiative (focused on University Wide Administration)

Additional Goals for the General Counsel and Secretary Mizell

Develop a comprehensive plan for system-wide education and training on legal matters.
Lead implementation of the new Board committee/subcommittee structure, including assisting the Athletics Committee in development of its role and specific responsibilities to ensure adequate Board oversight of the three intercollegiate athletics programs.
Arrange for and coordinate preparation of an athletics compliance education program for the Board of Trustees to be conducted by a Division I conference official.
Prepare a report to the Vice Chair on roles, responsibilities, and reporting relationships of executive staff for higher education governing boards.

Additional Goals for Executive Vice President Millhorn

Achieve an ORNL performance score of 94 or higher for FY 2017.
Acquire a signed contract for the development of a new building on Cherokee Farm that is privately funded.
Facilitate the appointment of three Governor’s Chairs over the next three years

Additional Goals for Vice President McCurry

Increase the alumni participation rate in systemwide alumni programming by 10%
Increase the number of donors by 10%
Execute the move to University Avenue while maintaining a positive work environment for staff whereby everyone feels safe in the new environment
Create alignment and coordination among the various volunteer leadership groups (Alumni Board of Governors, Foundation Boards, and Past Presidents of Alumni Association) at the system level

The University of Tennessee

Performance Incentive Payment Plan for University Officers

<u>Effective for the FY 2016-17 Performance Period</u>

I. Objectives of the Plan

The objectives of the Performance Incentive Payment Plan for University Officers (Plan) are to:

- Motivate and reward achievement of performance goals aligned with the UT System Strategic Plan, 2012-2017, and the President's Budget Advisory Group Initiatives; and
- Enhance the University's ability to attract and retain outstanding executive officers and other senior officers by providing competitive compensation.

II. Eligibility to Participate

A. The University Officers as defined in the Bylaws of the University shall be eligible to participate in the Plan (hereinafter sometimes referred to individually as "Participant" and collectively as "Participants"); provided, however, that (1) the positions of Secretary and Treasurer shall be eligible to participate in the Plan only when held concurrently by another elected University Officer; and (2) any University Officer who is participating in another performance incentive payment plan will not be eligible for participation in the Plan.

B. A person newly hired or promoted into a University Officer position will be eligible for participation in any Board-approved performance incentive payment plan in effect as of July 1 of the year following the date of hire or promotion.

III. Performance Period and Performance Goals

A. The performance period under the Plan is one fiscal year (July 1, 2016 through June 30, 2017).

B. Performance goals shall be aspirational but realistic and shall include quantitative and/or non-quantitative goals that are clearly defined and readily evaluated.

C. The President shall propose performance goals for the other Participants and solicit their comments on the proposed goals. After considering the Participants' comments, the President shall submit proposed performance goals for the other Participants to the Vice Chair of the Board of Trustees for review.

D. The Vice Chair shall propose performance goals for the President and meet with the President to discuss the proposed goals for the President and other Participants.

E. The Vice Chair shall prepare a recommendation concerning proposed goals for the President and other Participants and a weight for each goal. The Committee will approve or modify the proposed goals and weights.

F. Proposed performance goals and their weights, as approved or modified by the Executive and Compensation Committee, will be forwarded to the Board of Trustees for final action.

G. Base-year data used to establish the performance goals shall be audited by the University's Office of Audit and Compliance. Any revision of the base-year data and goals resulting from the audit shall be submitted to the Executive and Compensation Committee for approval.

IV. Methodology for Calculating the Incentive Payment

Prior to the end of the performance period, the Vice Chair shall recommend to the Executive and Compensation Committee a methodology for calculating the variable compensation payment for that performance period. The methodology approved by the Committee shall be submitted to the Board of Trustees for final action.

V. Maximum Incentive Payment

A. Based on the President's performance each year with respect to the performance goals approved by the Board of Trustees, the President shall be considered for a lump-sum incentive payment of up to twenty-five percent (25%) of the President's base salary.

B. Based on the other Participants' performance each year with respect to the performance goals approved by the Board of Trustees, the other Participants shall be considered for a lump-sum incentive payment of up to fifteen percent (15%) of the Participant's base salary.

C. No part of an incentive payment will vest in any Participant prior to the date on which payment is to be made in accordance with the provisions of Section VII of this Plan.

VI. Evaluation of Participant's Performance

A. No later than November 1 of each year, the President will submit to the Vice Chair, and the other Participants will submit to the President, a self-evaluation of his/her performance with respect to the approved performance goals for the performance period (the previous fiscal year).

B. The Vice Chair or President, as applicable, will prepare a written recommendation to the Executive and Compensation Committee concerning the Participant's performance with respect to the performance goals, including a recommendation as to whether an incentive payment should be made to the Participant; provided, however, that if an allegation of gross misconduct, as defined by University Human Resources Policy (HR0525), or other violation of the University Code of Conduct (HR0580) is pending against a Participant, the Vice Chair or President shall not make a recommendation to the Executive and Compensation Committee unless the allegation is resolved in the Participant's favor.

C. The University's Office of Audit and Compliance shall review the performance data and the calculation of recommended incentive payments prior to submission of the recommendations of the Vice Chair and President to the Executive and Compensation Committee.

VII. Incentive Payments

A. The Executive and Compensation Committee will approve or modify the recommendation of the Vice Chair or President, as applicable, concerning the Participant's performance and whether the Participant should receive an incentive payment; provided, however, that if an allegation of gross misconduct, as defined by University Human Resources Policy (HR0525), or other violation of the University Code of Conduct (HR0580) is made against a Participant subsequent to the recommendation of the Vice Chair or President, the Executive and Compensation Committee shall not act on the recommendation of the Vice Chair or President unless the allegation is resolved in the Participant's favor.

B. The Executive and Compensation Committee will forward its recommendation to the Board of Trustees. If an allegation of gross misconduct, as defined by University Human Resources Policy (HR0525), or other violation of the University Code of Conduct (HR0580) is made against a Participant subsequent to the recommendation of the Executive and Compensation, the Board of Trustees shall not act on the recommendation unless the allegation is resolved in the Participant's favor.

C. The Board of Trustees may determine that no incentive payments will be made, regardless of individual performance with respect to the approved goals, due to financial or other circumstances the Board, in its sole discretion, deems to warrant suspension of payments.

D. An incentive payment approved by the Board of Trustees will be paid to the Participant in three installments according to the schedule provided in paragraph E., subject to the following conditions:

   1. Payment will be made only if the Participant was employed in active service as a University Officer from the first day through the last day of the performance period (one fiscal year, July 1 through June 30) and remains in active service as a University Officer on the date a payment is to be made; and

   2. If an allegation of gross misconduct, as defined by University Human Resources Policy (HR0525), or other violation of the University Code of Conduct (HR0580) is made against a Participant subsequent to the Board's action to approve an incentive payment, the no payment shall not be made unless the allegation is resolved in the Participant's favor.

E. Except as provided in paragraphs F. and G., an incentive payment approved by the Board of Trustees shall be paid to the Participant in three installments according to the following schedule:

   1. One-third shall be paid within thirty (30) days of Board action approving the payment;
   2. One-third shall be paid one (1) year after Board action approving the payment; and
   3. One-third shall be paid two (2) years after Board action approving the payment.

F. Notwithstanding the provisions of paragraph D.(1), if after six months of the performance period (i.e., after December 31, 2016) but before the end of the performance period, a Participant terminates employment (1) for medical reasons upon the duly documented recommendation of a physician or (2) by reason of death, the Participant will be eligible for an incentive payment calculated on a pro rata basis from the first day of the performance period through the date of termination. Determination of the amount of any pro rata payment shall be made after the entire performance period has ended and in accordance with the process provided in Sections VI and VII, except that a self-evaluation by the Participant will not be required. In the case of termination of employment for medical reasons or by reason of death, a Board-approved incentive payment will be paid to the Participant within thirty (30) days of Board approval or to the executor or administrator of the Participant's estate within thirty (30) days of the date on which satisfactory proof of letters testamentary or letters of administration issued by a court of competent jurisdiction is provided to the University.

G. If a Participant terminates employment with the University for medical reasons or by reason of death prior to the end of a performance period, the person appointed to serve in the vacated University Officer position on an interim basis shall be eligible for an incentive payment calculated on a pro rata basis from the first day of service in the interim appointment through the end of the performance period, as long as he or she remains in active service in the interim appointment through the end of the performance period. Determination of the amount of any pro rata payment shall be made after the entire performance period has ended and in accordance with the process provided in Sections VI and VII. Payment of the Board-approved incentive payment shall be made within thirty (30) days of the Board's action approving the payment; provided, however, that if an allegation of gross misconduct, as defined by University Human Resources Policy (HR0525), or other violation of the University Code of Conduct (HR0580) is made against a Participant subsequent to the Board's action, payment shall not be made unless the allegation is resolved in the Participant's favor.

H. Notwithstanding the provisions of paragraph D.(1), if a Participant's employment terminates by reason of his or her death after the performance period has ended but before a Board-approved incentive payment has been paid to the Participant, the payment will be paid to the executor or administrator of the Participant's estate within thirty (30) days of the date on which satisfactory proof of letters testamentary or letters of administration issued by a court of competent jurisdiction is provided to the University.

I. Except as provided in paragraphs F., G., and H., if a Participant's service as a University Officer terminates, voluntarily or involuntarily, prior to the date on which a Board-approved incentive payment is to be paid, the Participant shall forfeit the payment in its entirety and shall not receive any portion of the payment unless the Board, in its sole discretion, determines that it is in the University's best interest to accelerate payment of part or all of a Board-approved incentive payment if the Participant satisfies one of the following criteria:

1. The Participant is sixty (60) years of age or older and has five (5) or more years of full-time equivalent service with the University; or
2. The Participant, regardless of age, has 30 years or more of full-time equivalent service with the University.

J. Funding of the Plan

Funding for all incentive payments under the Plan will be the responsibility of the respective campus or system budgetary unit.

K. Amendment, Suspension, and Termination of the Plan

The Board of Trustees reserves the right to amend, suspend, or terminate the Plan at any time.

L. General Provisions

1. If a Participant receives an unsatisfactory rating in any annual performance review, his/her participation in the Plan will terminate automatically, and the Participant will not receive any payment under the Plan.

2. Neither the Plan nor any payment under the Plan shall be construed to confer any right to continued employment with The University of Tennessee. All Participants serve at the pleasure of the Board of Trustees, subject to the terms of any written contract of employment.

3. Neither the Plan nor any payment under the Plan shall be construed to create a trust or to create in any Participant, or in his/her personal representative or beneficiary, a security interest or other interest in any assets of The University of Tennessee.

4. All payments under the Plan are subject to all reporting, deductions, and withholdings required by applicable law or University policy, as amended, enacted, or adopted from time to time, including but not limited to deduction for debts owed to the University.

5. Under no circumstances will any payment be made under the Plan later than two and a half months after the end of the calendar year in which the Board of Trustees decides to make a payment.

6. Participants will bear sole responsibility for any and all direct or indirect tax consequences of payments under the Plan. The University makes no representations as to the tax treatment of payments under the Plan, and Participants are responsible for seeking advice as to the tax consequences of the Plan from their personal tax advisors.

7. To the extent any part of the Plan fails to comply with any applicable state or federal law or regulation, that part of the Plan shall not be effective.

8. This Plan shall be effective for the FY 2016-17 performance period. The provisions of the Plan approved by the Board of Trustees on October 9, 2015 shall continue to govern the FY 2015-16 performance period.

THE UNIVERSITY OF TEXAS SYSTEM

EXECUTIVE PERFORMANCE INCENTIVE COMPENSATION PLAN

FOR

PRESIDENTS AND SYSTEM ADMINISTRATION EXECUTIVE OFFICERS

EFFECTIVE: SEPTEMBER 1, 2016

EXECUTIVE PERFORMANCE INCENTIVE COMPENSATION PLAN
THE UNIVERSITY OF TEXAS SYSTEM
PRESIDENTS AND SYSTEM ADMINISTRATION EXECUTIVE OFFICERS

I. BACKGROUND

The Executive Performance Incentive Compensation Plan for The University of Texas System Presidents and UT System Administration Executive Officers (Incentive Plan) is designed to provide structure for the annual review and consideration of incentive reward that is based on predetermined performance goals.

The original Incentive Plan, dated September 1, 2012 is hereby amended effective September 1, 2016, and shall be as follows.

II. INCENTIVE PLAN OBJECTIVES

The Incentive Plan serves a number of objectives, as follows:

- Supports the strategic mission of The University of Texas System by setting performance objectives aligned with attainment in focus areas.
- Provides a mechanism to enhance The University of Texas System’s ability to provide competitive pay levels to attract the highest quality Presidents and System Administration Executive Officers.
- Rewards and helps to retain high-performing Presidents and System Administration Executive Officers through the provision of incentive compensation.
- Focuses the attention and efforts of key executive on the issues that are most important to the mission of The University of Texas System by placing a significant fraction of the executive’s compensation on attainment of specific goals.

III. THE PLAN DESIGN

Eligibility

The University of Texas Presidents and The University of Texas System Administration Executive Officers will be Participants in the Incentive Plan for a performance period if, and only if, he or she is both:

- ✓ employed by The University of Texas System in an employment position that is designated as an "Eligible Position," (See Attachment A) and,
- ✓ selected by the Board of Regents as eligible to participate in the Incentive Plan.

Generally, employees who are newly hired or promoted into an Eligible Position on or before March 1 of a given year may participate on a prorated basis. The Board of Regents in its discretion may designate the employment position of a newly-hired or promoted employee as eligible to participate in the full Incentive Plan for any performance period or remainder of a performance period.

An employee will cease to be a Participant in the Incentive Plan on the earliest to occur of:

- the date such employee is no longer employed in an Eligible Position;
- the date of termination of the Incentive Plan;
- the date such employee commences a leave of absence;
- the date the Board of Regents designates that such employee's employment position is not an Eligible Position; or
- any date designated by the Board of Regents as the date on which said employee is no longer a Participant.

Setting Performance Goals

Performance goals for the upcoming fiscal year will typically be finalized annually no later than August 31. Performance goals for newly eligible Participants will normally be finalized within 60 days of eligibility. The performance period for Participants will be from September 1 through August 31 of each fiscal year.

Performance goals will be established annually with final approval by the Chancellor or his or her designee. Each Participant may have both Systemwide goals and specific university or functional goals. Performance goals should be realistic, but aggressive, and should address the highest-level issues of greatest priority in advancing institutions and The University of Texas System.

Assessing goal attainment

Assessing attainment of performance goals will include holistic consideration of the degree to which an individual effectively executed their duties and addressed issues of greatest priority, and, as appropriate, may include either quantitative goals and/or qualitative goals. These assessments will be completed for the prior fiscal year, generally in October, in preparation for the Regents consideration at its November Board of Regents' meeting. Recommendations for each Participant's incentive award will typically be considered by the Board of Regents at their November meeting.

As a guide, three levels will be used to assess performance relative to establish performance goals:

1. **Threshold** means that an individual came close to meeting, but did not fully meet a goal.

2. **Target** means that an individual fully met a goal.

3. **Maximum** means that an individual significantly exceeded a goal.

Primary assessors of performance goal attainment will be the appropriate Executive Vice Chancellor for the Presidents, and the Chancellor (or his or her designee) for System Administration Executive Officers. The Chancellor will conduct a final review of the assessments and make recommendations to the Board of Regents.

Incentive Award Specifics

The University of Texas System will continue to target total direct compensation for key executives as per Regents' Rule 20203: Compensation for Key Executives.

The incentive award covered within this Incentive Plan is 15% of a Participant's base salary.

Award opportunity levels will be adjusted to reflect the Participant's success in attaining performance goals. Based upon meeting Threshold, Target or Maximum the awards will be provided as follows:

1. meeting **threshold** will earn the Participant 50% of the potential award;

2. meeting **target** will earn 100% of the potential award, and

3. significantly exceeding, **maximum**, the Participant will earn 150% of the potential award.

Of note, the Board of Regents has full discretion over the amount of the approved award and is not obligated to make any award.

Incentive Award Payments

Incentive awards will be considered annually following the performance period, and will normally be approved at the Board of Regents' November meeting and paid as soon as practical thereafter, in compliance with current Internal Revenue Service regulations.

Incentive award payments will be made in lump sum and may be deferred, subject to Internal Revenue Service limitations.

Calculation of prorated incentive awards, if applicable, will be based on the Participant's attainment of performance goals and the length of time a Participant was eligible to receive an incentive award during the performance period. Explanation of payment of incentive awards upon termination of employment follow.

All incentive awards will be subject to any deductions as noted:

1. for tax withholding required by federal, state, or local law at the time such tax and withholding is due (irrespective of whether such incentive award is deferred and not payable at such time), and
2. for any and all amounts owed by the Participant to The University of Texas System at the time of payment of the incentive award. The University of Texas System will not be obligated to advise an employee of the existence of the tax or the amount that The University of Texas System will be required to withhold.

Payment of Incentive Award upon Termination of Employment

Except as otherwise noted below, any Participant who ceases to be a Participant, either because of termination of employment with The University of Texas System (including a U. T. System institution), or for any other reason stated below, prior to the end of a performance period will not be eligible to receive payment of any incentive award for that or any subsequent performance periods.

If a Participant ceases to be a Participant in the Incentive Plan prior to the end of the performance period because he or she commences an approved leave of absence or retires, such Participant's incentive award for the current performance period, if any, will be calculated on a prorated basis from the first day of the performance period to the date coinciding with the date the Participant commences such leave of absence or retirement, and such individual will not be entitled to any incentive awards for any performance period thereafter (unless he or she again becomes a Participant as previously described)

If a Participant transitions from one Eligible Position to another during a fiscal year, and is in an Eligible Position for an entire performance period, the award will be calculated by prorating performance from the Eligible Positions.

The following chart outlines the treatment of the incentive award upon termination of a Participant's employment:

Termination reason	Forfeit	Prorated	Discretion of Board of Regents
Death		X	
Disability		X	
Retirement		X	
Quit	X		
Termination			X

Annual Due Dates

Annual Due Date	Action
July 15 **Propose Goals for Upcoming Year Developed Using the Template Provided by Chancellor's Office**	Proposed goals for upcoming fiscal year are developed by employee (plan participant) and submitted to the appropriate individual (Chancellor, Deputy Chancellor, or Executive Vice Chancellor) for consideration.
August 31 **Goal Review Process and Final Approval**	Performance goals for upcoming fiscal year are discussed with employee (plan participant), possibly revised, and finally approved by the appropriate individual (Chancellor, Deputy Chancellor, or Executive Vice Chancellor) by August 31.
September 15 **Self-Assessment of Prior Year's Goal Attainment**	Self-assessment of prior year's goal attainment prepared by employee (plan participant) and submitted to appropriate individual (Chancellor, Deputy Chancellor, or Executive Vice Chancellors).
October 15 **Performance Evaluations**	Performance evaluations completed.
November **Incentive Award Recommendations**	Chancellor makes recommendations to the Board of Regents for payment of incentive awards. Awards are paid as soon as possible following Board of Regents' approval.

IV. INCENTIVE PLAN AUTHORITY, RESPONSIBILITY AND INTERPRETATION

Authority

Except as otherwise specifically provided, this Incentive Plan will be administered by the Chancellor, or the Chancellor's designee.

The Board of Regents and the Chancellor have all powers specifically vested herein and all powers necessary or advisable to administer or direct administration of the Incentive Plan as it determines in its discretion, including without limitation, the authority to:

1. establish the conditions for the determination and payment of compensation by establishing the provisions of the Incentive Plan,

2. select the employees who are eligible to be Participants in the Incentive Plan, and

3. designate to any other person, committee, or entity any of its ministerial powers and/or duties under the Incentive Plan, as long as any such delegation is in writing and complies with Regents' Rules.

Responsibility/Rights

The Board of Regents has the right in its discretion to amend the Incentive Plan or any portion thereof from time to time, to suspend it for a specified period or to terminate it entirely, or any portion thereof.

If the Incentive Plan is suspended or terminated during a performance period, Participants will receive a prorated incentive award based on performance achieved through the performance measurement date immediately preceding such suspension or termination. The Incentive Plan will be in effect until suspension or termination by the Board of Regents.

All records for the Incentive Plan will be maintained by the Office of the Chancellor.

Interpretation

Consistent with the provisions of the Incentive Plan, the Board of Regents has the discretion to interpret the Incentive Plan and may from time to time adopt such rules and regulations that it may deem advisable to carry out the Incentive Plan. All decisions made by the Board of Regents in selecting the Participants approved to receive incentive awards, including the amount thereof, and in construing the provisions of the Incentive Plan, including without limitation the terms of any incentive awards, are final.

ATTACHMENT A

LIST OF ELIGIBLE POSITIONS

System Administration Executive Officers

Deputy Chancellor, The University of Texas System Administration

Executive Vice Chancellor for Health Affairs, The University of Texas System Administration

Executive Vice Chancellor for Business Affairs, The University of Texas System Administration

Executive Vice Chancellor for Academic Affairs, The University of Texas System Administration

Vice Chancellor for Health and Academic Affairs, The University of Texas System Administration

Vice Chancellor for External Relations, The University of Texas System Administration

Vice Chancellor for Strategic Initiatives, The University of Texas System Administration

Vice Chancellor and General Counsel, The University of Texas System Administration

Vice Chancellor and Chief Governmental Relations Officer, The University of Texas System Administration

Vice Chancellor for Federal Relations, The University of Texas System Administration

Presidents

President – The University of Texas at Arlington

President – The University of Texas at Austin

President – The University of Texas at Dallas

President – The University of Texas at El Paso

President – The University of Texas of the Permian Basin

President – The University of Texas Rio Grande Valley

President – The University of Texas at San Antonio

President – The University of Texas at Tyler

President – The University of Texas Southwestern Medical Center

President – The University of Texas Medical Branch at Galveston

President – The University of Texas Health Science Center at Houston

President – The University of Texas M. D. Anderson Cancer Center

President – The University of Texas Health Science Center at San Antonio

President – The University of Texas Health Science Center at Tyler