



Fiduciary Responsibility

University of Louisville
Board of Trustees, Annual Meeting
July 20, 2017

What is a Fiduciary?

- Individuals who make up boards come from many different walks of life. As a gubernatorial appointee, you likely have a career outside of your board life. Whatever experience you bring to your board role, it is helpful to realize that higher education is a unique environment. What makes higher education different is that deeply held, shared values drive its work.
- In this lesson you will review the unique aspects of governance in higher education and how they will impact your role as a fiduciary. This material has been adapted from a presentation by the Association of Governing Boards.

Higher Education is Unique

- A number of characteristics distinguish higher education institutions from other organizations:
 - Higher education institutions are committed to serving the public good through teaching, research, and service. Even private institutions focus on these three missions.
 - Higher education institutions share a tradition of academic freedom and self-regulation. Faculty members enjoy a great degree of autonomy in determining what to teach or research. Academic freedom means that faculty and students are free to engage in intellectual endeavors and debate without fear of censorship or retaliation. These safeguards are in place to protect academic integrity and individuals from undue political or corporate pressures.
 - Higher education institutions believe in shared governance, a concept that will be discussed later in this lesson. Basically, in a shared governance model, the board delegates responsibility for the curriculum and decisions about membership in the faculty (hiring, tenure, and promotion) to the faculty.

What is a Fiduciary?

- A fiduciary is someone who holds some asset in trust for another, and is charged to act for the benefit of the other in managing that asset.
- As a board member, your goal is to enhance the value of this asset so that it will remain sustainable well into the future.

What is the asset?	<p>In terms of your role as a trustee or regent, the asset is not just the institution's finances – it is the entire college or university enterprise, including the schools:</p> <ul style="list-style-type: none">• Physical Infrastructure• Academic Programs• Reputation• Brand• Athletics Programs• Student Services• Intellectual Property• Human Resources
For whom?	<p>For who are you holding these assets in trust?</p> <ul style="list-style-type: none">• Founders• Sponsors• Students• Donors• Alumni• The public

Fiduciary Duties

- President Bob King noted there are three important principles to observe when carrying out your fiduciary obligations:

1. Duty of Care

- You act in good faith in the best interests of your institution. You act reasonably and prudently, such that other individuals with the same qualifications as you have are likely to reach similar conclusions and take similar actions

2. Duty of Loyalty

- You are first and foremost loyal to the institution and put the institution's needs above your own. You are not self-dealing and you have no conflicts of interest that interfere with your role as a board member.

3. Duty of Obedience

- You are aligned with your institution's mission and you act in ethical ways that advance this mission.

Exemplary Behaviors of Effective Fiduciaries

- Duty of Care

- Practicing duty of care means that you:

- Do your homework.
 - Show up to all board and committee meetings.
 - Ask good questions.
 - Are engaged in the discussion.
 - Act in what you believe is the best interest of the institution based on the information available.
 - Retire from board service if you are no longer able to satisfy the time, effort, and attendance expectations.

Exemplary Behaviors of Effective Fiduciaries

- Duty of Loyalty

- Practicing duty of loyalty means that you:
 - Recuse yourself from voting if a real or perceived conflict of interest appears or if you stand to benefit personally from any board action.
 - Maintain complete confidentiality about any matters pertaining to the board at all times, subject to any open meetings laws.

Exemplary Behaviors of Effective Fiduciaries

- Duty of Obedience

- Practicing duty of obedience means that you:
 - Fall in line with the majority opinion of the board, even if it differs from your own, once the discussion or debate is over and the board acts. As a representative of the board, it is up to you to uphold the board's actions.
 - Ensure that the college or university complies with legal and ethical guidelines and all applicable internal and external rules.

Key Characteristics of Effective Fiduciaries

Effective fiduciaries demonstrate these key characteristics in carrying out their board responsibilities:

Independence	This requirement may pose a specific challenge for students, staff, or faculty on the board, because they must rise above their individual interests to act in the best interest of the entire institution. You may find yourself voting for a measure that your constituent group does not support but that is in the best interest of the entire community. This vote could put you in a difficult spot, but that's what it means to be a fiduciary.
Transparency and confidentiality	While these two terms are by definition contradictory, as an effective fiduciary you must be able to be both transparent and confidential simultaneously. This simply means that things that need to be confidential are kept confidential. In everything else, you try to be as transparent as possible.
Accountability	The board is accountable for its own actions and holds the president accountable for leading the university and its day-to-day operations.
Full board involvement and respect for the process	As a member of the board, you show up to meetings on time and are prepared to be an active participant in the discussion. Your opinions and voice matter. You have joined a group where active participation is necessary, as decisions must be weighed and considered from all angles.
Trust in the President	The relationship between the board and the president needs to be grounded in trust, which develops over time through conversations about mutual goals and shared expectations. The president needs to feel that the board has his or her back in executing the responsibilities delegated to him or her. However, the board must look out for the future of the university and always act in its best interest.

Review

- A fiduciary is someone who holds an asset in trust for another. As a fiduciary, you should practice the duties of care, loyalty, and obedience, placing the interests of the institution ahead of your own. Some of the characteristics of an effective fiduciary include independence, transparency, confidentiality and accountability.

The background of the slide is a blurred, high-angle photograph of a modern building's interior. It features a staircase with a glass railing on the right side, leading down. The walls and ceiling are light-colored, and the overall atmosphere is bright and airy. The text 'Questions?' is centered in a bold, blue font.

Questions?