

FINAL REPORT OF THE FACULTY SENATE

“AD HOC COMMITTEE ON PRESIDENTIAL COMPENSATION”

Submitted October 30, 2015

Context

On May 6, 2015, in response to media reports and requests from faculty senators, Faculty Senate Chair Dr. Pamela Feldhoff appointed an “Ad Hoc Committee on Presidential Compensation” with three charges to report to the full Senate early in its Fall meeting schedule. The committee membership included five senators: Joseph M. Steffen, Chair of the Committee (Biology/College of Arts and Sciences), Enid F. Trucios Haynes (Vice Chair of the Faculty Senate/School of Law), Raymond E. Austin (Health Management and Systems Science/School of Public Health), Roger D. Bradshaw (Mechanical Engineering/Speed School of Engineering), and Krista B. Wallace-Boaz (Applied Studies/School of Music). The committee met several times over the summer and early Fall and provides this written report of its data findings.

Initially, after determining the names of the Universities whose data was to be utilized in the report, committee members began to search relevant University web sites, media sites and other locations to find the information to fulfill the committee’s responsibility. However, it was determined that many sites had either no information, or provided incomplete or dubious and untrustworthy data. In order to be able to provide consistent, comparable and trustworthy information in this report, the committee finally decided to utilize the information provided by the Chronicle of Higher Education (CHE), which does an annual survey of presidential compensation for over 400 universities and colleges, both public and private, and whose information is readily accessible, trustworthy, and allows for a mostly “apples to apples” comparability among the various types of presidential compensation.

The Chronicle data are for the fiscal year 2014 (July 1, 2013 through June 30, 2014) and presents compensation data for 238 presidents (or their equivalent) at 220 public universities and university systems, and includes all of the public doctoral-granting institutions in the United States. The Chronicle of Higher Education article that describes the data was published in Volume 61, Issue 38, pages A28-A34 and dated 6/12/15. The article that describes the data and gives a broad overview can be accessed online at: <http://search.ebscohost.com/login.aspx?direct=true&db=f5h&AN=103191286&site=ehost-live>. The survey data can be accessed through a link in the article if the reader has a subscription. The Ad Hoc Committee has requested the Faculty Senate to purchase an electronic subscription to the Chronicle so that the data can be widely viewed.

Charge One: Review the University of Louisville presidential compensation including base composition, supplements, bonuses and deferred compensation.

In the 2013-2014 fiscal year, the base salary of President James Ramsey was \$624,000 (see Table 1), and included funds received from the University for fulfilling duties of the office of President of the University, and from the University of Louisville Foundation, for functioning as the Chair of the University of Louisville Foundation Board of Directors. In addition, \$26,000 was provided for retirement and \$250,000 was set aside but not paid as deferred compensation. No bonus was accepted during this fiscal year.

TABLE 1. Presidential Compensation for 2013-2014 at the University of Louisville.

Base Salary	\$624,000
Deferred Compensation	\$250,000 (set aside, not paid)
Retirement	\$26,000
TOTAL COMPENSATION	\$624,000 (not including set aside or retirement)

The base salary of President Ramsey ranked him 26th among his peers in the survey.

Charge Two: Compare the different categories of presidential compensation with that for presidents of our institutional CPE benchmarks, like institutions in the Atlantic Coast Conference, and like institutions in the region.

Again, utilizing the data from the CHE annual survey, the Committee compiled information on compensation for chief executives at our CPE benchmarks (University of Alabama at Tuscaloosa, University of Buffalo, University of California at San Diego, University of Cincinnati, University of Illinois at Chicago, University of Iowa, University of New Mexico, State University of New York at Stony Brook, Temple University, University of Utah, University of South Carolina, Virginia Commonwealth University and Wayne State University), the public Atlantic Coast Conference schools (Florida State, Georgia Tech, University of North Carolina at Chapel Hill, University of Pittsburgh, University of South Florida, Syracuse, University of Virginia, and Virginia Tech), and like institutions in our region (Indiana University, University of Kentucky and Purdue University). Values for executive base salaries, bonuses, deferred compensation paid that fiscal year, and total compensation for the fiscal year are presented in Table 2. In almost every case, base salaries of all chief executives was at or above the median value for all of the collected data. Bonuses and deferred compensation payments were paid in many instances, indicating that these components of compensation were not unusual.

Table 2. Comparison of Fiscal Year Executive Pay Packages.

<u>UNIVERSITY</u>	<u>EXEC NAME</u>	<u>TITLE</u>	<u>TENURE</u>	<u>BASE SALARY</u>	<u>% OF MEDIAN</u>	<u>BONUS</u>	<u>DEF COMP PAID</u>	<u>TOTAL COMP</u>
ALABAMA	JUDY BONNER	PRESIDENT	NOV 2012 - PRESENT	\$565,000	156.90%	\$105,000	\$0	\$670,000
BUFFALO	SATISH TRIPATHI	PRESIDENT	. PRESENT	\$650,000	152.20%	\$0	\$0	\$650,000
CALIFORNIA - SD	PRADEEP KHOSLA	CHANCELLOR	AUG 2012 - PRESENT	\$411,084	96.30%	\$0	\$0	\$411,084
CINCINNATI	SANTA ONO	PRESIDENT	OCT 2012 - PRESENT	\$525,000	146.40%	\$0	\$100,000	\$625,000
FLORIDA STATE	ERIC BARRON	PRESIDENT	JAN 2010- APR 2014	\$323,191	152.20%	\$233,000	\$0	\$649,950
GA TECH	BUD PETERSON	PRESIDENT	APR 2009- PRESENT	\$440,000	103%	\$0	\$0	\$440,000
ILLINOIS - CHICAGO	PAULA ALLEN-MEARES	CHANCELLOR & VICE PRESIDENT	JAN 2009- JAN 0215	\$422,458	204.30%	\$0	\$450,000	\$872,458
INDIANA	MICHAEL Mc-ROBBIE	PRESIDENT	JULY 2007 - PRESENT	\$555,745	156.20%	\$111,149	\$0	\$666,893
IOWA	SALLY MASON	PRESIDENT	AUG 2007 - PRESENT	\$513,003	120.10%	\$0	\$0	\$513,003
KENTUCKY	ELI CAPILOUTO	PRESIDENT	JULY 2011- PRESENT	\$535,500	161.10%	\$152,500	\$0	\$688,000
LOUISVILLE	JAMES RAMSEY	PRESIDENT	NOV 2002- PRESENT	\$624,000	146.10%	\$0	\$0	\$624,000
NC-CH	CAROL FOLT	CHANCELLOR	JULY 2013 - PRESENT	\$520,000	121.80%	\$0	\$0	\$520,000
NEW MEXICO	ROBERT FRANK	PRESIDENT	JUNE 2012 - PRESENT	\$358,550	84%	\$0	\$0	\$358,550
PITT	MARK NORDENBERG	CHANCELLOR	JUNE 1995 - AUG 2014	\$597,500	139.90%	\$0	\$0	\$597,500
PURDUE	MITCH DANIELS	PRESIDENT	JAN 2013 - PRESENT	\$420,000	112%	\$58,154	\$0	\$478,154
SOUTH CAROLINA	HARRIS PASTIDES	PRESIDENT	AUG 2008 - PRESENT	\$531,200	124.40%	\$0	\$0	\$531,200
SOUTH FLORIDA	JUDY GENSHAFT	CEO & SYSTEM PRESIDENT	JULY 2000- JUNE 2016	\$470,000	168.50%	\$186,525	\$63,150	\$719,675
STONY BROOK	SAMUEL STANLEY	PRESIDENT	JULY 2009 - PRESENT	\$650,000	152.20%	\$0	\$0	\$650,000
**SYRACUSE 2012	NANCY CANTOR	CHANCELLOR & PRESIDENT	AUG 2004 - OCT 2013	\$661,231	211.70%	\$50,000	\$0	\$852,292
TEMPLE	NEIL THEOBALD	PRESIDENT	JAN 2013 - PRESENT	\$450,000	112.40%	\$30,000	\$0	\$480,000
UTAH	DAVID PERSHING	PRESIDENT	MAR 2012 - PRESENT	\$358,850	103%	\$0	\$80,824	\$439,674
UVA	TERESA SULLIVAN	PRESIDENT	AUG 2010 - PRESENT	\$494,700	115.90%	\$0	\$0	\$494,700
VA TECH	CHARLES STEGER	PRESIDENT	JAN 2000 - MAY 2014	\$466,191	174.50%	\$25,429	\$253,575	\$745,195 (PARTIAL YEAR)
VCU	MICHAEL RAO	PRESIDENT	JULY 2009 - PRESENT	\$503,155	129.50%	\$50,000	\$0	\$553,155
WAYNE STATE	ROY WILSON	PRESIDENT	AUG 2013- PRESENT	\$472,251	110.60%	\$0	\$0	\$472,251

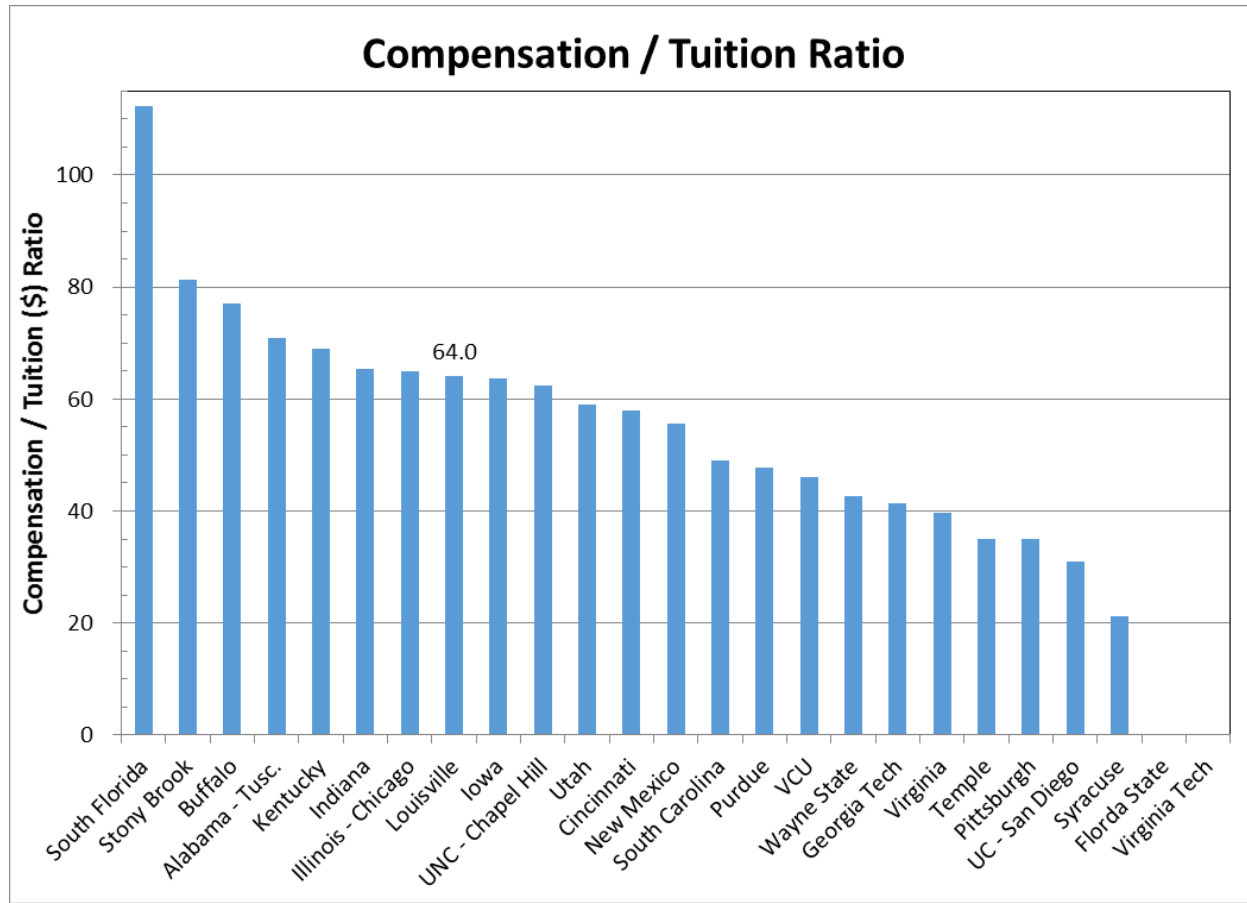
Deferred compensation set asides (not paid in the fiscal year under scrutiny) were also common (Table 3). The committee has no knowledge of the vesting or payment schedules for these set asides. In addition, retirement payments and other benefits (such as houses and cars) were common in the selected group of Universities examined.

Table 3. Additional Components of Executive Compensation.

UNIVERSITY	EXEC NAME	DEF COMP SET ASIDE	RETIREMENT	SEVERANCE	OTHER BENEFITS
ALABAMA - TUSCALOOSA	JUDY BONNER	\$0	\$0	\$0	HOUSE, CAR
BUFFALO	SATISH TRIPATHI	\$0	\$26991 - NOT INCL IN TOT COMP		
CALIFORNIA - SAN DIEGO	PRADEEP KHOSLA	\$0		\$0	HOUSE, CAR
CINCINNATI	SANTA ONO	\$0	\$29,614 - NOT INCL IN TOT COMP		
FLORIDA STATE	ERIC BARRON	\$37,703 - NOT INCL IN TOT COMP	\$18,717 - NOT INCL IN TOT COMP	\$93,759	
GA TECH	BUD PETERSON	\$316,666 - NOT INCL IN TOT COMP	\$25,025 - NOT INCL IN TOT COMP		HOUSE, CAR, SOCIAL CLUB
ILLINOIS - CHICAGO	PAULA ALLEN-MEARES	\$0	\$29,224		HOUSE
INDIANA	MICHAEL McROBBIE	\$100,000 - NOT INCL IN TOT COMP	\$72,767 - NOT INCL IN TOT COMP		HOUSE, CAR
IOWA	SALLY MASON	\$150,000 - NOT INCL IN TOT COMP	\$26,000 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR
KENTUCKY	ELI CAPILOUTO	\$170,000 - NOT INCL IN TOT COMP	\$80,325 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR
LOUISVILLE	JAMES RAMSEY	\$250,000 - NOT INCL IN TOT COMP	\$26,000	\$0	NONE REPORTED
NC-CH	CAROL FOLT	\$0	\$17,613 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR, SOCIAL CLUB, PERSONAL BENEFITS (UN)
NEW MEXICO	ROBERT FRANK	\$100,000 - NOT INCL IN TOT COMP	\$0	\$0	HOUSE, CAR
PITT	MARK NORDENBERG	\$0	\$71,700 - NOT INCL IN TOT COMP		HOUSE, CAR
PURDUE	MITCH DANIELS	\$0	\$27,022 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR
SOUTH CAROLINA	HARRIS PASTIDES	\$0	\$156,810 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR
SOUTH FLORIDA	JUDY GENSHAFT	\$100,000 - NOT INCL IN TOT COMP	\$19,536 - NOT INCL IN TOT COMP	\$0	CAR
STONY BROOK	SAMUEL STANLEY	\$0	\$20,600 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR
**SYRACUSE 2012	NANCY CANTOR	\$179,000 - MAY INCL RETIREMENT (NOT INCL IN TOT COMP)			NON-TAXABLE - \$113,665; \$396 (UNDEFINED)
TEMPLE	NEIL THEOBALD	\$200,000 - NOT INCL IN TOT COMP	\$33,158 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR
UTAH	DAVID PERSHING	\$266,153 - NOT INCL IN TOT COMP	\$50,803 - NOT INCL IN TOT COMP	\$0	HOUSE
UVA	TERESA SULLIVAN	\$180,000 - NOT INCL IN TOT COMP	\$66,537 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR
VA TECH	CHARLES STEGER	\$0	\$34,133 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR
VCU	MICHAEL RAO	\$191,000 - NOT INCL IN TOT COMP	\$27,699 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR, PERSONAL BENEFITS (TAX & FINANCIAL)
WAYNE STATE	ROY WILSON	\$92,130 - NOT INCL IN TOT COMP	\$48,189 - NOT INCL IN TOT COMP	\$0	HOUSE, CAR, SOCIAL CLUB, PERSONAL BENEFITS (HO)

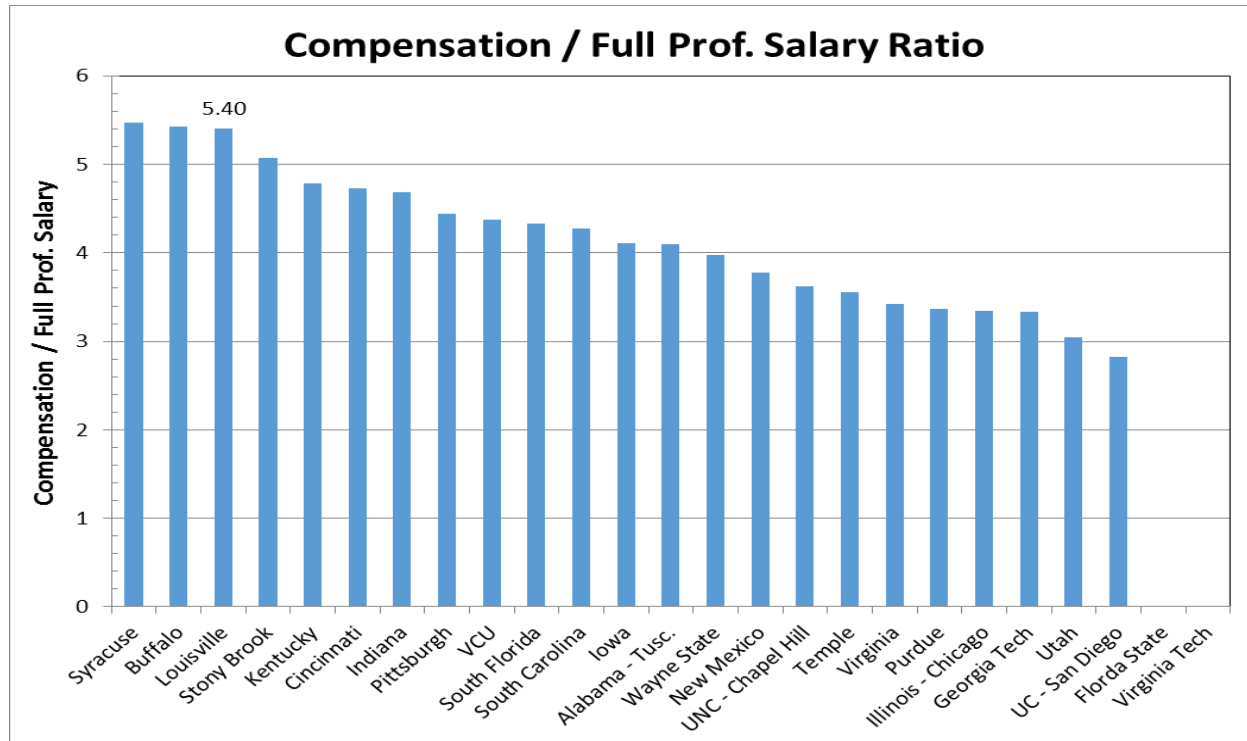
In order to express presidential base compensation in other ways that reflect the magnitude of the salary, the committee has also expressed base salary compensation in relation to full price in-state student tuition for the same fiscal year (see Figure 1). Looked at in this way, 2013-2014 presidential compensation at the University of Louisville requires the tuition of 64 full time undergraduate students

Figure 1. Comparison of the relationship between 2013-2014 presidential base compensation and undergraduate full time tuition.



An additional way to look at annual base salary compensation is to make a comparison to salary levels of faculty. In Figure 2, the committee has expressed presidential base salary relative to the median salary of a full professor during 2013-2014. The comparison reveals that presidential compensation at the University of Louisville is the equivalent of 5.4 times the median full professor salary.

Figure 2. Comparison of the relationship between 2013-2014 presidential base compensation and the median salary of a full professor.



Charge Three: Review the process of determining presidential compensation, including the role of the University of Louisville Board of Trustees and the University of Louisville Foundation.

President Ramsey is employed by both the University of Louisville (as President of the University) and by the University of Louisville Foundation (as Chair of the Foundation's Board of Directors). Each organization contributes to his base compensation. The Foundation pays all other forms of the total compensation, including bonuses, deferred set asides, retirement contributions, and other compensation including a car, and maintenance of the Gardencourt residence (used primarily for entertainment purposes and meetings). There was some suggestion that the Foundation Board and the Board of Trustees were not synchronized with respect to the Foundation's compensation for President Ramsey.

The Chair of the Foundation Board of Directors, Dr. Robert Hughes (who was also Chair of the Board of Trustees), appointed a committee of the Foundation Board led by Mr. Junior Bridgeman to determine the relationship between the two Boards with respect to compensation for President Ramsey. In brief, that committee reported that: there were always at least four current members of the Board of Trustees that were also members of the Foundation Board of Directors, many of the members of the Foundation Board were former Trustees, and the Board of Trustees had requested the Foundation Board to hire a legal firm (Stites and Harbison) to design a deferred compensation plan to help retain the President (and his leadership team) and reward them for performance.

Appendix 1 below is a letter from Robert Hughes, Chair of the Foundation Board of Directors and also Chair of the Board of Trustees, in which he highlights the findings of this Foundation Board Committee by saying "the Board of directors of the Foundation and the Board of Trustees have been in lockstep for the past 15 years". Appendix 2 is a partial transcript of the July 15, 2015 Foundation Board of Directors meeting where a report was made concerning these questions. The Appendix also contains the Powerpoint® presentation made on this topic at that meeting.

Appendix 1. Letter from Robert C. Hughes addressing the concerns about synchronization on compensation between the Foundation Board and the Board of Trustees.

August 28, 2015

Dear Alumni, Donors, and Friends:

In recent weeks, there have been some media stories alluding to a "disconnect" between the University of Louisville Foundation, Inc. and UofL, but with more focus on dissension between the boards of these organizations. This has created some noise and theatre for the press, but it has not altered nor diminished the great work that the foundation and the university have done. As Chairman of the University of Louisville Board of Trustees (serving in my 11th year as a Trustee) and Chairman of the UofL Foundation's Board of Directors, I can attest these boards are in lockstep. The accomplishments of our past cooperation are evidenced by the facts below and resulted from the tremendous generosity of our benefactors. Since Dr. Ramsey's appointment as president in 2002, the changes in revenue enhancement have been absolutely remarkable, even more amazing when you consider during this time we weathered the worst economic downturn since the Great Depression. The Foundation has served as a buffer against hard economic times and the uncertainty of changing political winds to support the university. Your trust and confidence in Jim's leadership and the UofL Foundation have made these achievements possible.

Next month, my term as Chairman of U of L's Board of Trustees will end, but I would be remiss if we didn't share with you some points of pride about the success of the UofL Foundation between 6/30/2002 and 6/30/2015. There are many more outstanding measures at louisvillefoundation.org, and I encourage you to visit the Foundation's website.

- ULF Portfolio increased 67% for a gain of \$322,297,000
- ULF annual transfers for UofL operations increased 290% for a gain of \$114,981,181
- ULF assets increased 74% for a gain of \$443,996,000
- ULF philanthropy and gifts increased 184% for a gain of \$1,577,451,508
- ULF matched transportation awards exceeded \$65MM for streetscaping and road safety projects
- ULF administrative overhead did not increase and remains 1.98%

For the past 45 years, the UofL Foundation Board of Directors has had no less than four Trustee-Directors serving annually (out of 15 board members) and seven times the Chairman of the Board of Trustees has served as Chairman of the Board of the UofL Foundation. Recently, we sent you a transcript from our

July Foundation meeting where Junior Bridgeman as head of a committee charged by me confirmed the Board of Directors of the Foundation and the Board of Trustees have been in lockstep for the past fifteen years (probably longer, but we did not ask Junior's committee to research further history).

In closing, the Board of Directors of the UofL Foundation recognizes these results are directly related to Jim Ramsey's financial acumen as an economist and his vision as President of the University, and we look forward to a very promising future with his leadership through 2020. Thank you for all that you do for the University of Louisville,

Robert Curtis Hughes, MD

APPENDIX 2. Partial transcript of the University of Louisville Foundation Board of Directors Meeting on 7/15/2015 and a Powerpoint® presentation made at that meeting.

ULF BOARD MEETING July 15, 2015

Dr. Robert C. Hughes:

In May, after talking with President Ramsey, Board of Trustees members, and members of the Foundation Board, I asked Junior Bridgeman, Margaret Handmaker, Sandy Metts- Snowden and Bruce Henderson to review the interactions between the Board of Trustees and Foundation Board regarding compensation issues. Junior agreed to Chair the committee and Margaret did the background work. Junior, Margaret and Sandy have served on the Board of Trustees and the Foundation Board, and Bruce is currently on the Board of Trustees.

Junior Bridgeman:

What we were asked to do was look at the relationship, transparency, the governance and interaction between the Board of Trustees and the Foundation Board and how that interaction played a role on the actions the Foundation Board has taken. Thank you Margaret Handmaker for going through 2 weeks of reading materials and committee reports on what the Foundation has been doing since the year 2000. I think she needs a round of applause. We all know that the Board of Trustees has formal and informal committees and its committees do a lot of work with provided outside expertise. The university and the trustees rely on the integrity and diligence of everyone on these committees to do what is in the best interest of the University and the Commonwealth.

It was interesting to see how many people have been around here a long time. I say this because I have this information on myself. I became a member of the Board of Trustees in 1996 and I served on the Trustees until 2007. I served on the Foundation Board between 2000 and 2002 and again in 2007-2008. I thought I was gone, but the Foundation Board brought me back in 2012 to present. I was the Chair of the Trustees Compensation Committee until 2002 and I was the Board Chair of the Trustees in 2003 & 2004. I served as a member of the Trustees Compensation Committee up until 2007. I say this because there are a lot of people around this table who have been around here even longer than I have. Why is that important? It is important because you see the relationship I am talking about in practice here, but it is also interesting how over time we forget how things work. We forget the interaction and what things come into play. I think it is good to remind ourselves how the two boards work together and how they have been successful over all this time.

PowerPoint (attached)

This is not a formal report, but a draft report. If anyone wants to make any comments for us to change or look at it differently, we are happy to take those and go from there. Key points are that the Foundation Board and Board of Trustees have worked together for a long long time. The Foundation has always had Trustees on the Board. Back when I was a trustee, we always thought, and my opinion was, that the Foundation was to do things at request of the Board of Trustees. The Board of Trustees was still the main overseer and controller for the University. Any comments from anyone else on the committee that I did not say myself?

Sandy Metts-Snowden:

Yes I would like to comment. I was on the Board of Trustees for 12 years. I served on the Foundation Board as one of four trustees from 2000-2008. I served on the Trustee Compensation Committee as a Vice Chair from 2005-2007 and Chair in 2008. During my time on the Trustee Compensation Committee and the Foundation Board the Trustees worked together to provide recommendations for the Foundation regarding President Ramsey's compensation and his team. The Board of Trustees and Foundation Board Chairman Chester Porter worked with the Foundation to create a retention plan to keep Dr. Ramsey here. We were so impressed with the job he was doing after three or four years-graduation rates were increasing, research funding was rising — gifts and endowments to the University were as well. Jim loved the University. He was at every sporting event. He was everywhere. He loved the kids. We even told him at that time to slow down for his own health, and we were concerned that he would be recruited away. Chairman Porter worked with Kennedy Helm to create a plan for us; the Trustees knew what the Foundation was doing because we asked the Foundation to do it. The Bridgeman-Handmaker report is important because it shows that the Trustees who were serving on the Foundation Board were engaged in the work of the Foundation and in

keeping Dr. Ramsey here as President. As any corporate or political leader would tell you, it is important to keep the team together to accomplish goals -the ones established by the Board of Trustees. There were no transparency issues between the Foundation Board and Board of Trustees. The Trustees who preceded the current Trustees knew what they were doing, so I guess I just don't understand where all the controversy is coming from. Thank you, Junior.

Dr. William Selvidge:

Can I say something to that as well? I joined the Board of Trustees in 2007 after telling Junior I would never do it, and followed that by joining the Foundation Board in 2008 through the current time. I was a Board of Trustees member on the Foundation Board until my time as a Trustee ended in 2013, and then I became a Foundation Board at large member. The last year I was on the Board of Trustees I served as the Chair of the Foundation Board. I started out on the Finance Committee of both boards. In 2011 I was on the Trustees Compensation Committee and the Foundation Chair was Chester Porter. Chester knew the most about the goings on but I probably knew the second most. I was on the Trustees Compensation Committee at that point in time. We knew Dr. Ramsey was being pursued by several other universities-most we weren't concerned about, but I think there was one that he was serious about and we were very very concerned. We sat in closed session for probably close to an hour discussing what to do and the unanimous decision of everyone on the Board of Trustees was that Chester Porter should meet one on one with Dr. Ramsey and do whatever it took to make sure he stayed. We had made so much progress over those last several years that we didn't want to lose it. I talked with Chester at least twice after that. He and I met and he told me that Dr. Ramsey really didn't seem to be interested in more money. He was concerned with two things-he wanted something for his retirement and he wanted something to make certain that his executive staff stayed together. We went and met with the Executive Committee of the Foundation and they thought they could put something together with retention incentives that would meet both of those goals. This all was reported back to the Board of Trustees. The Foundation Board knew about it, the Board of Trustees knew about it. To me the problem occurring now is because there are some people on the Board now that don't know what the Board of Trustees or Foundation Board did back then, but I was on both sides of it at that point in time in 2011. We were adamant that we were going to do whatever it took to keep Dr. Ramsey here and to keep his team together. I think it was the right move then and it was the right move today.

Bruce Henderson:

I would like to make a couple of comments. Most of you all know me. I have been on the Board of Trustees since 2011. I know as one of the newer Board members, one of the reasons why I literally solicited and talked to the Governor about getting on the Board of Trustees was that I had a passion for the school. I was an engineering graduate, business owner-I run a 3rd generation business but one of the reasons that compelled me to become a Board of Trustees member was the reason we are sitting here talking about. The transparency in what has been done in the past. As a 3rd generation business owner, I sell and then live a tradition that my grandfather started the business with in 1919. So, these things are tradition, and this is what the university is all about -- the transparency you talk about Junior and how all these documents show. Literally going into my fourth year, what we have seen is nothing but transparency. Everything we have talked about has not only been very open, and yes some of the criticism has been very shocking to a lot of us, but seeing through our due diligence, obviously Margaret went through a lot more documents than we did, collectively it is clear that the process has been working.

Dr. William Selvidge:

It has.

Bruce Henderson:

Again, that is why we are all here, to make things better, and we have a tremendous leader. I am in the construction business and contracting, and from the business standpoint, it is all about results. You need to grade by results. Right Chuck (Denny)? You are in the banking business, it is all about the results. If you don't believe something hasn't been working then you look at the record, you look at the results. Again, a lot of us have been preaching that lately and that is what it is all about. Everything has not been done perfect, but look at the things under the leadership of Dr. Ramsey, and what this University has achieved is absolutely nothing but remarkable. So, again for those of us who have gotten on the Board of Trustees the last couple of years, obviously we value greatly what has been done in the past. These are my comments relative to that.

Joyce Hagen:

I will just jump in and say that I started on the Board of Trustees in 1998 and then transferred over to the Foundation Board. Many of us have done that. Many of us have taken the six years of trusteeship and then have been able to bring that history and that knowledge to the Foundation. I think those of us who have taken that path appreciate the elegance of how the programs are set up here, in that the Foundation is chaired by someone who is chairing the Board of Trustees. So that as we move forward with our strategic plans we are doing it in lock step. I remember when we brought Jim Ramsey on. I remember the huge ambitions we had for the university and the community and it has all come true. It has been tremendous to be part of that whole process.

Dr. Robert C. Hughes:

Junior I would like to speak. I am starting my 11th year on the Board as of June 30th or July 1st, I guess that is when it starts. Well I have been on the Board and I know what I saw about 10 years ago and I know what I saw when I graduated about 30 years ago. It has been a remarkable transformation. I think the numbers we saw today speak for themselves, in terms of the amount of funding that the Foundation is providing to the university. I think the \$145 million, which is up from \$142, and the gap between that and what is provided by the state continues to widen. I know the state is doing the best it can with what it has but again the Foundation exists for the benefit of the university. It has proven that over a long period of time. I was Chair of the Trustees Compensation Committee in 2011-2012 so we were moved by what some of you guys did, which was wise until then. What we did in 2012 when we were faced with Dr. Ramsey was what to do in regard to keeping him longer at the University. Dr. Ramsey at that time was fine. Playing the game of guess your age, I think at that time Jim was 62. We definitely wanted to take him through another eight years to 70, and hopefully keep him past then but at least to be talking to him in 2020. We developed a retention plan at that time to keep Dr. Ramsey over that eight year period. That was basically \$500k every two years, and that was recently modified I think at the last Foundation Board meeting, to make it \$250k every year. That was a wise move. We have had several universities courting Jim, large universities that would have paid significantly more. But Jim is from Jefferson County and his heart is here. He has done a remarkable job at the university.

I think as far as the Trustees go, being Chair of the Board of Trustees over the last two years, I think it would be an understatement to say these two years have been quite difficult. It behooves the board members to educate themselves as to what the former Trustees have done because we truly stand upon the shoulders of the former Trustees, such as Junior yourself and people going back over 200 years. It is just like legislation-- it is not a revelation, it is an evolution. Things improve and things change. We have to educate ourselves on our part and not assume that every day is a new day. So, I am personally speaking as the Chairman of the Board of Trustees that I have been nothing but pleased and put my treasure where my mouth is on that as faith in the university and also faith in the Foundation as to what has been done. I have some more comments can make on that but wanted to put forward the compensation piece as was Chair when we made those changes in 2012. So there is no lack of transparency.

Junior Bridgeman:

I think that pretty much sums up our report. Margaret?

Margaret Handmaker:

The only thing is. I wasn't sure if you had this on a slide or not. I didn't hear you say it, but there have been four Trustees on the Foundation Board since 1970, so it has been a consistent policy of collaboration.

Dr. Robert C. Hughes:

There is another thing too that came out in the press, not that I pay attention to all of that, but the Chair of both Boards has been the same seven times so it is not unique for the Board of Trustees Chair to be the Foundation Board Chair-I think seven times. I think Chester served this role and several others have too, but again it is to make sure that everything is lock step.

Dr. William Selvidge:

And with the four Trustees that are on here, the vast majority of everyone else on the Foundation Board are past Trustees.

Margaret Handmaker:

Yes that is true!

Junior Bridgeman:

Not to take too much more time but I would like to make just one more comment. Normally when companies are going through searches for Presidents or CEOs, there are people who want the job. Your task is to determine who is the best person. Well for those of us who were here when we made the transition from Dr. Shumaker, at a time that was a difficult time, Dr. Ramsey did not want the job. So Chester and I had a couple of conversations, and I know Chester had even more conversations, with Jim to convince him to take the job. Then he said he would only take it for one year—he did not want it after that year. Jim felt better about it, you know we were pushing him, but we had to convince him to keep the job. Through that time I think he not only grew to love the job, but he also grew to love the university, which I think is exactly what everybody is seeing here today. That is the last thing I am going to say until it gets to be testimonial time for Dr. Ramsey. Thank you.

Dr. Robert Curtis Hughes:

Let me thank the committee for all the work you have done. Margaret I heard you have been quite busy. I know you have gone back to 1970. Let me just read some prepared remarks. As Chair of the Trustees Compensation Committee and during my service on the two Boards there has always been an open dialogue regarding the President's compensation. I mean if you ask the question you get the question answered and if you don't there are other ways to get it. If you Google Jim's compensation, you would get about 20 pages on it right now. I looked at it this morning just to see. It is no big secret. Right there the internet makes everything transparent. Right after what you had done and had expired in 2011-2012, we looked at Dr. Ramsey's salary at that time. What we were interested in was setting him at the 60th percentile or higher to retain him with a deferred compensation agreement and we were looking at the other Big East schools as where we wanted to benchmark him against. We also looked at Tom Jurich, and how much we were paying Tom. As you heard, I think Jim has had another incredible year. The university is headed in that upward trajectory that he has referred to and that we have seen in many different ways. We are fortunate to have outstanding and consistent leadership, when the national average across the country, looking at Presidents is only 5 years. That turnover is detrimental to any organization's strategic growth. If you are a fan of the Association of Governing Boards the Association of Governing Boards will tell you that the worst thing you can have is turnover. The Association of Governing Boards will also tell you that the most important relationship you can have is the relationship between the Chairman and the President. I have done my best to maintain that but I can also tell you it has been quite easy to do working with Jim. It has not been a challenge. The Trustees have been looking at board governance since April of 2015. I have been asked to look at governance and I have been directed to review it. I have been asked to speed up the review, and now I have been asked to slow it down and stop it. So we are not going to stop the review, we are going to finish it and hopefully finish it in August. If there is anything to add to that by any third parties to make it better, then we will add it. But at the end of the day the Board of Trustees and Foundation Board members want to make things better. So if people have better ideas we will incorporate those. The committee may develop several initiatives that have a utility for this Board. One critically important criterion is to have a good working relationship with the President, and I believe the Foundation Board has one. The Foundation Board has provided funding for the 54% graduation rate. I will take little to no credit for that- I will give that to Jim and his management team and the wonderful faculty we have and wonderful students we have been able to recruit. Just this weekend in Murray I was speaking with the high school principal where we only have 110 students in the school system, but we have 13 coming to UofL with ACT scores of 30 or greater. Jim has traveled this state from one end to the other, having meetings to recruit the best students, to work with our alumni (we have 145K alumni who were quite generous in the last capital campaign) and Jim, Keith and the team that Jim assembled they have done a wonderful job. The campus transformation is spurring our campaign, the Cardinal Covenant, which many of us are fond of, and many more achievements.

Jim, I want to thank you for your leadership and look forward to working with you for years to come. Jim, if you have ever earned your place you have certainly earned it the past year or two. I can say that with all honesty, I deeply appreciate the relationship working with you. What I am going to ask for is a motion to approve the report by Junior Bridgeman's committee. Mr. Denny moved and Dr. Selvidge seconded. Motion carried unanimously.

Foundation Board Members voting for the motion were Chairman Dr. Robert C. Hughes, Dr. Larry Benz, Mr. Jonathan Blue, Mr. Junior Bridgeman, Mr. Chuck Denny, Ms. Joyce Hagen, Ms. Margaret Handmaker, Dr. Mark Lynn, Mr. Frank Minnifield, Dr. Joseph Prather, II, Dr. William Selvidge, and Mr. Frank Weisberg.

ROLE OF THE UNIVERSITY OF
LOUISVILLE TRUSTEES IN THE
ALIGNMENT WITH AND
TRANSPARENCY OF THE UNIVERSITY
FOUNDATION

July 10, 2015

Background

- Junior Bridgeman, Chair, Margaret Handmaker, Bruce Henderson, and Sandy Metts Snowden to serve as a committee
- Review the role of University Trustees regarding transparency of actions taken by the University Foundation and alignment of the two entities

Governance

- Consistent with the best practices of large universities, the Board of Trustees has formal and informal committees
- Trustees on these committees provide work and expertise outside of regularly scheduled meetings of the full Board
- Trustees then rely on the diligence and good faith of committee members

ULFHistory

- UofL Foundation was formed in 1970
- Four trustees appointed to the Foundation Board to serve as a de facto Foundation committee of the Board of Trustees
- Past 45 years, 4 Trustees have served on the Foundation Board

ULF History, cont.

- To further support transparency and alignment with the University, President Ramsey instituted a policy that the Chair of the Foundation Board is always a Trustee of the University

The Executive Committee of the Foundation includes the Foundation Chair (always a Trustee) and Officers of the Board of Directors who may or may not be Trustees

Deferred Compensation

- Upon the recommendation of Kennedy Helm, legal counsel for the Foundation, the Board adopted a Private Option Plan in 1998
- A form of deferred compensation used to attract and retain key leaders through competitive levels of total compensation and deferred vesting

- The plan was designed by Stites & Harbison and administered by the Executive Committee of the Foundation (Plan Administrator)
- Plan participants earned deferred compensation that increased in value based on the increase or decrease in value of specific tradable securities owned by the Foundation
- (Note: President Shumaker and Acting President Garrison forfeited deferred compensation because they left the University prior to their applicable vesting dates)

- In 2005, upon further recommendation by Kennedy Helm, The Private Option Plan was replaced with a Deferred Compensation Plan to comply with new IRS regulations for deferred compensation provided to employees of tax-exempt organizations
- The new plan was also designed by Stites & Harbison

